



CO-OPERATIVE GROUP LIMITED

REMUNERATION COMMITTEE

(“Committee”)

Terms of Reference

(as approved by the Board of Co-operative Group Limited on 26 October 2016)

1. SCOPE

This document sets out the Terms of Reference of the Remuneration Committee of Co-operative Group Limited (the **Co-op**). The Remuneration Committee is a committee of the Co-op’s Board (the **Group Board**) established in accordance with Rule 45.1(b).

2. INTERPRETATION

- 2.1 Capitalised terms used but not defined in these Terms of Reference shall have the meaning given to them in the Co-op’s Rules (the **Rules**).
- 2.2 References to the **Co-op** shall be to the Co-op and its subsidiaries, and references to **subsidiaries** shall be to the Co-op’s wholly owned subsidiaries, with the exception of CIS General Insurance Limited and Reclaim Fund Limited, which are regulated entities with their own remuneration committees, to the extent that the remuneration committees of such entities have responsibilities as set out in their respective terms of reference.

3. RESPONSIBILITIES

The Remuneration Committee’s role is, amongst other things: to determine the remuneration policy for the Co-op; oversee its implementation and set appropriate and supportable levels of reward for the Executive, aligned to its purposes and strategy; and otherwise to perform those functions given to it by the Board from time to time.

The Committee’s specific duties are as follows:

3.1 Colleagues

- (a) To oversee the Co-op’s policies with respect to reward and remuneration for colleagues of the Co-op and its subsidiaries.
- (b) To approve the design of any Co-op-wide incentive schemes.
- (c) To oversee any material changes in benefit structures applicable to the Co-op’s colleagues.
- (d) To maintain an awareness of the Co-op’s pension policy and how this fits within the overall reward arrangements.

- (e) Policies should comply with the Co-op's Reward Philosophy:

"The Co-op is committed to a reward strategy which is transparent, visible and fair, allowing us to compete for skills and talent and encourage and reward high performing colleagues, but which also reflects the purpose and values of the Co-op."

3.2 **Group Executive**

The Group Executive includes the Group Chief Executive, the Group Secretary and other members of the Group Executive Team.

- (a) To determine the remuneration policy for the Group Executive, ensuring that overall levels of reward or remuneration are sufficient to attract, retain and motivate individuals of the quality necessary to manage the Co-op effectively and successfully while promoting the sustained long-term success of the Co-op and taking account of the Co-op's values and principles.
- (b) To ensure that the overall levels of remuneration are not excessive in comparison to the relevant external market and to ensure that the Co-op does not pay more than is necessary.
- (c) To determine the remuneration and contractual arrangements for each member of the Group Executive (which may be delegated to the Committee Chair where this is necessary to expedite offers to candidates), including:
 - (i) Set base salaries and agree any base salary increases.
 - (ii) In respect of annual and long-term and any other incentive arrangements that the Group Executive participate in, approve the awards, set the performance measures, performance targets and determine any payouts due under these arrangements.
 - (iii) Approve the benefits available.
 - (iv) Approve the individual pension arrangements.
 - (v) Review and approve any other remuneration arrangements.
 - (vi) Determine the policy applicable to and approve any payments, terms or other commitments to be entered into on the retirement, resignation, dismissal or other exit arrangement of members of the Group Executive.
- (d) To ensure that remuneration policies encourage the appropriate management of risk and include the withholding and/or recovery of variable pay in exceptional circumstances.

3.3 **Long-term incentive schemes**

- (a) To approve the design of any long-term incentive schemes including eligibility, award levels, performance measures and payments under the schemes.
- (b) To approve the grant of any awards under any long-term incentive schemes, including participants, awards levels and performance measures.
- (c) To approve payments under any long-term incentive schemes.

3.4 **Non-Executive Directors**

- (a) To agree with the Council the Terms of Reference of the Non-Executive Directors' Fees Committee (a committee of the Council).
- (b) To determine as part of the Group's remuneration policy, the approach to be adopted in relation to fees for the Group Chair, Independent Non-Executive Directors and Member Nominated Directors who are members of the Group Board.
- (c) To consult with the Non-Executive Directors' Fees Committee and Nominations Committee as required, in respect of the Co-op's remuneration policy referred to in paragraph 3.4(b) above and to provide access to the Committee's remuneration advisors and other information necessary for the Non-Executive Directors' Fees Committee to fulfil its responsibilities.
- (d) To consider the contractual arrangements, including remuneration, applicable to non-executive directors (if any) on the boards of the Co-op's subsidiaries.

3.5 **Expenses**

To agree the Co-op's policy with respect to authorising claims for the remuneration of expenses incurred by any members of the Board, the boards of the Co-op's subsidiaries and the Group Executive.

3.6 **Consultation with other committees**

As required, to consult with remuneration committees of the Co-op's subsidiaries (for example, the GI Remuneration Committee, as applicable, in respect of the Co-op's remuneration and expenses policies referred to above and to provide information necessary for relevant subsidiaries to fulfil their responsibilities.

3.7 **Annual General Meeting**

The Chair of the Committee (the **Committee Chair**) shall attend the Co-op's Annual General Meeting and be prepared to respond to any questions from Members on the Committee's activities.

3.8 **Reporting**

- (a) To report annually to the Board with respect to the substance of the Co-op's remuneration and reward policies, and the application of those policies in practice.
- (b) To prepare annually on behalf of the Board, a Remuneration Report which shall form part of the Annual Report and Accounts of the Co-op, and shall include all relevant information with respect to the Co-op's reward and remuneration policies for, the application of those policies and full details of the remuneration of the Group Executive and the Board where relevant, consistent, to the extent practicable, with the prevailing requirements of the Corporate Governance Code for Consumer Co-operative Societies and for UK listed companies (to the extent applicable).
- (c) To monitor and consider the extent that the Co-op should voluntarily comply with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 with respect to Member approval of the reward and remuneration policies for the Group Executive, and Independent Non-Executive Directors and Member Nominated Directors who are members of the Board, taking into account legal implications, the views of the Council and any position adopted by Co-operatives UK in the Corporate Governance Code for Consumer Co-operative Societies.
- (d) To assist in the carrying out of its responsibilities to:
 - (i) receive reports from the Co-op's Risk function and Risk and Audit Committee on the implications of the Co-op's reward and remuneration policies on risk and effective risk management by the Co-op and the consistency of those policies with the Co-op's strategic goals;
 - (ii) obtain reliable, up to date, information about remuneration and reward policy and practice in other appropriate organisations (being authorised to commission, should the Committee so determine, any reports or surveys which the Committee deems necessary to enable it to fulfil its responsibilities); and
 - (iii) receive advice from the Co-op's Risk function and Risk and Audit Committee with respect to the extent of the vesting of awards or payments under incentive schemes applicable to the Co-op Group Executive including the need for any risk adjustment having regard to the Co-op's performance, the Co-op's financial situation and prospects and effective risk management practice.
- (e) The Committee Chair will report formally to the Group Board with respect to the Committee's proceedings after each meeting.

4. DELEGATION OF AUTHORITY

The Committee may delegate any or all of its responsibilities to a sub-committee, including one established solely for that purpose.

5. MEMBERSHIP

- (a) Members of the Committee shall be appointed by the Group Board in accordance with the Rules.
- (b) The Committee shall comprise at least three members, including the Committee Chair, chosen by the Group Board as the most suitably qualified from amongst the Member Nominated Directors and the Independent Non-Executive Directors.
- (c) In the absence of the Committee Chair, the members present at a duly convened and quorate meeting of the Committee shall elect one of their number to chair the meeting.
- (d) The Group Secretary, or his or her nominee, shall be Secretary of the Committee.
- (e) The Group Board shall be entitled to terminate the membership of any member of this Committee at any time whether for cause or where otherwise appropriate or expedient to do so.
- (f) Appointments to the Committee will be for a period of two years, which may be extended for two further two-year periods.

6. MEETINGS

- (a) The Committee shall meet at such times as the Committee Chair shall require.
- (b) Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members. Unless otherwise agreed, agenda items can be proposed by the Committee to the Chief Human Resources Officer or the Group (or Committee) Secretary up to 21 days prior to the date of the meeting. Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate will normally be provided to each member of the Committee no later than seven days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.
- (c) A member of the Committee may participate in a Committee meeting by telephone.
- (d) The quorum for meetings of the Committee shall be two members of the Committee present throughout the meeting in person or by telephone. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, power or discretions vested in or exercisable by the Committee.
- (e) A resolution which is signed or approved by all the members of the Committee entitled to vote on that resolution (and whose vote would have been counted) shall be as valid and effectual as if it had been passed at a

Committee meeting duly called and constituted. The resolution may be contained in one document or communication in electronic form or in several documents or communications in electronic form (in like form), each signed or approved by one or more of the Committee members concerned. The approval of a Committee member shall be given in hard copy form or in electronic form. There shall be excluded from the requirement that all Committee members sign or approve a resolution any member of the Committee who is absent from the United Kingdom unless the Committee member has provided an address (including any electronic address) at which he or she may be contacted in his/her absence.

- (f) Only members of the Committee shall have the right to attend meetings of the Committee. The Committee may, however, invite such other attendees as it deems necessary or appropriate to enable it to discharge its responsibilities as set out in the Terms of Reference. The following are expected to be regular attendees at Committee meetings, at the invitation of the Committee, namely:
 - (i) Selected members of the Group Executive;
 - (ii) The Committee's independent remuneration adviser; and
 - (iii) Other selected members of the Human Resources team.
- (g) No member of the Group Board or Group Executive shall be present at any meeting of the Committee when his or her own remuneration is being discussed. No member of the Group Board or Group Executive shall be involved in any decision as to his or her own remuneration.
- (h) The Secretary of the Committee shall prepare minutes of any meeting of the Committee, including the names of those present and in attendance, and, after approval and signature by the Committee Chair, shall circulate the minutes to all members of the Committee and to all other members of the Group Board, unless it would be inappropriate to do so.

7. VOTING

In the event of an equality of votes, the Committee Chair shall have a casting vote.

8. GOVERNANCE AND RESOURCING

- (a) The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Group Secretariat for assistance as required.
- (b) The Committee is authorised by the Group Board to obtain inside and outside legal, remuneration or other professional advice including information about remuneration practices elsewhere, at the Co-op's expense.
- (c) The Committee is authorised to seek any information it requires from any officer, employee, contractor or advisor of the Co-op in order to perform its duties.

- (d) Members of the Committee will be provided with appropriate and timely training, both through a tailored induction process for new members of the Committee and on an ongoing basis for all members, to enable them to discharge effectively their roles and responsibilities as members of the Committee.
- (e) Any proposed changes to these Terms of Reference shall be effective only if/when approved by the Group Board.
- (f) These Terms of Reference (as amended, if appropriate), shall be made public and a copy of the current version of these Terms of Reference shall be published on the Group's external website.