



Resolution 6 (Changes to the Society's Director Remuneration)

FAQs

What is Director Remuneration?

Director remuneration refers to the means by which directors of an organisation are compensated for undertaking their role, and can include fees, salary, or the use of the organisation's property. Directors are also typically re-imbursed for their reasonable travel, hotel and out of pocket expenses incurred whilst performing their duties.

In accordance with the Society's published Rule Book, any proposed changes to the Society's Director remuneration must be approved by the members at a general meeting. The Board must also ensure that members have sufficient information, and time to scrutinise it, before determining whether to approve the relevant proposal.

Why are we proposing changes to the remuneration of Society Directors?

The Board must ensure that the Society's approach to remuneration is fair, transparent, and aligned with Co-operative values and principles. The Co-operative Corporate Governance Code recommends that Director remuneration should be regularly reviewed and at least every three (3) years. The last time that members considered Director fees in totality was at the Society's Half-Year Members Meeting held on 3 June 2021.

Remuneration policies and practices should recognise the commitment expected of directors and be aligned to the purpose and values of the Society and successful delivery of its strategy. Appropriate remuneration is important in not only driving selection and appointment, but also retaining skills and experience in key positions.

What process has been followed to ensure the review complies with the relevant legal and governance requirements?

It is a core corporate governance principle that Directors must not fix their own remuneration.

To ensure that this review was undertaken objectively and in full compliance with the provisions described above, the Society's Remuneration Committee retained Ernst & Young or 'EY', a specialist external advisory firm with significant experience in reviewing Non-Executive Director pay. Both the Remuneration Committee and the main Society Board approved the process followed, and final recommendations produced by EY.

What did EY's review conclude?

EY determined that Co-operatives represented the best sector comparator and there was no objective reason to move outside the associated range of remuneration into other sectors or benchmarks. Below is a summary of Director fees across the Co-operative comparator group. This is largely based on information disclosed in the Annual Report and Accounts for 2022/23 for each co-operative society. Given its size and different Board structure, the Co-op Group was not determined to be a suitable comparator within the data set below.



Comparator Name	Revenue (£m)	Total assets (£m)	# of employees	Board Chair fee (£)	NED base fee (£)	Audit and Risk Committee Chair fee (£)	Remuneration Committee Chair fee (£)	Committee membership fee (£)
Lincolnshire	399	335.3	2,891	14,680	8,913	13,200	114	398
The Co-op Group	11,151	9,180	62,537	250,000	60,000	15,000	15,000	-
Midcounties Co-operative	676.5	496.6	7,303	13,870	9,907	775	646	646
Central England Co-operative	875	762.9	7,699	-	8,696	738	738	615
Southern Co-operative	494	231	4,336	21,750	6,500	2,970	1,500	1,000
Chelmsford Star	99.5	27.8	807	-	2,956	1,092	1,092	771
Radstock	51.3	31.1	410	-	3,400	-	-	-
The Channel Islands Co-op	181.6	208.3	1,118	-	13,080	16,031	16,031	-
East of England Co-op	348.6	335.9	3,834	-	9,118	-	-	-
Heart of England Co-op	99.2	101.6	805	-	3,615	-	-	-
Scottish Midlands Co-op	403	226.5	3,948	22,501	8,751	-	-	-
Wine Society	160.0	49.8	270	58,000	8,500	-	-	-

Where can I find detail on the specific changes?

A table summarising the proposed changes is set out below:

Role	Current Fee*	Proposed Fee (Effective 1 July 2024)
Base Director Fee	£9,447.53 p.a.	£9,500.00 p.a.
Board Chair	£15,560.80 p.a.	£25,000 p.a.
President	£11,337.03 p.a.	£11,400.00 p.a.
Chair of A&R Committee	£120.51 p.a.	£2,500 p.a.
Chair of Remuneration Committee	£120.51 p.a.	£1,500 p.a.
Chair of Search & Governance Committee	N/A	Covered by additional Board Chair fee.
Chair of Member Engagement Committee	N/A	N/A
Committee Membership Fee	£422.19 p.a. for A&R and Remuneration Committees.	£750 p.a. for each committee.

*Excludes any individually set supplemental fees for appointed Directors.

The key changes to note are:

- 1) The Board Chair fee is proposed to increase from £15,560.80 p.a. to £25,000 p.a. to recognise the responsibilities expected of the Chair in running the Board, and the new requirement of this role to additionally Chair the Society's Search & Governance Committee.
- 2) It is proposed that the Committee Chair Fees for both the Audit & Risk and Remuneration Committees should be increased to recognise the additional skills and experience required in order to run these Committees effectively, and also align them to the median paid by other Societies. These are currently set at £120.51 p.a. for each



Committee and, if approved, will increase to £2,500 p.a. for the Chair of the Audit & Risk Committee and £1,500 p.a. for the Chair of the Remuneration Committee.

- 3) The fee for being a Board Committee member more generally will be increased to a figure more in line with the median paid by other Societies. This also reflects the additional activity and time commitment that the Society's Committees will be expected to absorb under the revised governance structure and remit recommended by the Board Effectiveness Review ("BER") completed at the end of last year. The proposed increase creates a consistent fee of £750 p.a. for membership and participation in each of the Society's Board Committees.
- 4) The base Director and President fees are presently odd amounts and as part of the revised proposal, have been rounded by a small amount to produce a 'clean' schedule of new fees.

For clarity, the Board Chair Fee and President Fee are inclusive of, and not separate to, the Base Director fee. The proposed changes to remuneration also reflect the responsibilities described in updated role descriptions for Directors (including specific roles as Board Chair, President, and Committee Chair) produced as a result of both the BER and review by EY.

Who should I contact if I have any questions on the proposed changes to Non-Executive Director Remuneration?

Questions on the Non-Executive Director remuneration should be addressed in writing to the individuals named below no later than 48 hours prior to the Half Year Members Meeting (i.e. **by no later than 12pm on Thursday 6 June 2024**):

Robert Allen, Group Secretary & General Counsel: robert.allen@lincolnshire.coop

Jon Burch, Assistant Group Secretary: jon.burch@lincolnshire.coop

Please continue to monitor this document in the period leading up to the Half Year Members Meeting. We will be including a live list of all relevant questions received from our members, together with appropriate responses.

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