

The report of the Remuneration Committee

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Introduction from the Committee Chairman

This is my ninth and final remuneration report as Chairman of the Remuneration Committee.

It covers another challenging, but successful, year for our Co-op. So, again, we've worked hard to ensure an outcome that rewards our colleagues appropriately for the contribution they made.

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 Co-op's National Members' Council and listen closely to the wider membership, not least at our AGMs. The consistent message we get is that we should continue to reward our leaders competitively, while we do our very best to increase rewards for our lower paid colleagues.

This report always contains a lot of information, but we try to simplify it within the guidelines of best practice reporting.

The introduction has all the key highlights and there are two further sections:

- i. **Part I - Executive Pay Policy.** We've included a summary of the pay policy which 83.38% of members approved at our 2022 AGM.
- ii. **Part II - Annual Report on Remuneration.** Then we've shown how the policy has been applied.

We've also included a 'Pay at a glance' section on pages 96-97, so you can see all the key information on our Executive team in a simple format.

Our approach

We're co-operators. We believe in being open with our members. So, we go beyond public company best practice and look at wider pay and reward principles for our entire colleague cohort, Operating Board and Executive.

Our performance

Over the last 18 months, under Shirine's leadership, we've made decisions that have stabilised our business, so we enter 2024 with a much more robust balance sheet and primed for growth.

But 2023 was another challenging year, economic uncertainty, global conflict, consumer inflation, all affecting our member-owners, our customers and our communities. Fortunately, hard work and innovation at all levels throughout our organisation has meant that we ended 2023 in a much stronger position than we did in 2022, and ahead of our initial year end predictions.

We exceeded most of the targets we set ourselves: cash generation up, underlying operating profit up and net-debt significantly down; and we've significantly grown our membership base. So despite those external headwinds, our stronger financial position has allowed us to do the right thing and invest in supporting our member-owners, colleagues and communities during the ongoing cost of living crisis.

The full details of how our Co-op performed is given in 'Our financial performance' section on page 40.

Our colleagues

Once again, significant additional investment was made in frontline colleague pay, to recognise their vital role.

In April 2023, we aligned our minimum hourly rates to the Real Living Wage as set by the Living Wage Foundation (www.livingwage.org.uk) and we will again from April 2024. For Customer Team Members (CTMs) in our Food stores, this resulted in a 10.1% pay rise. We also maintained the pay rate differential between CTM and Team Leader roles. And unlike many organisations, our hourly pay rates will still apply to all colleagues, including younger colleagues and apprentices.

Wellbeing continues to be a key priority and we've made progress again on how we support both health and financial wellbeing. We have refreshed our Wellbeing strategy, with a focus on identifying and meeting changing colleague needs, creating clear pathways to services and measuring the return on our investment.

We've continued our regular communication about the wellbeing issues that we're told matter most. In the year we have:

- Announced that the colleague discount of 30% on own-brand products has been extended indefinitely. This is a major investment in helping to reduce their household expenses.
- Offered all colleagues not eligible for our bonus schemes a one-off winter recognition payment of £30 loaded onto colleague membership cards.
- Contributed £10 per colleague to fund end of year celebrations.
- By the end of 2023, more than 15,000 colleagues had signed up to our Wagestream app and more than 5,000 have chosen to build a rainy-day fund with Wagestream as part of our research project with Nest Insight and Wagestream.
- 21,000 colleagues had downloaded the YuLife app.
- We have updated our Wellbeing Hub to make it easier to access services.
- We have carried out a pilot in Funeralcare to identify mental health 'presenteeism' in colleagues and to provide proactive targeted support to avoid absence and ill health.
- And we are working with Food Stores to improve wellbeing support for any colleagues at high risk of increased violence.

At the end of 2023, more than 39,000 colleagues were members of our pension scheme. Our pension offer compares 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 progress we've made at co-operative.coop.

Our pay outcomes

Bonus

Good financial stewardship - particularly managing our debt level - is the underpin performance measure within our annual Bonus Plan (BP). 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 paid. In 2023, that net debt/EBITDA gateway was comfortably met.

Our Co-op performed well against the targets the board set and as a result, awards under the 2023 BP for our Executive were between 85% and 90% of their maximum opportunity, with 50% of this award to the Executive (and senior leaders) paid now, with the remainder deferred for a further two years.

More information on the balanced scorecard measures can be found on page 102.

Deferred bonus payments

The second half of the 2021 BP award would have been due to colleagues still employed by our Co-op and not under notice at the time of payment. The Committee made the difficult decision to determine that the financial gateway test had not been met for the 2021 Bonus Plan, consequently, no payments were payable under the 2021 Bonus Plan for colleagues who were members of our Executive at the end of 2021.

Further details of those amounts that were paid and deferred can be found from page 101.

Changes to the Executive

We were pleased to welcome Rachel Izzard as Chief Financial Officer in June.

Our Interim Chief Financial Officer - Mike Hazell left during the year. Information on the pay he received can be found on page 101.

Our Executive team now consists of our Group CEO - Shirine Khoury-Haq, our Chief Financial Officer - Rachel Izzard, and our Company Secretary & General Counsel - Dominic Kendal-Ward.

Our Executive team are part of a wider senior 'Operating Board' which Shirine put in place to focus on our cross-Co-op strategic priorities. The Operating Board brings together up to 20 of our most senior leaders and decision makers, working collaboratively on what we need to do to run our businesses effectively and at pace. We haven't reported on an individual basis for this enlarged group as part of this Annual Report, however we have provided details of total pay for the agreed roles that the Committee have oversight for on pay, which we can track over time. This cohort of leaders is specifically selected to focus on short and mid-term outcomes and, as a result, membership will vary in line with changing priorities.

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. Their insight and challenge throughout the year made sure our members' voice was always in the room.

AGM

It remains important to us that our members make their views heard, so we would ask that you vote prior to the 2024 AGM, including upon the motion to approve the Annual Report on Remuneration. Please watch out for your voting email or letter.

I say every year that getting the reward balance right is never easy. I hope you will understand and endorse the decisions we've made on your behalf, and I'd like to offer my thanks in advance for your vote to approve my report and 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 2024. Further details are set out on pages 98-99.

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	2023 £'000	2024 £'000	Maximum BP opportunity as a % of bonusable pay
Shirine Khoury-Haq	750	750	250%
Rachel Izzard ¹	450	450	180%
Dominic Kendal-Ward ²	310	350	150%

Notes to table

- On appointment as our Chief Financial Officer, Rachel Izzard's salary was set at £450k with a maximum bonus opportunity of 180%.
- On appointment as our Co-op Secretary & General Counsel, Dominic Kendal-Ward's salary increased to £275k, and his maximum bonus opportunity increased to 150%. After a six month review period his salary was increased to £310k and following a further six month review his salary was increased to £350k.

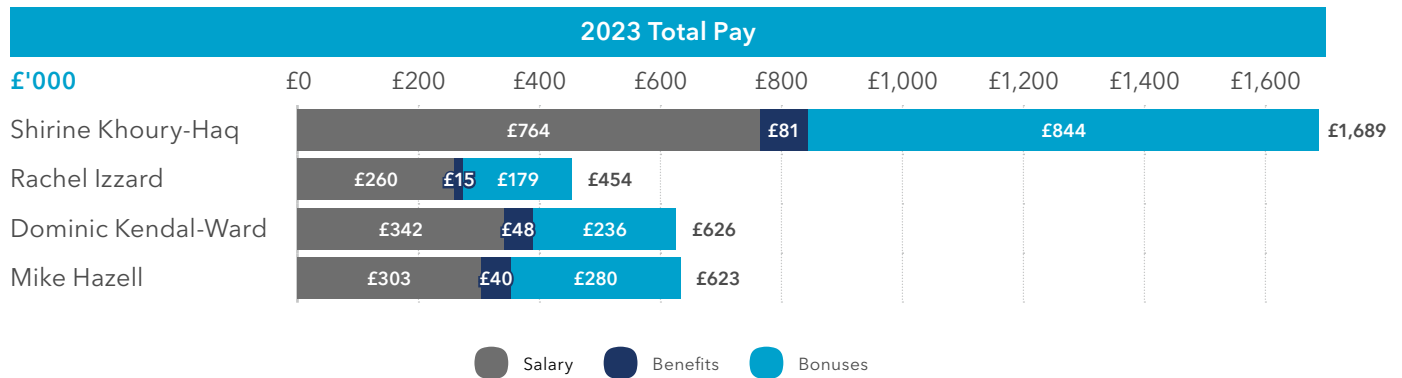
How our approach links to our strategy

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 member-owners and the communities in which we trade.
Community	Supporting local communities where our member-owners 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 member-owners, communities and customers.

2023 pay outcomes

The chart below shows the pay which our executives received in 2023 and full details can be found in the Annual Report on Remuneration which starts on page 101.



Notes to chart

1. Mike Hazell stepped down from the Executive on 30th June 2023. Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement was put in place linked to specific deliverables during his contract. Salary information in the chart for Mike Hazell also includes £5k of payments paid as a commuting/travel allowance.
2. The salary and benefits information shown for Rachel Izzard relates to the period since she joined our Executive on 12th June 2023.

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-operative Purpose and Values.
- We want a benefits package that reflects our co-operative 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	<p>There is no maximum salary. Typically, salaries are reviewed annually. When reviewing salaries, the Committee will take account of:</p> <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	<p>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.</p> <p>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.</p>
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	<p>The following options are available:</p> <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	<p>Our Executive will be eligible for a payment under a Bonus Plan (BP) agreed by the Committee.</p> <p>The performance measures and targets for each annual BP cycle will be set at the start of each year. Payments will be based on a combination of business and individual performance.</p> <p>50% of any award is subject to a two year deferral period - not all of the award will be paid in one go - 50% will be paid two years later.</p> <p>Payments made under the BP are subject to malus and clawback provisions.</p>
Maximum opportunity	<p>The maximum possible bonus opportunity under the BP is 250% of salary 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 101.

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 2023 financial year.

Table 1a - 2023 pay for our executives in post at 7 January 2024

Name of executive	Period	Fixed Pay			Performance Related Pay		Other £'000	Total £'000
		Basic salary £'000	Taxable benefits (Note 1) £'000	Pension benefits (Note 2) £'000	Bonus Plan (Note 3) £'000	Deferred Bonus Plan (Note 4) £'000		
Shirine Khoury-Haq	2023	764	5	76	844	0	0	1,689
	2022	727	5	73	372	394	0	1,571
Dominic Kendal-Ward	2023	342	14	34	226	10	0	626
	2022	158	8	13	65	47	0	291
Rachel Izzard	2023	260	8	7	179	0	0	454
	2022	-	-	-	-	-	-	0

Notes to Table 1a

- The 2023 financial year ran from 1 January 2023 to 6 January 2024, which is a week longer than the 2022 financial year.
- Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
- Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
- Bonus Plan amounts shown represent 50% of the 2023 BP earned award which is payable May 2024. 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 Bonus Plan.
- Deferred bonus awards relate to the 2021 BP, no award was made to our Executive under this Plan. Dominic Kendal Ward did receive an award under the 2021 BP which was awarded for his prior role before joining our Executive.
- The salary and benefits information shown for Rachel Izzard relates to the period since she joined our Executive on 12th June 2023.

Table 1b - 2023 total pay for the 9 agreed Operating Board roles which Committee have pay oversight for in post at 7 January 2024

Name of executive	Period	Fixed Pay			Performance Related Pay		Other (Note 5) £'000	Total £'000
		Basic salary (Note 1) £'000	Taxable benefits (Note 2) £'000	Pension benefits (Note 3) £'000	Bonus Plan (Note 4) £'000	Deferred Bonus Plan £'000		
	2023	2,807	80	238	1,063	0	65	4,253

Notes to Table 1b

- The 2023 financial year ran from 1 January 2023 to 6 January 2024, which is a week longer than the 2022 financial year.
- Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).
- Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.
- Bonus Plan amounts shown represent 50% of the 2023 BP earned award which is payable May 2024. 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 Bonus Plan.
- Other payments include a travel/commuting allowance

Table 1c - 2023 pay for executives who left our Executive during the 2023 financial year

Name of executive	Period	Fixed Pay			Performance Related Pay		Other (Note 5) £'000	Total £'000
		Basic salary (Note 1) £'000	Taxable benefits (Note 2) £'000	Pension benefits (Note 3) £'000	Bonus Plan (Note 4) £'000	Deferred Bonus Plan £'000		
Mike Hazell	2023	303	7	29	280	-	4	623
	2022	325	7	29	-	-	5	366

Notes to Table 1c

- Mike Hazell stepped down from the Executive on 30th June 2023. Basic salary includes a payment on leaving for unused holiday entitlement.
- Taxable benefits include car cash allowance and healthcare
- Pension includes Co-op Defined Contribution pension plan
- Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement was put in place linked to specific deliverables during his contract.
- Other payments include a travel/commuting allowance

2023 BP outturn

The following table shows our performance for each section of the 2023 balanced scorecard.

2023 Balanced scorecard measures		Weighting		Performance	
Measures	% of maximum weighting	Outturn	Summary		
Win as Co-op					
Co-op Operating Profit	50%	Stretch	<ul style="list-style-type: none">Despite the external factors, we ended 2023 in a much stronger position than we did in 2022, significantly ahead of the plan set for 2023.		
Fairer for our Members and Communities					
Member – measures focused on creating and sharing value; driving member engagement, creating value with our members and sharing it with their communities	20%	Target +	<ul style="list-style-type: none">We acquired more than 1m new members in 2023, which was a positive response to our continued investment in member pricingAlong with the increase in members we also experienced a significant increase in the frequency of members shopping with usMember Participation grew significantly during 2023 with 25% increase in the number of times members contributed to our vision		
Fairer for our Colleagues					
Colleague – measures focused on building and maintaining colleague engagement	10%	Stretch	<ul style="list-style-type: none">Significant increase in our engagement score linked to positive response to key actions taken during 2023 which include:-<ul style="list-style-type: none">The Listen, Act, Fix activity in storesOur high-profile campaigning on colleague safety		
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		

In determining the final outturn, the Committee reviewed each of the measures as set very robustly and tried to balance the ambition to recognise an exemplary job in another challenging year whilst taking into account relevant headwinds and tailwinds.

Our Co-op performed well in 2023 performed well against the targets set as a result, awards under the 2023 BP for our Executive were between 85% and 90% of their maximum opportunity, with 50% of this award to the Executive (and senior leaders) paid now, with the remainder deferred for a further two years.

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 7 January 2024.

Table 2a - deferred BP awards held by our executives in post at 7 January 2024

Name of executive	Bonus Plan award year	Value of Bonus Plan award deferred £'000	Bonus Plan deferred award due in year (Note 1) £'000
Shirine Khoury-Haq	2023	844	-
	2022	372	-
	2021	-	0
Rachel Izzard	2023	179	-
	2022	-	-
	2021	-	-
Dominic Kendal-Ward	2023	226	-
	2022	65	-
	2021	-	10

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	Bonus Plan award year	Value of Bonus Plan award deferred (Note 1) £'000
Mike Hazell ¹	2023	0
	2022	0
	2021	0

Notes to Table 2b

1. Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement was put in place linked to specific deliverables during his contract. No deferred bonus payments are due.

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 7 January 2024

Name of executive	Date appointed to Executive	Years of group service	Period	Employer contributions to Defined Contribution pension scheme £'000	Payment in lieu of pension benefit £'000	Total pensions benefit £'000
Shirine Khoury-Haq	5 Aug 2019	4	2023 2022	4 2	72 71	76 73
Dominic Kendal-Ward	13 Jun 2022	6	2023 2022	4 13	30 0	34 13
Rachel Izzard	12 Jun 2023	0	2023 2022	7 -	0 -	7 -

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 2023 financial year

Name of executive	Date stepped down from Executive	Years of group service	Period	Employer contributions to Defined Contribution pension scheme £'000	Payment in lieu of pension benefit £'000	Total pensions benefit £'000
Mike Hazell	30 Jun 2023	1	2023 2022	1 1	28 28	29 29

Notes to Table 3b

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.

What arrangements have been agreed for former executives?

Mike Hazell stepped down from our Executive on 30 June 2023. His earnings whilst he was a member of our Executive team up to 30 June 2023 are shown in Table 1c. Due to Mike Hazell joining us on a fixed term contract basis, a separate bonus arrangement was put in place linked to specific deliverables during his contract.

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
2023	Option C	74:1	72:1	65:1
2022	Option C	91:1	76:1	62:1
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.

In addition, for the last six 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 2024 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 2024	32:1	72:1
1 April 2023	35:1	79:1
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

On appointment as our Chief Executive, Shirine Khoury-Haq's salary was increased to £750k, and her maximum bonus opportunity increased to 250%, which is the same remuneration package as our previous CEO. The reason for the reduction in the pay ratio is that our CEO pay and on-target earnings has remained static whereas we've increased the pay of the comparator role, which is a Customer Team Member (CTM) in our Food stores, by 10.1% from 1 April 2024.

Non-Executive Directors' remuneration

This section of the report includes details of the payments made to the Non-Executive Directors (NEDs) in office during 2023.

What are the fees for the NEDs for 2024?

NED Role	Fees
Chair	<ul style="list-style-type: none"> The basic fee for the Chair role is £250,000 per annum.
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

There has been no change in annual fee between 2015 and 2023. No additional fees are paid and no other benefits are 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 2023 financial year.

Table 4a - Non-executive members of our Board at 7 January 2024

	Notes	Co-op Board £'000	Risk and Audit Committee Chair £'000	Remuneration Committee Chair £'000	Senior Independent Director £'000	2023 total (Note 7) £'000	2022 total £'000
Debbie White (Chair)	1,3	26				26	0
Stevie Spring	2	61		15		76	75
Lord Victor Adebawale		61				61	60
Margaret Casely-Hayford		61				61	60
Paul Chandler		61				61	60
Sarah McCarthy-Fry		61				61	60
Rahul Powar		61				61	60
Kate Allum		61				61	39
Adrian Marsh	2, 4	42	10			52	0
Moni Mannings	6	1				1	0
Allan Leighton		See Note 5				See Note 5	See Note 5

Notes to Table 4a

- Debbie White was appointed on 1 August 2023 and became Chair on 2 January 2024.
- 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.
- No additional fee is paid to the Chair of the Nominations Committee.
- Adrian Marsh was appointed on 1 May 2023 and is the Chair of the Risk and Audit Committee.
- Allan Leighton stepped down as Chair on 1 January 2024 but will remain as a non-executive Director until 18 February 2024. Since his appointment Allan Leighton has waived his fee, instead this is paid directly by our Co-op to charity. In 2023 it was paid to The Co-operative Community Investment Foundation. In 2023 the donation was £255,000.
- Moni Mannings was appointed as Senior Independent Director on 1 January 2024.
- The 2023 financial year ran from 1 January 2023 to 6 January 2024, which is a week longer than the 2022 financial year.

Table 4b – Former Non-Executive members of our Board who left during the 2023 financial year

	Notes	Co-op Board £'000	Risk and Audit Committee Chair £'000	Remuneration Committee Chair £'000	Senior Independent Director £'000	2023 total £'000	2022 total £'000
Simon Burke	1	20	4			24	75
Sir Christopher Kelly	2, 3	52			13	55	75

Notes to Table 4a

1. Simon Burke stepped down on 30 April 2023.
2. Sir Christopher Kelly stepped down on 13 November 2023.
3. 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.

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 2023 are provided on page 75.

The Chief Executive, the Group Secretary and General Counsel, the Chief People and Inclusion 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 2023, the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £38,615 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.