



Ethnicity Pay Gap Report

2022/2023

co
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Our Ethnicity Pay Gap Report

Shirine Khoury-Haq, Group Chief Executive

This is the second time we've reported on our ethnicity pay gap after launching last year. We continue to have a passion for greater diversity and inclusion at our Co-op; a drive to establish even greater respect between colleagues – based upon all aspects of our identities – and we're all clear that our Co-op has no time for discrimination of any kind within our businesses.

This report itself is a snapshot of our pay gap figures, taking into account all colleagues that were employed by Co-op on 5 April 2022. Last year we didn't include figures in relation to me and my role as I was interim CEO, however since then I have been appointed permanent CEO so the report does now reflect my data. We are making this information publicly available so that, like with our commitments to racial equality and inclusion, published in 2020, the public can continue to hold us to account.

As with the previous year, we have continued to deliver on our Inclusion Strategy, to improve our culture, our processes, our policies and more so that all of our colleagues, members, customers, suppliers and partners, particularly those from under-represented communities have a positive and inclusive experience of the Co-op Group.

We have continued to learn through the preparation of this ethnicity pay gap report and have challenged ourselves to be clear on what the data is telling us. We know the journey to true race equality is long and we still have plenty of work to do to get closer.

We are still lobbying for the Government to make ethnicity pay gap reporting mandatory for businesses, as they have done with the gender pay gap. As we approach almost three years since the increased visibility of the Black Lives Matter movement, following the murder of George Floyd, we should all be held to account on our journeys towards race equality.

As a Co-op, co-operation is intrinsic to how we work so we welcome other businesses to reach out to find out more about our learnings and our approach.

“ We continue to have a passion for greater diversity and inclusion at our Co-op; a drive to establish even greater respect between colleagues ”



Approach to pay

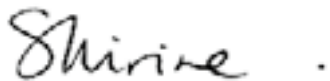
Co-op is committed to being open and fair in how we pay our colleagues. This helps us to compete for skills and talent, encourage and reward those doing a great job and reflects our Co-op purpose and values.

What is ethnicity pay gap reporting?

Pay gaps measure the difference in average hourly pay between different groups. Unlike equal pay audits, which look at the difference in pay between people with different characteristics doing the same job, pay gap reporting looks at the wider picture across our workforce.

At its simplest, the ethnicity pay gap will show the difference in the average pay between all our minority ethnic colleagues and our white colleagues. Much like the gender pay gap has done before, highlighting gaps will enable us to do the right thing, set more focused targets and increase ethnicity representation across our leadership levels.

Thank you for reading and being part of our drive to create greater diversity and inclusion within our Co-op and within our communities.



Shirine Khoury-Haq
Group Chief Executive Officer



Key findings of our Ethnicity Pay Gap

We've produced our analysis using the same data set and approach that we've used to produce our 2022 Gender Pay Gap analysis. We're committed to diversity at our Co-op and you can read more about this later in the report. We're extremely fortunate to have Shirine Khoury-Haq as our CEO who is of Arab heritage and we're including her data in this report this year. We want our report to be reflective of our majority colleague population and for this reason we'll be including two figures on each key metric which includes Shirine's data and excluding it. We have 59,886 relevant colleagues, in 2022 40,324 colleagues shared their ethnicity with us which represents 67.3% of our workforce, and we'll continue to seek to increase this figure.



Our mean ethnicity pay gap is **1.8%**, telling us that colleagues from an ethnic minority background earn on average less than their White colleagues.

.....
If we exclude Shirine, our total mean ethnicity pay gap rises from **1.8% to 2.4%**.
.....



Our mean bonus pay gap is **8.7%**, telling us that colleagues from an ethnic minority background received on average less than their White colleagues.

.....
If we exclude Shirine, our mean bonus ethnicity pay gap increases from **8.7% to 26.3%**.
.....



Our ethnic minority female colleagues have the highest mean pay gaps at **15.0%** and are the lowest represented group in our workforce population at only **6.5%**. (Based on colleagues who have shared their data.)

Our Ethnicity Pay Gap calculations

Our calculations

Ethnicity Pay Gap (EPG) shows the difference in the average hourly rate of pay between our ethnic minority colleagues and our White colleagues.

Ethnicity Pay Gap is expressed as a percentage of the average earnings of our White colleagues, regardless of their role.

An Ethnicity Pay Gap can be driven by several factors including a lack of ethnically diverse colleagues in senior positions.

How we've calculated our Ethnicity Pay Gap

We started to report on ethnicity pay gaps in the same way that organisations are required to report on gender pay gaps. However, we have carried out additional analysis, as we believe that whilst providing some insight, it does not allow us to see the full picture.

This is because calculations are completed on an aggregate (average) basis and this, alongside our quartiles being so broad, doesn't allow us to fully understand our ethnicity profile, nor does it provide us with the information we require to track how we are progressing against our commitments.



1.8%
Ethnic minority
Mean pay gap



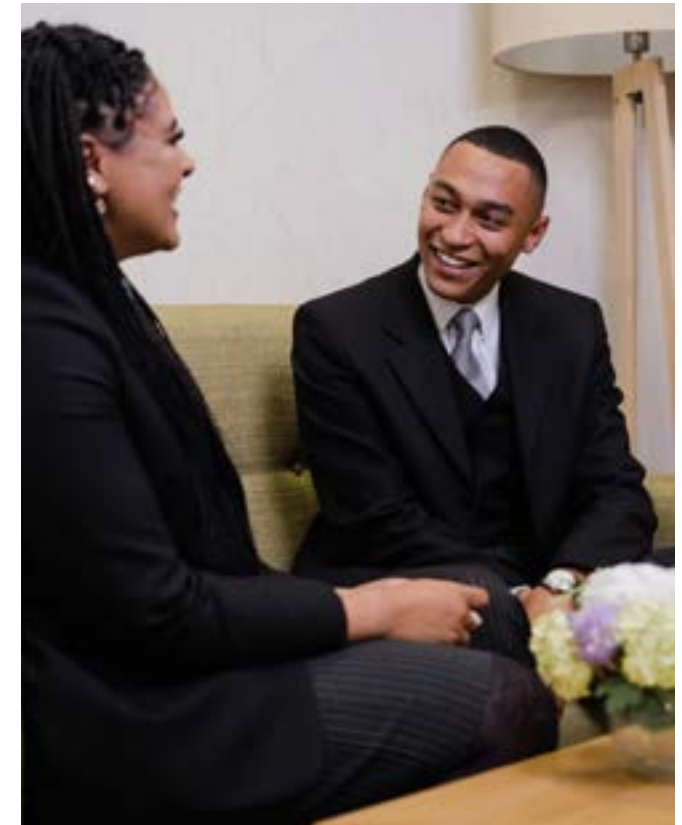
-6.6%
Ethnic minority
Median pay gap

The mean Ethnicity Pay Gap is a measure of the difference between the mean hourly rate of pay of white full-pay relevant colleagues and that of full-pay relevant colleagues from ethnic minority background.

The mean bonus gap is the difference between the mean bonus pay paid to white relevant colleagues and that paid to relevant employees from ethnic minority background.

The median is the figure that falls in the middle of a range when the wages of all relevant colleagues are lined up from lowest to highest paid. The median ethnicity pay gap is a measure in the difference between the median hourly rate of pay of white full-pay relevant colleagues and that of full-pay relevant colleagues from ethnic minority background.

The median bonus gap is the difference between the median bonus pay paid to white relevant colleagues and that paid to relevant employees from ethnic minority background.



Our colleagues and where they sit in the pay range

Ratio of colleagues in pay quartiles

We have arranged our colleagues in order from the highest to the lowest paid and then divided them into 4 groups of equal numbers.

Our Customer Team Members and Team Leaders in our Food Stores account for 74% of total population, which is equivalent to first 3 quartiles.

Due to the additional London allowances we pay to store colleagues who work in London there are some CTMs and Team Leaders in the top quartile.

Our Food Store ethnicity profile in London is very different to our Food Store national ethnicity profile.

Top Quartile	80.26% White	19.74% Ethnic Minority
Upper Middle Quartile	79.02% White	20.98% Ethnic Minority
Lower Middle Quartile	89.56% White	10.44% Ethnic Minority
Lower Quartile	92.19% White	7.81% Ethnic Minority

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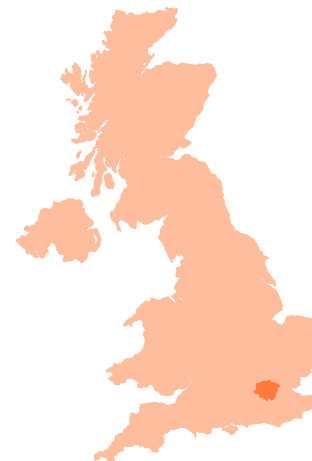
Food Operations

National

84.1% White	15.9% Ethnic Minority
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London

27.4% White	72.6% Ethnic Minority
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The principle reason there is an increase in ethnic diversity in the upper middle and top quartiles is due to the additional London allowances that we pay to our store colleagues who work in London which means more London based colleagues are in the higher quartiles and we know that this population is more ethnically diverse in comparison to our national ethnicity profile.

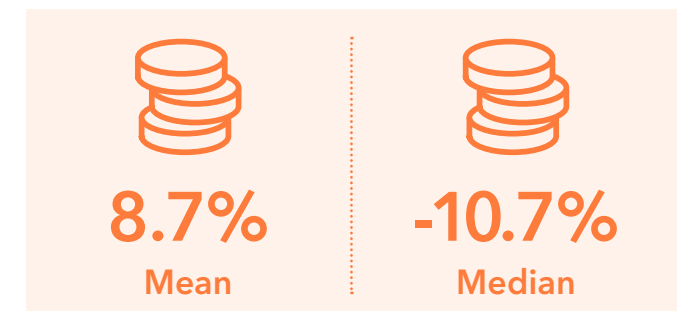
Bonus Pay

About 8,000 colleagues are eligible to participate in our bonus plan, which are predominately head office roles in our graded colleague population and our food store managers. Having lower representation of ethnic minority colleagues in our senior positions is impacting our mean bonus gap.

% Who Received Bonus Pay



Ethnic Minority Colleagues' Bonus Pay



Looking at our pay gap data in more detail

Intersectionality - gender and ethnicity

The table below shows the intersecting relationship between ethnicity and gender. Similar to our baseline report, we continue to see disproportional effects of the ethnicity pay gap continue to fall on women of colour and in reality this means ethnic minority females are more impacted by the current cost of living crisis and more unable to save or withstand economic downturns. Our data is consistently showing us that ethnic minority females have the largest gaps in pay when compared with their male counterparts; in addition our ethnic minority female colleagues are significantly overrepresented in the low-level workforce compared with their share of the overall workforce (see our work level figure).

We recognise that addressing these issues requires us to take a multi-faceted approach to combat bias and promote employee retention which are all crucial to proportionate representation at all levels of our workforce.

		Male		Female	
Work Level 1	White	1	100.0%	3	75.0%
	Ethnic Minority	0	0.0%	1	25.0%
Work Level 2	White	11	100.0%	12	100.0%
	Ethnic Minority	0	0.0%	0	0.0%
Work Level 3	White	62	89.9%	30	90.9%
	Ethnic Minority	7	10.1%	3	9.1%
Work Level 4	White	193	94.6%	126	96.9%
	Ethnic Minority	11	5.4%	4	3.1%
Work Level 5	White	578	92.3%	430	92.7%
	Ethnic Minority	48	7.7%	34	7.3%
Work Level 6	White	731	89.6%	975	88.9%
	Ethnic Minority	85	10.4%	122	11.1%

Mean Pay Gap

The main driver for intersectional gaps is that there is a lack of ethnic minority female representation at a senior level.



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White - Male



15.6%

White - Female



8.2%

Ethnic Minority - Male



16.1%

Ethnic Minority - Female

What we are doing to address our Ethnicity Pay Gap

A significant driver of our ethnicity pay gap, simply put, is that we lack representation of ethnic minority colleagues at a senior level, and this will continue to be a focus for us going forward. Structural barriers, such as systemic biases in hiring and promotion practices, can impede the progress of ethnic females.

Reviewing and re-designing processes that help us to eliminate or reduce bias in our people processes.

To close the gap of ethnic minorities in higher paid, more senior roles at Co-op, and thus contribute to closing the representation gap, we are reducing the drop-off of diversity in our talent pipeline and increasing representation where there is under-representation.

To do this, we are piloting an Inclusive Hiring Training programme with 1,200 hiring managers in 2023 and the remaining hiring managers in the years following. To ensure accountability, attendance at this training will be monitored and no-shows/cancellations will be followed up on. We have advised all hiring managers to take clear, consistent notes whilst hiring in 2023 as a quality-assurance process will likely follow if this training does not lead to significant change.

Reviewing our internal secondment process to meet our strategic objectives of enabling mobility & flexibility to enhance our colleague experience and meet current, emerging and future business needs.

We are proposing 4 principles to reach an agreed Co-op approach to secondments that is fair, inclusive and realistic:

1. transparency of opportunities;
2. fairly rewarded from day one;
3. open, honest and clear communication throughout, and;
4. a fair, inclusive and simple process

Offering DE&I-related learning and development opportunities to our leadership population in the subject of recognising and tackling non-inclusive behaviours.

We believe at the root of any significant change is behaviour, and we are working alongside our leaders so they are equipped to create the right environment; nurturing the desired culture for our Co-op and removing identified barriers. Alongside our leadership training, the on-going roll-out of the 'All-Colleague Code' continues to have a strong impact on the understanding and managing of non-inclusive behaviours.





Continued partnerships with organisations that'll help us to reach talent from ethnic minority backgrounds

Partnering with the Black Young Professionals Network to help introduce more young black leaders to Co-op. This partnership is enabling us to build a pipeline of talented people who'll eventually help us shape the future of Co-op as part of our next generation of senior leaders.

Advancing Diverse Colleague Programme

We'll introduce two new programmes to address under-representation of women and ethnic minorities in leadership roles.

The ambition is to build a more diverse leadership pipeline by equipping emerging leaders with the skills to navigate organisational culture with a clearer perspective of their own potential, building confidence, feeling empowered and expanding their professional strengths.

Our Colleague Network Rise

The Rise Network is our colleague network that supports ethnic minorities and allies across the business. Our colleague network raises cultural awareness and amplifies the voices of our minority ethnic colleagues, which plays a massive part in creating an inclusive culture at Co-op. The Network plays a key role in supporting our Co-op on its journey to becoming an anti-racist organisation to create a fairer world for everyone.



RACE AT WORK: Our journey to anti-racism

Our **Race at Work** programme for leaders continues. This will be followed with a broader approach to increasing the consistency of understanding of structural inequality, how the learning from these sessions has helped to define the impact of race, and a focus on organisational and individual actions to reduce the impact of structural inequality.

Co-operative Group Limited

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It's what we do