

Report of the Remuneration Committee

Introduction from the Committee Chair

I am pleased to introduce to you my fifth Remuneration Report as Chairman of the Remuneration Committee ('the Committee'). I am doing this with the backdrop of the coronavirus pandemic. I am not planning to repeat what Allan and Steve have already covered on the challenges we and others face, but these are unprecedented and uncertain times.

My statement and the report reflects the arrangements we put in place, and were approved by our AGM, in 2019. We have not revisited our policy in light of the coronavirus pandemic but will obviously keep this under review to any changing circumstances.

The Committee knows that this report contains a lot of information, but we have tried to make it as clear as possible. In addition to this statement, which provides the key highlights, there are two further sections:

- i. Part I – Executive Pay Policy. We have included a summary of our pay policy. We asked our members to vote on our policy at the 2019 AGM and 84.66% voted in favour.
- ii. Part II – Annual Report on Remuneration. We pay our Executive in line with the policy and how this has been applied by the Committee in 2019 is set out on page 93.

We have also included a Pay at a Glance section on page 86, where we pull together the key information we believe you will want to see in a simplified format.

Our approach

Executive pay remains in the spotlight with scrutiny on pay arrangements that are not aligned to long-term strategy or values, as well as inconsistencies with the wider workforce. As a Committee we are committed to making the decisions relating to pay for our most senior colleagues clear and we fully support the reporting requirements under the UK Corporate Governance Code, even though we are not a public company with traded shares.

In 2019 we have again ensured that how we pay our Executive team fully reflects our values and principles and we want all colleagues' pay to follow this approach. Getting the balance right in executive pay is not easy and not all members will agree with the choices we make, but our Committee continues to focus on what it believes is right and fair for our Co-op and allows colleagues to share in our success.

We do need to be able to compete for talented executives with the right skills and values for our Co-op. We also need to reward high-performing colleagues for a job well done, supporting our purpose, values and strategy. We explain our strategy and business model on page 17 and we have shown the clear link between that and our 2019 pay outcomes in the Pay at a Glance section on page 86.

Our responsibilities

We are a co-op owned by millions of members who are also our customers. Our members have given the Committee the role of deciding what we pay our Executive, but we always listen to their concerns.

We believe in being open and clear with our members and we choose to go beyond the reporting rules for large companies with traded shares, for example providing pay information

for our full Executive, compared to just for board directors in large public companies, which in our case would just be our Chief Executive and Chief Financial Officer.

We also canvas Council's views via a small group they have set up for this purpose and those of the wider UK co-op movement. We also engage with our wider membership at our AGM.

Our performance

In a challenging and highly competitive market our Co-op has continued to grow. We've expanded our product ranges and service offerings through new technology, as well as launching in new markets. You'll see in Allan's statement on page 4 that there's more to success at the Co-op than making profit. We are going even further to support the communities we work and live in and we are committed to do all we can to help our members, customers and colleagues, as we play our part in responding to the coronavirus crisis. How we run our business is important to us and we ensure this is reflected in the way we set objectives, performance is evaluated and ultimately pay our Executive team.

Our pay outcomes

Bonus

Our Co-op performed well in 2019, against an extremely challenging market backdrop, and most of the targets in the 2019 Bonus Plan (BP) were achieved. More information on the balanced scorecard measures can be found on page 94.

As a result, awards under the 2019 BP for our Executive were between 55.58% and 65.58% of their maximum opportunity, with 50% held back for two years' time, as per our new scheme. Further details of the amounts paid and deferred can be found on pages 93 and 95.

The final Long Term Incentive Plan (LTIP) scheme covering the years 2017-19 had a financial underpin of the level of company debt compared to the level of profit achieved at the end of the period, which was narrowly missed. There are no payouts under this plan and it's now closed.

Pay

The Committee increased the salary for two members of the Executive during 2019:

- Jo Whitfield was appointed as CEO Food in 2017 for a trial period and on an "acting up" salary. She was confirmed in post on a salary of £550k reviewable after 1 year. Since then the business has continued to grow and Jo's performance has been excellent. The Committee increased her salary to £650K with effect from 1 July 2019.
- Helen Webb - Delivering our people agenda is central to ensuring the long-term future of our Co-op, and we believe that our people culture should be valued as highly as our corporate brand. The role has grown to include accountability for the Co-op Service Centre and Helen is now Chief People and Services Officer. Taking Helen's performance and these factors into account, the Committee increased Helen's salary from £350K to £450K with effect from 1 July 2019 to match our Chief Membership Officer.

Changes to the Executive

Ian Ellis stepped down at the 2019 AGM and no termination payments have been made.

We were pleased to welcome Shirine Khoury-Haq as Chief Financial Officer in August 2019. Shirine has relocated to the North West from London and the Committee agreed a relocation package to support the move. Further details can be found on page 93. She joined on a salary below Ian Ellis', reflecting the more stable business we now have.

Our colleagues

Our Committee and Board regularly discuss how we pay our colleagues across our Co-op for the great job they do and we were pleased to see the approach taken to thanking our frontline colleagues for the amazing job they are doing during the coronavirus crisis.

We have made good progress with increasing customer-facing colleague reward in recent years, but we want to do more, always balancing our investment in members, customers and colleagues.

Our Co-op's long-term ambition is for all colleagues to be eligible to participate in a bonus scheme. However, our primary focus is on making sure pay rates for all our customer-facing colleagues remain competitive.

We are committed to improving customer-facing colleague pay. We increased hourly pay rates for Customer Team Members (CTMs) in Food stores by 5% in 2019 meaning our minimum wage for all colleagues was £8.38 an hour. We have further increased the rate for all CTMs to £9 an hour from 1st April 2020, which is an increase of another 7%. We have also removed the new starter rate, so now all our CTMs are paid the same. This means that we will have increased hourly pay rates for our new CTMs by 25% in the last five years.

We continue to pay above National Living Wage and apply our rates to all colleagues, including younger colleagues and apprentices. We still provide paid breaks in Food stores and a generous package of colleague support programmes.

For colleagues in support roles, we launched our One Co-op Reward Framework in 2019; the framework included new salary ranges, guidelines and education to support managers in making fair and consistent pay decisions. The purpose of the framework is to bring greater transparency and consistency to how colleagues are rewarded across our Co-op. By introducing a transparent and fair reward framework, we want to encourage open and honest discussions about pay and support an inclusive approach to career progression at our Co-op.

In Logistics we launched new contracts for Warehouse and Driver colleagues across our network. These contracts agreed with our Trade Unions allow us to recruit a more flexible and diverse workforce ensuring we continue to deliver great service to our stores.

We want all our colleagues to feel valued and recognised for the part they play in our success. Our People plan aims to give our colleagues a great experience whilst working here and Wellbeing is one of the key priorities. In 2019 we extended the range of initiatives to help colleagues manage their health and financial wellbeing in a way that works for them, whilst creating the open culture where wellbeing becomes a part of all that we do.

We continue to offer colleagues access to an independent and confidential Employee Assistance Programme which offers colleagues free 24/7 support across a range of areas, including health and wellbeing, work and personal issues, legal and financial wellbeing.

In 2019 we piloted a range of materials to increase awareness of mental health and help colleagues to both better understand and talk about this subject. These will be rolled out across our Co-op in 2020.

We have a long tradition of supporting and promoting Co-op Credit Unions, which will continue. Last year we introduced a debt consolidation service, which gives colleagues access to low-cost, responsible borrowing and an alternative to sources like payday lending.

We know that issues around mental and physical health and financial wellbeing will always be important to our colleagues and we're committed to doing even more to support them. We want to be recognised as a leader in this space. 2020 will see us do more to support financial wellbeing; launching a range of educational materials and products that will help our colleagues manage money in a way that's right for them.

42,000 colleagues are active members of our pension scheme. Our pension offer exceeds the minimum required, and we also give colleagues who do not meet automatic enrolment criteria the opportunity to join and receive the same level of benefit.

Gender pay reporting

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

The Committee

The Committee has worked hard this year and made a strong contribution. We said farewell to Gareth Thomas who was not re-elected as a MND in 2019. Gareth served on this Committee for 2 years and I'd like to personally thank Gareth for his valued contribution whilst in post.

We welcomed Rahul Power, who attended his first Committee meeting in September 2019.

My thanks to all the Committee members, and to the members of the Council Remuneration Working Group under Lesley Reznicek's leadership, for the insight and challenge they provided through the year – particularly in making sure our members' voice was always heard.

AGM

Our AGM will be very different this year, as we ensure we comply with "Stay at Home" measures introduced by the government. Members will not be able to attend in person but they will be asked to give their vote prior to the meeting, including on a motion to approve the Annual Report on Remuneration. The vote is advisory.

We would welcome your support by voting in favour of the motion.

Stevie Spring

Chairman of the Remuneration Committee

2019 Pay at a Glance

This section provides an overview of our Executive Pay Policy and summarises the pay that our Executives received in respect of their 2019 performance. Further details are set out on page 93.

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 BP and LTIP are variable and depend on performance
Salary	<ul style="list-style-type: none"> Our Executive receives a salary which reflects their core role
Benefits	<ul style="list-style-type: none"> The benefits provided are in line with the offering across the Co-op and could include a car or car allowance, fuel in certain cases, relocation assistance, healthcare and life cover
Pension	<ul style="list-style-type: none"> Opportunity to participate in Co-op's pension plan or receive a cash allowance instead
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 2 years
LTIP	<ul style="list-style-type: none"> The 2017-19 LTIP is the final award under this arrangement The cash payment is based on performance over the 3 year performance period

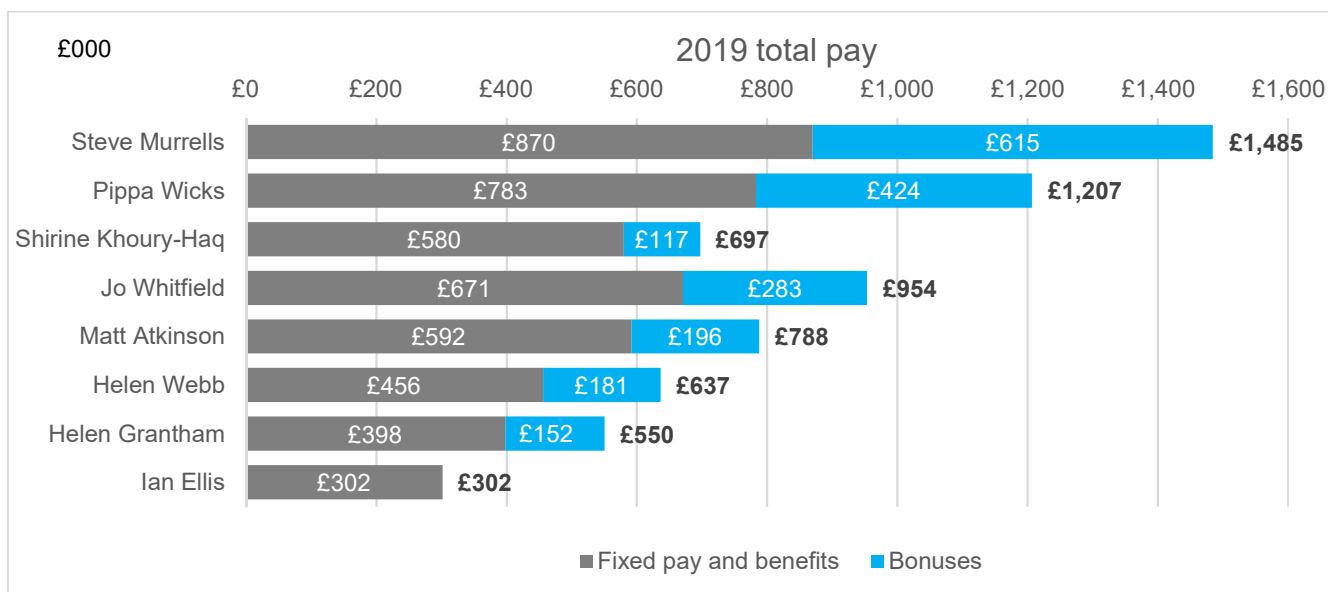
How our approach links to our strategy

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.

Co-op KPIs		BP	LTIP
Net budgeted 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 our financial strategy. We must manage debt well but not at the expense of profit	✗	✓
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	✓	✗
Colleague	Colleagues play a significant role in ensuring we continue to deliver to our customers and communities	✓	✓

2019 pay outcomes

The chart below shows the pay which our Executives received in 2019 and full details can be found in the Annual Report on Remuneration which starts on page 93.



Notes to chart

1. Shirine Khoury-Haq joined our Co-op on 5 August 2019.
2. Ian Ellis stepped down from the Executive on 18 May 2019.

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 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 and 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

	<ul style="list-style-type: none"> • Cash alternative of up to 10% of salary
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 200% 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 to the LTIP plans we have previously used. These 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.

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 the 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 executive 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 BP payment for the financial year 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 99.

Implementation of the Executive Pay Policy in 2020

Base salary

Annual base salaries for our Executive are set out below.

Executive member	2019 £000	2020 £000	Comments
Steve Murrells	750	750	Joined Executive 16 July 2012, promoted to Chief Executive 1 March 2017
Pippa Wicks	700	700	Joined Executive 1 April 2016, promoted to Deputy Chief Executive 1 March 2017
Shirine Khoury-Haq	-	610	Joined Executive 5 August 2019
Jo Whitfield	550	650	Interim appointment to Executive 1 March 2017, promoted to Chief Executive Food 17 July 2017. Salary increased from 1 July 2019
Matt Atkinson	450	450	Joined Executive 16 October 2017
Helen Webb	350	450	Joined Executive 18 April 2017. Salary increased from 1 July 2019
Helen Grantham	350	350	Joined Executive 11 January 2016, promoted to Group Secretary and General Counsel 1 July 2017

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 and pension

Our Executive will receive benefits, including pension provision, in line with the current policy.

Bonus Plan

The table below sets out the maximum amount each Executive member can receive under this plan in 2020.

Executive member	Maximum BP opportunity as a % of bonusable pay
Steve Murrells	250%
Pippa Wicks	200%
Shirine Khoury-Haq	180%
Jo Whitfield	150%
Helen Webb	150%
Helen Grantham	150%
Matt Atkinson	150%

The 2020 BP balanced scorecard measures and weightings will be consistent with those used for the 2019 plan, as set out in more detail on page 94. To ensure payments are affordable under the plan the scheme will again have a financial underpin which must be achieved for any payments to be made

The Committee will look at performance at the end of 2020 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.

Annual Report on Remuneration

What did our Executives earn in total during the year?

The table below shows the pay received by our Executives while appointed to our Executive during the 2019 financial year.

Table 1a – 2019 pay for our Executives in post at 4 January 2020

Name of Executive	Period	Basic salary £000	Taxable benefits (Note 2) £000	Pension benefits (Note 3) £000	BP (Note 4) £000	LTIP (Note 5) £000	Other (Note 6) £000	Total £000
Steve Murrells	2019	750	45	75	615	0	0	1485
	2018	750	44	75	696	330	0	1895
Pippa Wicks	2019	700	13	70	424	0	0	1207
	2018	700	15	70	525	284	28	1622
Shirine Khoury-Haq ¹	2019	258	6	24	117	0	292	697
Jo Whitfield	2019	602	15	54	283	0	0	954
	2018	550	15	48	306	68	72	1059
Matt Atkinson	2019	450	15	45	196	0	82	788
	2018	443	14	44	227	0	144	872
Helen Webb	2019	402	14	40	181	0	0	637
	2018	350	14	35	182	65	0	646
Helen Grantham	2019	350	13	35	152	0	0	550
	2018	350	13	35	182	0	0	580

Notes to Table 1a

- Shirine Khoury-Haq joined the Executive on 5 August 2019.
- 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.
- BP amounts shown represent 50% of the earned award which is payable in May 2020. 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 BP.
- No LTIP payments were made under the 2017-19 LTIP.
- Other payments in the 2019 financial year, which were agreed at the date of appointment, include:
 - Matt Atkinson received £37k for giving up share awards at his previous employer that would have vested during 2019
 - Matt Atkinson received £45k under the relocation policy to assist staying close to the workplace during the working week
 - A payment of £300k was made to Shirine Khoury-Haq to support a permanent relocation to the North West. £292k was paid via the payroll and £8k was reimbursed via expenses. The payment was made on the condition of providing receipts for costs relating to the purchase of a property near to Angel Square and are repayable if she is not employed by us in 2021

Table 1b – 2019 pay for executives who left our Executive during the 2019 financial year

Name of Executive	Period	Basic salary £000	Taxable benefits (Note 1) £000	Pension benefits (Note 2) £000	BP (Note 3) £000	LTIP (Note 4) £000	Other £000	Total £000
Ian Ellis	2019	269	6	27	0	0	0	302
	2018	700	16	70	436	308	-	1530

Notes to Table 1b

- 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.
- No 2019 BP payment has been made to Ian Ellis.

4. No LTIP payments were made under the 2017-19 LTIP.

How were the 2019 BP payments calculated?

2019 Balanced scorecard measures	Weighting	Performance
Stronger Co-op	% of maximum weighting	Summary
Co-op Operating Profit	50%	Target + <i>Overall as a business we performed well and we exceeded the financial target set</i>
Colleague – measures focused on building and maintaining colleague engagement	10%	Threshold <i>We've maintained good engagement levels with our colleagues & our colleague engagement score remained flat with 2018</i>
Stronger Communities		
Member – measures focused on our membership proposition	10%	Miss threshold <i>While good progress has been made on our membership proposition, the targets set for 2019 were challenging and were not met</i>
Community – measures focused on championing co-operation and engagement with community activities	10%	Target + <i>A record-breaking year for our Local Community Fund Cause selection and high Member Pioneer recruitment means we've performed extremely well on this measure</i>
Personal performance		
Assessment of how each Executive performs against their job requirements and our Co-op 'Ways of Being'	20%	Determined in reference to individual performance

Key requirement

Underlying profit before tax is an important performance measure for us to enable us to deliver strategic objectives of our Co-op. 90% of our 2019 profit target had to be met in order for payments to be made under this plan.

How were the 2017-19 LTIP payments calculated?

The threshold Net debt/EBITDA ratio at the end of 2019 was not achieved so no payments were made.

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 4 January 2020.

Table 2a – deferred BP awards held by our Executives in post at 4 January 2020

Name of Executive	BP Award Year	Value of BP Award deferred £000
Steve Murrells	2019	615
	2018	696
Pippa Wicks	2019	424
	2018	525
Shirine Khoury-Haq	2019	117
Jo Whitfield	2019	283
	2018	306
Matt Atkinson	2019	196
	2018	227
Helen Webb	2019	181
	2018	182
Helen Grantham	2019	152
	2018	182

Table 2b – LTIP awards held by our Executives in post at 4 January 2020

Name of executive	Award	Notes	Maximum award opportunity at start of the year	Awards vested in year	Awards lapsed in year	Maximum award opportunity at the year end
			£0	£0	£0	£0
Steve Murrells	2017-2019	1	750	0	750	0
Pippa Wicks	2017-2019	1	692	0	692	0
Jo Whitfield	2017-2019	1,2	155	0	155	0
Helen Webb	2017-2019	1,2	148	0	148	0
Helen Grantham	2017-2019	1	175	0	175	0

Notes to table 2b

- The 2017-2019 LTIP awards were subject to performance conditions and the measures were:
 - Net debt to EBITDA ratio (50% weighting)
 - Membership spend as a percentage of total sales value (25% weighting)
 - Co-op colleague engagement (25% weighting)
- LTIP grants were made while employed in previous roles in our Co-op which were not on our Executive.
- 2017-19 LTIP grants were not made to Matt Atkinson or Shirine Khoury-Haq due to starting after the cut-off to join the plan.

Table 2c – LTIP awards for Executives who have left our Executive

Name of executive	Award	Maximum award opportunity at start of the year	Awards vested in year	Awards lapsed in year
		£000	£000	£000
Alistair Asher	2017-2019	259	0	259
Ian Ellis	2017-2019	554	0	554

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 4 January 2020

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	7	2019	-	75	75
			2018	-	75	75
Pippa Wicks	1 Apr 2016	3	2019	-	70	70
			2018	-	70	70
Shirine Khoury-Haq	5 August 2019	0	2019	2	23	25
Jo Whitfield	1 Mar 2017	4	2019	6	54	60
			2018	7	48	55
Matt Atkinson	16 Oct 2017	2	2019	-	45	45
			2018	-	43	43
Helen Webb	17 Apr 2017	6	2019	-	40	40
			2018	-	35	35
Helen Grantham	11 Jan 2016	4	2019	-	35	35
			2018	-	35	35

Notes to Table 3a

- 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.
- Defined benefit accrual ceased in October 2015 for all colleagues.

Table 3b – Pension entitlements for executives who left our Executive during the 2019 financial year

Name of Executive	Date retired from 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
Ian Ellis	18 May 2019	4	2019	-	27	27
			2018	-	70	70

What arrangements have been agreed for former executives?

No additional arrangements have been agreed for Ian Ellis. No other Executive left during the 2019 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 have sorted all our colleagues in order of their total pay from high to low. We then split them into 4 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
2019	Option C	83 : 1	76 : 1	62 : 1
2018	Option C	116 : 1	111 : 1	92 : 1

Under the options provided in the guidance to calculate the pay ratio, we have 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 the Co-op given the size and complexity of our payroll systems.

A large proportion of our colleagues work in front line 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 reduction in this year's pay ratio is largely due to no payment being made under the 2017-19 LTIP, whereas last year a payment was made under the 2016-18 LTIP.

In addition, for the last three years we have 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 will continue to provide the ratio on this basis, and the ratio between our highest paid executive and lowest paid colleague for 2017 to 2020 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 2020	43:1	96:1
1 April 2019	44:1	99:1
1 April 2018	48:1	96:1
1 April 2017	51:1	101:1

No changes were made to the Chief Executive's on target earnings in 2019, whereas we increased the pay of the comparator role, which is a CTM, by 5%.

Non-executive directors' remuneration

This section of the report includes details of the payments made to the non-executive directors (NEDs) in office during 2019.

What are the fees for the NEDs for 2020?

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 2019. 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 2019, 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

What did the NEDs earn during the year?

The table below shows the fees paid to our NEDs during the 2019 financial year.

Table 4a – Non-executive members of our Board at 4 January 2020

	Notes	Board	Risk and Audit Committee Chair	Remuneration Committee Chair	Senior Independent Director	2019 Total	2018 Total
		£'000	£'000	£'000	£'000	£'000	£'000
Allan Leighton (Chair)	1	See note 1	-	-	-	-	See note 1
Chris Kelly	2, 3	60	-	-	15	75	75
Simon Burke	2	60	15	-	-	75	75
Stevie Spring	2	60	-	15	-	75	75
Lord Victor Adebawale		60	-	-	-	60	60
Hazel Blears		60	-	-	-	60	60
Margaret Casley-Hayford		60	-	-	-	60	60
Paul Chandler		60	-	-	-	60	60
Rahul Powar		60	-	-	-	60	24
Sarah McCarthy-Fry	4	38	-	-	-	38	-

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 2019 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 £39,000 fee as the Chair of the Board of Co-op Insurance Services Limited.
4. Sarah McCarthy-Fry was appointed a Member Nominated Director on 18 May 2019.
5. No additional fee is paid to the Chair of the Nominations Committee.

Table 4b – Former non-executive members of our Board who left during 2019 financial year

	Notes	Board	Risk and Audit Committee Chair	Remuneration Committee Chair	Senior Independent Director	2019 Total	2018 Total
		£000	£000	£000	£000	£000	£000
Gareth Thomas	1	22	-	-	-	22	60

Notes to Table 4b

1. Gareth stepped down from our Board on 18 May 2019 following the result of the MND elections.

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: <https://www.co-operative.coop/investors/rules>.

Members of the Committee

Details of the Committee members and their attendance at meetings during 2019 are provided on page 63.

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 2019 the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £28,000 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 where appropriate. No external lawyers were used during 2019.