

**OWNED
BY YOU.
RIGHT
BY YOU.**

**OUR MEMBER-OWNER ANNUAL REPORT
AND ACCOUNTS FOR 2024**



**OWNED BY YOU.
RIGHT BY YOU.**

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**MOST ANNUAL
REPORTS ARE
WRITTEN FOR
CORPORATE
SHAREHOLDERS.
NOT THIS ONE.
OUR CO-OP IS
OWNED BY YOU,
OUR MEMBERS.**

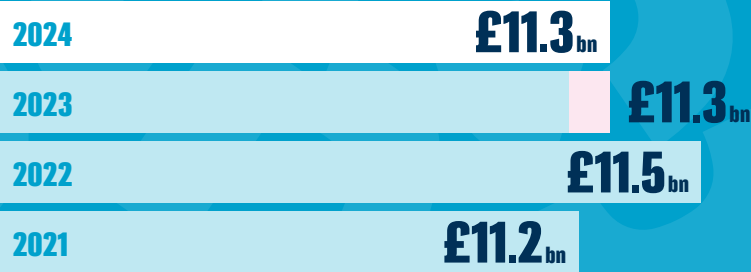
By refocusing on member-ownership in 2024, we achieved a solid financial performance in a challenging market. We delivered meaningful value to you and your communities, and we continued to strengthen our Co-op to be fit for the future.

GROUP PERFORMANCE AT A GLANCE

REVENUE: £11.3bn

What it is: the total value of our sales across all products and services. Up to 2022, these figures include revenue from the petrol forecourts that we sold in October 2022.

How we performed: the same as 2023 (£11.3bn)



2023 had 53 weeks, reflected in our revenue with £0.1bn for the 53rd week trading.

UNDERLYING OPERATING PROFIT: £131m*

What it is: a performance metric that reflects the profit we've made from day-to-day trading and before paying any financing costs.

How we performed: a £34m improvement on 2023 (£97m)



2023 had 53 weeks and would be £101m excluding this.

*Please refer to Note 1 and Glossary in our financial statements for a definition of the Group's alternative performance measures (APMs).

UNDERLYING PROFIT BEFORE TAX: £45m*

What it is: the profit we've made from operations less the repayment of interest on loans and leases. Our day-to-day trading has been improving, and we've reduced our interest repayments.

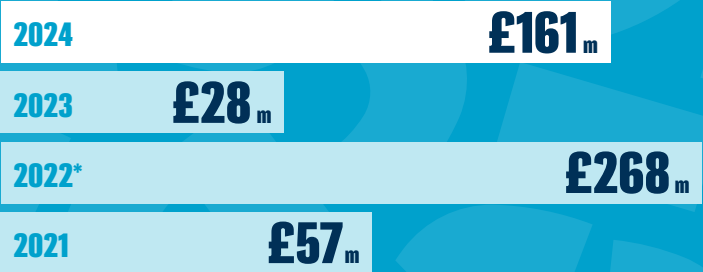
How we performed: we're 'back in the black' with a £47m improvement on 2023 (£2m loss)



PROFIT BEFORE TAX: £161m

What it is: our Co-op's net profit before deducting tax. This includes all one-off items, such as the sale of our petrol forecourts in 2022, and unusually strong returns on our funeral plan investments in 2024.

How we performed: a £133m improvement on 2023 (£28m)



*2022 includes £319m gain on the disposal of our petrol forecourts

NET DEBT: £55m*

What it is: a measure of our 'indebtedness' as a Group, excluding leases. We've worked hard to reduce the debt we owe in recent years.

How we performed: a £27m improvement on 2023 (£82m)



MEMBERS OWN OUR CO-OP, SHAPE OUR BUSINESS FOR THE BETTER AND POWER US FINANCIALLY.

The more we grow our member numbers, the more value we can bring to them - and the more we can increase our impact on the things that matter to them most.



WE'RE ON TRACK TO
MEET OUR MEMBERSHIP
TARGET:

8
MILLION ACTIVE
MEMBER-OWNERS
GOAL FOR
2030

6.2
MILLION ACTIVE
MEMBER-OWNERS
2024

5.0
MILLION ACTIVE
MEMBER-OWNERS
2023

4.4
MILLION ACTIVE
MEMBER-OWNERS
2022

OUR CO-OP

WE ARE 180 YEARS OLD, WITH 6.2 MILLION ACTIVE¹ MEMBER-OWNERS AND A PRESENCE IN EVERY POSTAL AREA IN THE UK.



Food

We work to deliver convenience without compromise, both online and through our stores.



Business-to-Business

Our **Wholesale** business serves partners across nearly 4,000 stores, including many with the **Nisa** brand. We also run a **franchise** operation and supply independent co-ops.



Life Services

Our **Funeralcare**, **Legal Services** and **Insurance** businesses: here to help members and customers through life's ups and downs.

What makes our Co-op different is that we're owned by and run for our members. The more members choose us, the more value we create for our member-owners and their communities.

OUR VISION IS TO CO-OPERATE TO BUILD MORE VALUE FOR OUR MEMBERS EVERY DAY IN THE FOLLOWING WAYS:



Ownership value

Members influence the decisions we make. You help pick our leaders, campaign for change and shape our products.



Social value

From working with local causes and communities to protecting our planet, we make a positive impact for you on the issues you care about.



Economic value

Being a member benefits you financially, including lower prices and exclusive offers across our businesses and partnerships, such as Co-op Live.

By delivering value back to members in these ways, we believe we can grow our Co-op for generations to come.

The way we run our business is also important to us. We set high standards for responsible retailing and service. And we believe it's our responsibility to campaign on issues that matter to members, customers and colleagues.

8 ¹ Active members are those who have traded with our Co-op in the last twelve months.

For more on how we ran Co-op responsibly in 2024, [read our sister report on social value and sustainability](#).

A NOTE FROM THE CHAIR

Debbie White: Chair, The Co-op Group

In my first year as Chair, I'm pleased to report that our Co-op has made good progress towards our long-term ambition of achieving sustainable growth for the benefit of our member-owners.

OUR MODEL IS SPECIAL.

Thank you for playing your part in powering it into the future.

In a year where we 'reintroduced Co-op' to the nation and placed member-ownership back at the heart of our organisation, we have progressed on a number of our key priorities, despite economic and political uncertainty.

We have grown our membership numbers significantly and strengthened member engagement. We have achieved solid business results and further strengthened our financial position while introducing new propositions across all business areas. We have acted on the societal issues that most concern our members, such as retail crime, the environment, employment and mental wellbeing.

All of this has been achieved in a time of challenge and change. Rather than distracting us from our new business strategy, many of the events that unfolded in 2024 underscored its importance.

A general election reinforced the power of democracy. Democratic engagement has driven our Co-op since 1844. In 2024, we found new ways to involve you, our members, in the business you own, from shaping our strategy to developing products.

Across continents, conflicts began, and others continued. Closer to home, we saw riots and unrest.

" We were reminded that harmonious collaboration is never a given, and we responded with a clear message: *hate divides communities, co-operation builds them.*"

Continued cost of living, humanitarian and climate crises highlighted the vital need for purposeful organisations like ours; we spent £20 million in 2024 supporting communities and causes both at home and abroad.

In short, we believe the strategy we set in 2024 will deliver sustainable growth because it focuses on the fundamental power of co-operation, which is as needed now as it was 180 years ago. Shirine and our 54,000 colleagues have already made good progress along this road, and I'm excited by what can be achieved in the years ahead.

The strength of the co-operative business model is that we're run by members, for the benefit of members. While being commercially successful and financially responsible are naturally both key in making sure our Co-op is here for generations to come, we also consider purpose hand-in-hand with profit. We can make choices that other businesses can't, and together, we can have a positive impact in an ever-changing world.

Our model is special. Thank you for playing your part in powering it into the future.



Debbie White,
Chair, The Co-op Group.

AGM
2024



REPORT FROM THE PRESIDENT OF THE NATIONAL MEMBERS' COUNCIL

Denise Scott-McDonald: President, National Members' Council

In 2024 we welcomed over a million new members to our Co-op. We've continued working hard to ensure that you, our members, are right at the centre of our business - whether you've been a member for a long time or have just joined us.

Many of you said you want us to continue focusing on giving you even more economic value during the ongoing cost of living crisis. Members have continued to trade with our Co-op so we can deliver more Member Prices and better offers on our great products and services, despite still operating in tough markets.

This shows what we can do when we come together, making our Co-op a sustainable, successful and inclusive business that looks to the future.

Throughout 2024, your Council - member-owners just like you, elected by you to represent your interests - has made sure that our Co-op puts the value we create for our more than six million members and the things you care about front

and centre of everything we do. At the last AGM, we proposed a motion to address the cost of living crisis for our members and their families, by ensuring that cheap food isn't poor-quality food. You, our members, backed that and made it happen. Because of that, in 2024 our Co-op lowered Member Prices on 54 items of fruit and veg in our stores, giving you more nutrition for the pound in your pocket, as well as more value.

Your Council believes we need to shout from the rooftops about what makes co-ops different. Over 180 years since we were founded, our ownership model has never been more relevant. That's why I am so proud to see our Co-op put this difference up front with our *Owned by You, Right by You* campaign, launched in 2024. This highlights our difference of being member-owned, and how this means we can make the right decisions in the interests of our members, not a small group of shareholders. We have been working with our Board to deepen the understanding of our Co-op difference among our colleagues and members.



Because you own us, we, as your Council, have been championing the value you get in return. Our first Big Members' Survey in 2024 told us that you also want us to champion the difference Co-op members can make together on issues they care about for people and planet. It was Co-op members who successfully led the campaign to change the law to make violence against shopworkers - our Co-op Colleagues who live and work in our communities - a standalone offence.



In 2024, we also explored new ways for our members to shape our Co-op, listening to your priorities to best represent you, to make sure we are always in touch and putting your views across to other parts of our Co-op. Nearly ten times more members got involved in our pop-up cafés, in our local and interim

results events last autumn than previously, and we had a 38% increase in the number of members who voted in our AGM as well.

Looking ahead, the United Nations has declared 2025 to be the International Year of Co-operatives. Our Co-op is one part of a brilliant global movement, and I am looking forward to enthusiastically celebrating all the ways that co-ops like ours do business in a fairer way.

Finally, I would like to end by saying thank you to you, our members, for choosing us and truly being the Co-op difference! I also want to thank our Board Chair, Debbie and our CEO Shirine, as well as their fabulous teams. Thanks also to my wonderful Vice-Presidents, Debbie Williams and Sam Webster, the members of the Council and our brilliant Council and Democracy Team for their support. I look forward to working with all of you in 2025!

Denise Scott-McDonald
President, National Members' Council

CHIEF EXECUTIVE'S OVERVIEW

Shirine Khoury-Haq: Chief Executive Officer, The Co-op Group



TO OUR MEMBER-OWNERS,

In January 2024, we announced **our new vision**, which is to *co-operate to build more value for our member-owners every day*.

"What makes our Co-op **different** is that we're owned by and run for our members. The more members choose our products and services, the more value we create for our member-owners and their communities."

We created this vision and the strategy to deliver it in partnership with member-owners and our National Members' Council. In the summer, we launched our *Owned by You, Right by You* campaign to not only bring the value of our Co-op's membership alive for the public but to show our nation the power of co-operation as a unique and powerful business model.

By the end of 2024, we'd increased our active member base to 6.2 million. This means we have 22% more active members than at the end of 2023, and we're comfortably on track to our target of eight million active members by 2030.

A simpler structure and a solid performance

With our new vision and Group strategy in mind, in 2024, we focused our operations into three business areas: Food, Life Services and Business-to-business. These are areas where we can meet customer and member needs today, and develop our Co-op difference in the years to come.

In each of these areas, we faced challenging markets in 2024 as people continued to feel financially squeezed. Our **Food** business grew both revenue and

market share – a testament to the way we're meeting changing customer behaviour head-on by focusing on Member Prices and 'quick commerce' options, such as UberEats, Just Eat and Deliveroo; we continue to be the number one grocer on each of these platforms. **Life Services** grew as a whole, powered by a 24% uplift for Legal Services. It was a hard year for the wholesale market; our **Business-to-business** area saw a reduction in revenue, but we supported our partners and we're confident we've now sown the seeds for future growth.

Our Managing Directors for each area will tell their stories for the year shortly. But from a Group perspective, we have performed well for our member-owners on our long-term journey to sustainable, profitable growth. As Rachel, our Chief Financial Officer, will explain in her update, we held our 2023 revenue into 2024 as we continued to rightsize our business and focus on member value. Simultaneously, we built on the financial discipline established in the previous years; our underlying operating profit grew by over a third to £131m, and we lowered our net debt² a further 33% to £55m.

Doing right by members, colleagues and communities

Our business performance matters because it powers the positive impact we can have for member-owners, their communities and society. To highlight a few achievements in this area, in 2024 we invested £92m in lower prices for members across our Group, and £20m supporting causes and communities.

We also invested £96m in colleague pay, including a 10.1% pay rise for frontline colleagues in line with the Real Living Wage. And we continued our 30% colleague discount with a gross investment of £36m.

Absorption of these significant, and important, investments in an already difficult business environment should make us all additionally proud of the significant increase in profit and reduction in debt we were able to achieve in the year.

It's vital that we continue to do right by our people in ways like these because it's primarily our colleagues, the vast majority of whom are members themselves, who are turning our vision into reality. Together, we're building a different kind of workplace, where

everyone is proud to play their equal part.

For example, we focused on social mobility, belonging and inclusion in 2024. In July, we became the first retailer to publish a socio-economic pay gap report. We also continued to campaign on retail crime; we've been calling for *Safer Colleagues and Safer Communities* since 2018, and in April, the Government pledged to make assaulting a retail worker a standalone criminal offence.

Looking back to move forwards

In 2024, we celebrated 180 years of co-operation while readying ourselves for the next 180.

Co-op Live opened in May; initial teething troubles turned into sell-out shows through the year, with exclusive offers and benefits for Co-op members. We launched new propositions, like our new Co-op Media Network, while working to increase engagement among our members. 38% more members voted on AGM motions as we made voting through the Co-op app possible for the first time (2023: 31,130; 2024: 43,061), and we hope this number will grow as we continue to encourage participation.

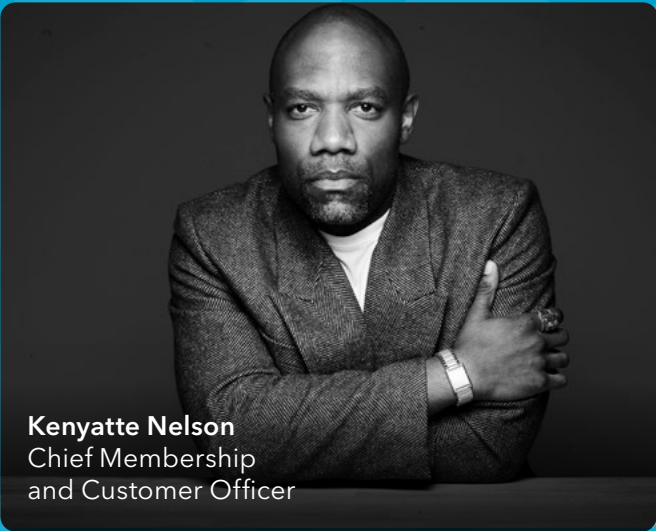
These are just a few examples of how our strategy helps us to be fully fit for the future, while reminding us of where we've come from.

Thank you to our 54,000 colleagues for embracing change – for all we've already achieved together, and all we will achieve in the years ahead. Thank you to our Board and our Council for championing co-operation so wholeheartedly and for supporting me and our leaders as we delivered for our member-owners in another challenging year. Most of all, thank you to our members for joining us on this journey and for helping us as we made choices along the way.

As Denise has mentioned, 2025 is the United Nations Year of Co-operatives. Similarly, the Government has pledged to double the size of this sector in the UK. I am proud of what we achieved in 2024 while holding our co-operative business model and values close, and I am excited about what more we can achieve as we look forward.

Shirine Khoury-Haq
Chief Executive Officer,
The Co-op Group

WORKING TO MAKE MEMBERSHIP IRRESISTIBLE AND INDISPENSABLE



Kenyatte Nelson
Chief Membership
and Customer Officer

In 2023, I said we were laying the foundations for a new member-owner experience at our Co-op. Our aim was to build more value for our member-owners every day, working to make membership *irresistible* and *indispensable* for them.

A year on, I'm hugely proud of all we've achieved here. We can see that people value Co-op membership; in 2024, over 23,000 people became members every seven days. On top of this, 2024 saw our member participation numbers rise significantly. We're increasing the number of member-owners who understand, value and engage with the co-op that they own.

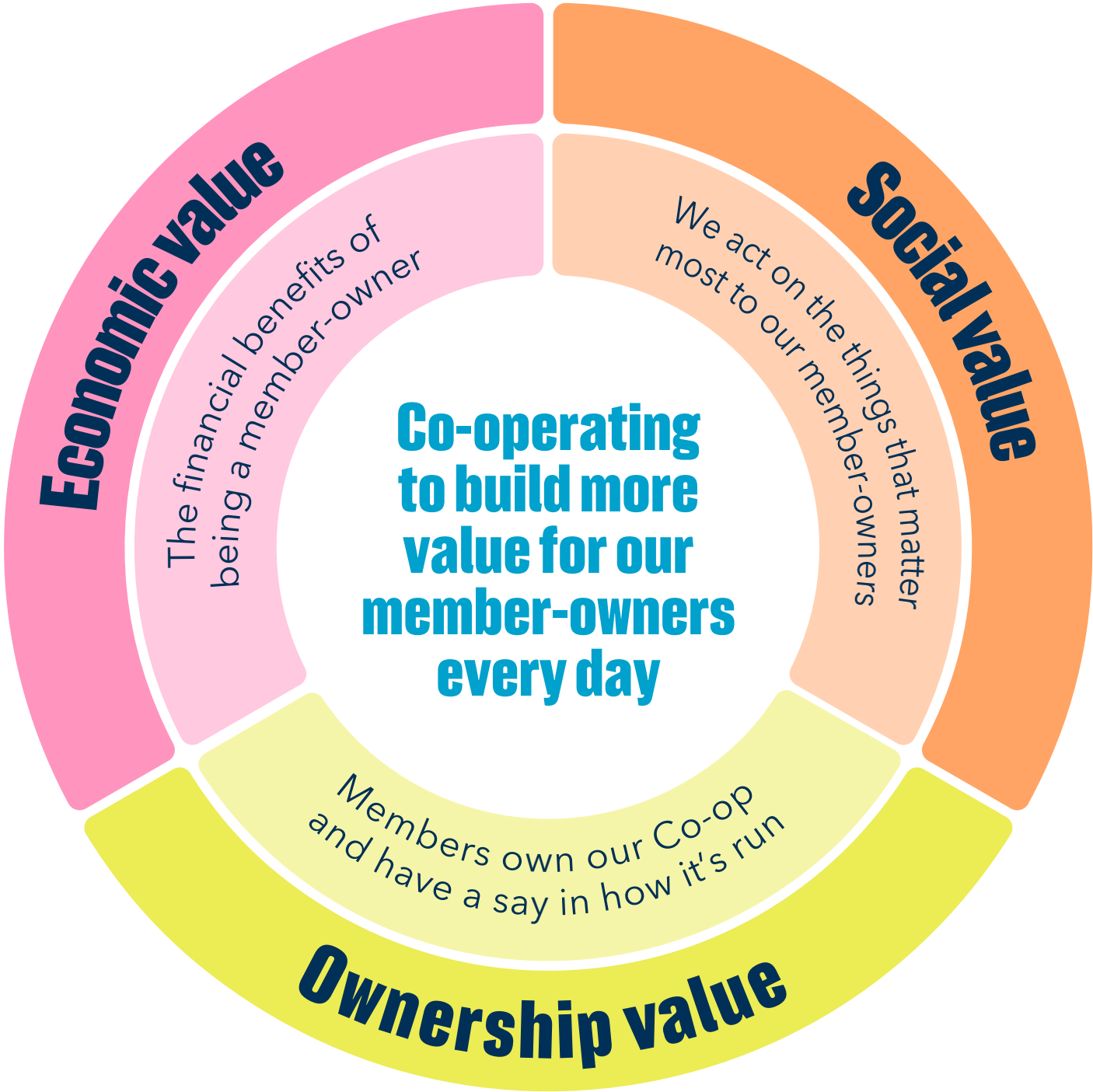
We're also showing up differently to members and potential members. Just take our *Owned by You, Right by You* campaign, our presence at UK festivals and the member experience we've created at Co-op Live – the UK's largest live music venue.

It's all having an effect. In 2024, over 340,000 members under 25 joined our Co-op, which is a 66% increase on 2023. (2024: 344,800; 2023: 207,700)

22%	INCREASE ON ACTIVE MEMBERSHIP
60%	RISE IN MEMBER PARTICIPATION
£92m	OUR INVESTMENT IN MEMBER PRICES IN 2024
£3.1bn	HOW MUCH MEMBERS SPENT WITH US, UP BY 19% ³

³ 2024: £3.1bn, 2023: £2.6bn

OUR VISION IN 2024



Ownership value

Members own our Co-op and have a say in how we're run

There are lots of ways for members to shape our Co-op, like choosing a community cause or helping us develop products. In 2024, we rethought many of the ways we engage members in how our business is run.

For example, in May, we held our AGM at Co-op Live for the first time. Members could vote using our app, which saw voting numbers

rise by over a third. In November, we held 100 events, like pop-up cafés, to help members understand more about member-ownership, and to encourage them to get involved.

Across 2024, 1.74 million members took ownership action in our Co-op, from influencing our strategy to tasting wine and supporting local projects. Of this number, many members joined in for two or more activities over the year. This is how we measure member participation, and it's up by 60%.



Economic value

The financial benefits of being a member

It's our responsibility to make sure that being a member comes with real financial benefits.

In our 2024 member survey, members told us that 'the rising cost of living' was a top concern. And so, across our business areas, we invested £92m in Member Prices and offers through the year.

For example, today, in our Food business, members can save up to £10 a week based on an average basket⁴. We launched Member Prices online in 2024, too.



Social value

We act on the things that matter most to members

'Concern for community' has long been a guiding principle for our Co-op, and 2024 was no different. We supported our members' communities, campaigned on their behalf and contributed to causes they care about.

For all our achievements in this area in 2024, [read our Social Value and Sustainability Report](#), but to highlight a few:



Our Local Community Fund has shared £114m since starting in 2016 with causes across the nation and on members' doorsteps, from sports clubs to local gardens.



We found new ways to involve members in community action. For example, our *Winner Shares It All* prize draw saw nearly 1.5 million members taking part for the chance to win £500 for themselves and £5000 for their local cause.



We are the naming rights sponsor for Co-op Live, which opened in May. This is the most sustainable venue in Europe, and also donates £1 million a year to our Co-op Foundation to empower young people and communities.



We're focused on sustainability across our Co-op. In 2024, we continued to reduce the carbon emissions⁵ from running our business. We've now reduced these emissions by 61% since 2016, equivalent to 55,000 households' emissions.



We continued to campaign for *Safer Colleagues and Safer Communities* in 2024. For example, since 2018, our colleagues and members have written over 25,000 letters to MPs and police calling for change. In February 2025, we were delighted to see the Government publish its Crime and Policing Bill, which makes assaulting a shopworker a standalone offence.



We continue to proudly support the Co-op Academies Trust. In 2024, the trust continued to change the lives of over 20,000 children from 38 schools across the North, helping them succeed, no matter their background.



As of 2024, we've raised £4 million for our charity partner Barnardo's, and we've supported 200,000 young people so far.



2024 was our 30th year stocking Fairtrade products. To celebrate, we made all our fresh-cut roses Fairtrade and rolled out vibrant new packaging on Fairtrade products.

18 ⁴ This reflects what a member could save if they shopped from the lines we discount for members and made the most of the promotions and deals we run for members – for example, regularly buying lunchtime meal deals and shopping with our weekly personalised offers.

⁵ Scope 1 and 2

GROUP FINANCIAL OVERVIEW

KEY PERFORMANCE INDICATORS

Why are these measures important?

We use the following indicators to manage the performance of our Co-op. Being a profitable business with financial stability is essential in helping our Co-op to meet its strategic objectives and be there for our member-owners for generations to come. These measures help us assess and understand this stability.

These KPIs include both the statutory measures we're required to share under International Financial Reporting Standards (IFRS) and Alternative Performance Measures or APMs. The APMs are not meant to replace statutory measures under IFRS.

These APMs are consistent with how we measure our Co-op's performance internally, and they help our members understand the underlying performance of our businesses, too. We include more detail on financial performance and these KPIs on page 38.

	2024*	2023*	VAR (£m)
Total Group Revenue	£11.3bn	£11.3bn	£0.0bn
Underlying EBITDA**	£481m	£468m	£13m
Underlying operating profit**	£131m	£97m	£34m
Underlying profit / (loss) before tax (PBT)**	£45m	(£2m)	£47m
Operating Profit	£151m	£66m	£85m
Profit before tax (PBT)	£161m	£28m	£133m
Group net debt	£1,248m	£1,315m	£67m
Group net debt (excluding leases)**	£55m	£82m	£27m
Return on Capital Employed (ROCE)	4.7%	3.4%	1.3%pt

* The 2024 figures represent the 52-week period ended 4 January 2025 with the 2023 comparatives representing 53 weeks to 6 January 2024.

** A full glossary of Alternative Performance Measures (APMs) and their definitions is included in our financial statements.

OUR CHIEF FINANCIAL OFFICER'S OVERVIEW

Rachel Izzard: Chief Financial Officer, The Co-op Group

I'm pleased to share our Co-op's financial results for 2024 and walk you through the numbers. This was a year where we made clear progress on our journey to sustainable profitable growth, returning 'back into the black' and improving key financial metrics.

This was delivered with a backdrop of continued market volatility, which brought challenges for our members, customers and for our Co-op.

As we entered the year, markets were expected to grow. It was believed that inflationary pressure would ease, but that there may be upward pressure on pay. In reality, consumer demand stayed fragile through 2024, and that upward pressure on pay was joined by wider continuing higher interest rates and wider cost inflation by the end of the year.

We listened to our members and recognised value for money was a primary concern. More than ever we needed to provide economic value to them. To do this and find the balance with improving our profitability for the long term, in 2024, we focused on being both cost and capital effective.

Revenue

Group sales were flat year on year, which reflects a combination of factors, including fragile consumer demand and the fact that there was one more week in the comparative year. Our Managing Directors walk through the performance of our business areas later in this report, but I've summarised the revenue data in the table to the right.

It's particularly pleasing to see the majority of our businesses maintaining or improving market share in challenging conditions. Progress in active membership and areas such as quick commerce and Legal Services have enabled us to 'beat the market' in key areas.

Challenging conditions continued in the wholesale and small independent convenience market, as well as Insurance.

Our result in Food reflects volumes returning to growth with pricing kept low, which we achieved with a broadly flat store estate. We continued to carefully manage and right size our Food space to get the most from every store, creating a profitable base to grow from.

REVENUE	2024	2023	Var	Var %	Var % ex Wk53
Food	£7.4bn	£7.3bn	£0.1bn	1.9%	3.7%
FRTS	£2.08bn	£2.14bn	(£0.1bn)	(3.1%)	(3.1%)
Wholesale*	£1.4bn	£1.5bn	(£0.1bn)	(5.5%)	(4.2%)
B2B	£3.5bn	£3.6bn	(£0.1bn)	(4.1%)	(3.6%)
Funeralcare	£289m	£281m	£8m	2.8%	4.3%
Legal	£84m	£68m	£16m	23.5%	25.4%
Insurance	£28m	£29m	(£1m)	(3.4%)	(3.4%)
Life Services	£401m	£378m	£23m	6.1%	7.5%
Group	£11.3bn	£11.3bn	£0.0bn	0.2%	1.5%

* Wholesale revenue includes sales from our Franchise business.

CO-OP FASCIA STORE ESTATE AS AT YEAR END	Food		Franchise	
	2024	2023	2024	2023
Opening estate	2,349	2,377	37	42
Closures	(28)	(31)	(1)	(9)
Openings*	27	3	20	4
Net change to estate	(1)	(28)	19	(5)
Closing estate	2,348	2,349	56	37
Percentage change	(0%)	(1%)	51%	(12%)
Revenue per Store**	£3.2m	£3.1m		

* Openings include six sites where we have contracted with Shell to operate grocery operations
** Only available for Food for reported revenue

Underlying operating profit

Underlying operating profit increased £34m to £131m. All our colleagues worked hard to achieve this, offsetting significant headwinds and supporting our material investments.

Our headwinds in the year exceeded £200m for the second year running, reflecting price reductions for our members and customers of £92m, colleague pay increases of £96m, and cost inflation of £38m, partially offset by energy costs coming down.

We also continued our investments in the things that matter to our members, including £36m in the 30% colleague discount and £20m in our community work, as well as wider investments in social value, sustainability and food quality.

In this context, the £34m improvement in underlying operating profit was a solid step forward improving our margin by 30 basis points to 1.2% of group sales.

Statutory operating profit improved £85m to £151m, driven by the underlying improvement and a reduction in non-underlying items, such as asset impairments and a handful of favourable asset disposals.

Underlying profit before tax (PBT)

This combines our underlying operating profit with the interest on our financing, lease debt, and cash balances. We returned ‘back into the black’ here, the first time since 2020, with an underlying PBT of £45m compared to the loss of £2m in 2023; a £47m

improvement. This was the improvement in underlying operating profit and a £13m improvement in net underlying interest costs benefitting from our much-improved net debt position.

Our statutory PBT improved further, up £133m to £161m, driven by the underlying profit improvement, plus non-cash improvements in our Funeralcare investment asset returns (£17m to £102m). This year returns were strong; around £50m better than the long-term norm.

Net debt and cash

The above improvements in earnings were achieved while maintaining a strong balance sheet. As a team, we’re clear we need to deliver both – continuing our multi-year progress to sustainable profitability, while making sure we maintain a healthy balance sheet to deliver long-term value. This doesn’t mean not investing; it means investing carefully and at pace on what matters most, and balancing investment ‘out’ with cash ‘in’ from operations.

Cash generated from operations was in line with our expectations at £456m. This was lower than the prior year (2023: £602m), as in 2023 we implemented tighter working capital controls resulting in higher cash generation for that year.

Our capital investment in the year was £273m; a carefully managed increase of £68m against our 2023 spend of £205m. This included investment in the Food estate across new stores, refits, relocations and freehold purchases of £82m (2023: £40m).

CASH GENERATION	2024	2023	Var	Var %
Net cash inflow from operating activities	£456m	£602m	(£146m)	(24.3%)
Capex	(£273m)	(£205m)	(£68m)	33.2%
Disposal proceeds	£34m	£37m	(£3m)	(8.1%)
Net cash inflow from funeral plan investments	£20m	£40m	(£20m)	(50.0%)
Lease payments - principal and interest	(£183m)	(£191m)	£8m	(4.2%)
Net bank and loans interest	(£25m)	(£39m)	£14m	(35.9%)
Other	(£2m)	(£4m)	£2m	(50.0%)
Net cash generation	£27m	£240m	(£213m)	(88.8%)

This careful management enabled us to further reduce our net debt excluding leases by the £27m generated from £82m to £55m. Including lease debt our net debt is £1,248m, down £67m year-on-year.

Financing

As a direct result of the financial discipline I’ve outlined, our credit rating was upgraded by Standard & Poors in 2024. This means our Co-op has better access to both rates and lenders. At the end of the year, we successfully renewed our £400m sustainability-linked credit facility to 2029, which is currently undrawn and used for liquidity risk management.

In the first half of the year, we used cash to repay our maturing bond of £204m. This leaves £475m

of borrowings still to repay, with £114m falling due within a year, and the remainder within two years. I’m confident that our improving financial health will let us optimise how, when, and how much we raise as new finance to set our Co-op up for the years to come. In the meantime, our cash and short-term investments at year-end stand at £420m. Combined with the undrawn £400m credit facility, we have sufficient headroom for these volatile times.

Return on capital employed

In our KPIs, we have also included Return On Capital Employed (ROCE), which helps us track our earnings relative to the capital deployed. It’s pleasing to see this improve with a combination of improved profit and disciplined capital management.

In summary

This is a financial performance to be proud of. We improved profitability while maintaining a healthy balance sheet, investing for our future and reducing our net debt; a strong performance when you consider the wider picture of slowing markets and cost inflation.

Building a sustainable, profitable business takes time. Three years ago, our debt and costs were too high for a business of our size. Today, we’re prudently managing our members’ money and generating an underlying profit before tax for the first time in four years. We can’t stop here; in the short term, we’ll manage the headwinds in front of us. In the medium

term, we’ll look to further improve our financials and return our Co-op to sustainable levels of profitability.

“As a close I wanted to say thank you for the 2024 results to all of our amazing colleagues, my own team included. Thank you for your work getting us to these results, and for the work on the future profitability of our Co-op.”

FOOD RETAIL

Matt Hood: Managing Director, Co-op Food

In 2024, our Food business performed strongly. We found new ways to deliver convenience without compromise, and focused on Member Prices. In doing so, we grew revenue, market share and most of all, momentum.



KEY FIGURES

	YE 2024	YE 2023	VAR/%
Revenue	£7.4bn	£7.3bn	1.9%
Underlying operating profit**	£201m	£173m	£28m
Market share*	13.7%	13.1%**	0.6%

*Source: Circana Market Convenience Data - 52 weeks to 4 Jan 2025 vs. 52 weeks to 6 Jan 2024. Market share at 6 July 2024 was 13.6% against the reported 14.1% in our 2024 interim report, representing an amendment in Circana convenience market data subsequent to the issuance of our report

**2023 includes the representation of community reward from Food to costs from supporting functions

This was the second year of our pure convenience strategy, focusing on value, range and price. This saw our Food business grow underlying profit by £28m, outperform the convenience market and increase market share.

As personal finances continued to be stretched through 2024, we kept reducing the prices of the products we know members already buy and rewarding members with exclusive offers and promotions.

While rightsizing our operations and managing our store estate carefully, we continued to expand our routes to market, developing our online convenience shopping (or 'quick commerce') service. We also

invested in future-facing technology to make our stores and wider business more efficient.

Despite the encouraging numbers, it was a challenging market and we can never be complacent about our results. Our focus has already shifted to growth in 2025 and beyond. We'll keep focusing on value in a total sense – price, promotions and value for our member-owners – while also considering the wider environment and the topics that matter most to members, such as British farming and climate change.

As always, all our wins this year are thanks to the hard work of all our nearly 50,000 Food colleagues, so a big thank you to them all.

Performance

We continued to grow our market share. According to Circana, this stood at 13.7%⁶ which is higher than where we closed 2023 with a share of 13.1%. We also grew ahead of the wider convenience market; on a 52-week basis, we 'beat the market' by 4.9%pt.⁷

We **carefully managed our store estate** with 62 refits and six relocations, while complementing our physical presence with online options. Demand for our delivery options on shop.coop.co.uk, UberEats, Just Eat and Deliveroo grew by 48% (2024: 22m orders; 2023: 15m). This shows that our members and customers value the convenience of quick commerce, and we celebrated this in our Christmas TV ad: "we deliver party food in as little as 20 minutes".

We innovated in other ways, too. We launched our first Co-op Flow store in our Castlewood Depot: a new frictionless shopping experience where customers don't need to scan products at a till to checkout. And we nearly tripled the number of new products launched compared to the year before

(2024: 362, 2023: 136). For example, we expanded our Co-op Irresistible pizza range with hot honey and Kashmiri-style butter chicken.

Keeping our colleagues and members safe in our stores remained a key priority. In 2024 we invested £29m into our stores and communities to create safer environments for our colleagues, member-owners and customers.

This year, we invested £66m into Food store colleague pay. For example, we continued to align to the real Living Wage by increasing our pay for customer team members and Post Office counter assistants from £10.90 to £12 an hour (+10.1%). We also invested £35m into colleague discounts.

We continued to work co-operatively with suppliers and producers. For example, we came first out of 14 retailers ranked by the Grocery Code Adjudicator for overall compliance with the Groceries Supply Code of Practice.



⁶ Circana data: full year 2024.

⁷ Market share and growth performance against the market are quoted on a 'like for like' basis, which excludes week one from the 2023 reporting year and aligns most closely to calendar weeks. It reports 52 weeks to 4 Jan 2025 vs. 52 weeks to 6 Jan 2024. Figures are quoted as per Circana Convenience Data. Market share is 13.7% at year-end 2024 versus 13.1% in 2023 – growth of 0.6% year-on-year. We beat the market by +4.9% because our Food business grew 3.3% on a 52-week basis, against a market decline of (1.6)%.

Social value

In September, we celebrated **30 years of Fairtrade**, introducing new, bold packaging on some of our Fairtrade products, while also making all our fresh-cut roses Fairtrade.

In July we launched our **Future Farming Fund** to help British farmers adopt sustainable farming practices. The fund will drive innovation and promote productivity with a series of on-farm projects led by members of Co-op's Beef and Lamb Farming Group.

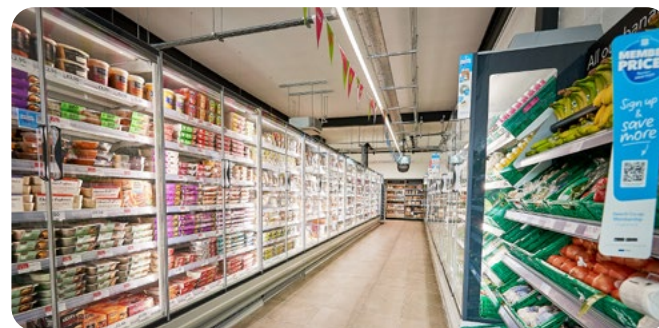
Through the year, we continued with our **Apiary Incubator** scheme, supporting small suppliers who would otherwise be underrepresented in the industry, and brands that share our co-operative values.



Economic value

Of the £92m we invested in Member Prices across our Group, £88m went into **reducing Food prices for our member-owners** with Member Prices, Member Deals and promotions.

This year we also introduced our **boosters** initiative so member-owners can earn offers, like money off your next shop, by completing shopping missions on products you already buy.



Ownership value

This year we continued to work with our member-owners to take action on the things that matter the most to them.

In February, following a motion from our 2023 AGM, we announced a multi-million-pound investment into our work on **chicken welfare**, with a maximum stocking density of 30kg/m2 giving many chickens 20% more space than previously.

During our 2024 AGM, members asked our Co-op to reduce prices on **healthy products** and ingredients. Since then, we've launched our Three Fresh Deals - giving lower prices on three selected fresh produce items every trading period.



**OF THE £92M WE
INVESTED IN MEMBER
PRICES ACROSS OUR
GROUP, £88M WENT
INTO REDUCING FOOD
PRICES FOR OUR
MEMBER-OWNERS**



LIFE SERVICES

Caoilionn Hurley: Managing Director, Life Services

In 2024, we grew our Life Services business by continuing to put our member-owners and clients first; helping you navigate life's challenges with clarity, simplicity and certainty.

KEY FIGURES

	YE 2024	YE 2023	VAR/%
Revenue	£401m	£378m	6.10%
Funeralcare	£289m	£281m	2.8%
Legal	£84m	£68m	23.5%
Insurance	£28m	£29m	(3.4%)
Underlying operating profit	£41m	£24m	£17m
Funeralcare	(£1m)	(£11m)	£10m
Legal	£27m	£21m	£6m
Insurance	£15m	£14m	£1m
Market share Funeralcare**	14.7%	14.6%	0.1%

* Source: Office for National Statistics & National Records of Scotland Market Data - Dec Year to Date (12 Month rolling)
** Timecare Adjusted | Source File: National Marketshare Summary 2024 Year End (Timecare Adj). Whole market share data isn't available for Legal and Insurance businesses



Our Life Services business helps clients plan for – and transition through – life's most important moments. We provide legal services, insurance, funerals and funeral plans.

In 2024, we grew revenue overall (2024: £401m; 2023: £378m), powered by a 24% sales uplift for Legal Services. We increased market share in our more established areas of Legal Services and Funeralcare, alongside cost control. This increased our underlying operating profit to £41m (2023: £24m).

These are all achievements to be proud of, particularly given the declining death rate seen

in the UK this year. We focused on offering the best value for money to members and clients, and created more choice with new products, including Direct Cremation funeral plans and renters insurance, while also improving our existing range, systems and processes.

Our colleagues remained central to our success so a big thank you to them all. By upholding the highest standards of service and care, we also continued to see high customer satisfaction scores across our businesses, and external recognition from bodies such as Trustpilot and the UK Institute for Customer Service.



Ownership value

We're making it easier for customers to become member-owners. As of 2024, customers can sign up for Co-op membership as they're buying travel insurance. Over **2,000** member-owners joined this way, so we'll roll this out to more of our range in 2025.



Economic value

In 2024, we launched Member Prices on our core range of Insurance products, selected legal services, funerals and funeral plans. We also offered double discounts and refer-a-friend incentives on funeral plans.



Social value

We partnered with a number of charities, including Cancer Research UK and Mind, offering a free will writing service to their supporters in the hope that they leave a donation. Donation pledges in these wills reached **£9.5m** in 2024 (2023: £8.1m).

Co-op Legal Services

We're here to help our member-owners and clients to not only understand the law, but make the most of it.

We achieved year-on-year **revenue growth** of 24% to £84m (2023: £68m), which was driven by our practice areas of Probate (2024: 9,370 openings; 2023: 9,171⁸) and Estate Planning (2024: 33,773 openings; 2023: 26,173⁸).

This resulted in a 30% increase in operating profit compared to last year (2024: £27m, 2023: £21m).

Our focus on **technology** continued in 2024. We started replacing some of the systems we use to manage cases, which will improve our processes and help our colleagues work more efficiently.

We also invested in **AI** to speed up Probate administration tasks, giving our colleagues more time to resolve clients' cases quickly; we'll be expanding its use across our other practice areas in the coming years.

This focus on our clients helped us achieve 'excellent' scores on Trustpilot: 4.9 out of 5 for Co-op Estate Planning and 4.6 out of 5 for Co-op Legal Services.

⁸ On a like-for-like, 52-week basis.

Co-op Funeralcare

In 2024, we helped more than 90,000 families say their best goodbye.

We generated £289m in revenue in 2024 (2023: £281m). This 2.8% growth was supported by higher revenue from our funeral plans, but our performance was impacted by a decline in demand; the death rate was 2.8% lower than in 2023⁸.

Meanwhile, our at-need market share reached 14.7% (2023: 14.6%), and we launched new **Direct Cremation** funeral plans in response to member

and client feedback - helping us to double our funeral plan sales year-on-year.

We also continued to **offer our members the best value for money**. We doubled our members' usual discount on funeral plans from October to December, and we invited members to refer a friend to get even more value back. We also successfully implemented **Consumer Duty requirements** for all our closed products while maintaining high client satisfaction scores for our funeral services (2024: 98%; 2023: 97%).



Co-op Insurance

We're here to support our members and our customers by offering the right cover at the right price. We offer home, life, motor, travel and pet insurance, and as of 2024, renters home insurance and loans.

Overall in 2024, we saw a small reduction in revenue (2024: £28m; 2023: £29m) - it was a challenging year for the insurance industry. Market prices were volatile, which meant many people looking for car and home insurance 'shopped around' for the best price. This led to a 19% reduction in these policy sales in 2024 (2024: 119.7k; 2023: 147.8k). Even so, our policy sales increased overall in 2024 (2024: 279.6k; 2023: 260.4k) with increased demand for both travel and pet cover.

We're committed to making sure our members get the **best possible price**, so we made exclusive Member Prices available on our core insurance policies.

Our members told us you wanted greater access to finance, particularly loans, so in November we partnered with Aro Finance to help members compare loan offers from a panel of lenders.

Members were then given exclusive loan rates from certain lenders, depending on eligibility.

In May, we launched **renters home insurance**, which protects all the things you own that you'd take with you if you moved. With policies starting at £5 a month and with no cancellation fee, it provides the flexibility our members and customers told us they were looking for.

Finally, we were delighted to win gold at the UK Customer Experience Awards and to be ranked third in the insurance industry by the UK Institute of Customer Service.



BUSINESS-TO-BUSINESS

Jerome Saint-Marc: Managing Director, Business-to-business and Growth

It was a challenging year for the wholesale market overall. Despite this, we were able to support our partners by significantly lowering prices for them, while also reaching new markets. I'm confident that we've now laid the groundwork that will power growth - for our business unit and our Co-op as a whole - for many years to come.



Our B2B business brings the best of our Co-op to trusted partners, while giving our members more opportunities to shop with Co-op.

Within this area, we have **Co-op Franchise**: independent businesses that use our Co-op systems, and often look and feel like our owned stores. Our wholesale business supplies products to independent shops including many under the **Nisa** brand; these stores stock Co-op products alongside products bought elsewhere. And our **Federal Retail Trading Services (FRTS)** business sources products and provides logistics services for independent co-operative societies. So we offer a wide range of options to our B2B customers.

In 2024, our revenue was £3.5bn, which represents a 4.1% reduction (2023: £3.6bn). Our operating loss for 2024 was £1 million (underlying operating profit 2023: £14m). This performance reflects the wider challenges faced by the wholesale market, where sales have reduced year-on-year as the cost of living crisis has continued. Franchise stores and independent businesses fall under the 'symbols and independent' market, which saw a volume decline of 6.7% through 2024, according to data from Circana.

To break our performance down, our FRTS business contracted by 3.1%, reflecting the market. While we typically look at our wholesale and franchise business performance together - as in the table - this year, it's useful to separate them. In wholesale, revenues were down by 5.5% (2024: £1.4bn; 2023: £1.5bn), but we still leaned in to support our independent customers

who faced more challenges than larger retailers - we significantly lowered our prices to help them through a challenging year along with the rest of the convenience market.

Meanwhile, our franchise business grew by more than 30% (revenue 2023: £56m; 2024: £74m); this figure is included along with our wholesale revenue in the table above. We ended 2024 with 56 franchise stores in various locations including petrol forecourts, hospitals and universities - a 51% increase on 2023 (37 stores).

This area might only make up a small part of our revenue today, but it shows what's possible for B2B in the future. Overall in 2024, we laid the foundations that will power growth opportunities ahead for B2B, while continuing to make a difference for our communities. I'd like to thank my colleagues for all the work they've done in 2024 to help our business succeed in years to come.



KEY FIGURES

	2024	2023	Var £/%
Revenue	£3.5bn	£3.6bn	(4.1%)
FRTS	£2.1bn	£2.1bn	(3.1%)
Wholesale**	£1.4bn	£1.5bn	(5.5%)
Underlying operating profit	(£1m)	£14m	(£15m)
FRTS	nil	nil	nil
Wholesale**	(£1m)	£14m	(£15m)
Market share (Nisa only*)	11.9%	11.9%	0.0%

* Source: Nisa market share of Circana Symbols & Independents - 52 weeks to 4 Jan 2025 vs. 52 weeks to 6 Jan 2024. Market share at 6 July 2024 was 11.9% against the reported 12.9% in our 2024 Interims Report, representing an amendment in Circana convenience market data subsequent to the issuance of our report.

** Wholesale revenue includes sales from our Franchise business



Ownership value

In 2024, we recruited around 47,000 new Co-op members through our franchise business.

In particular, we saw double the proportion of members shopping at our campus sites, indicating that more students are becoming members. (2024: 37%; 2023: 18%.)



Economic value

Our wholesale business benefits from economies of scale, meaning many of our partner-owned stores can offer the same member deals and discounts as our Food stores.

As we widen our reach - opening new Co-op stores on the UK defence estate and NHS hospitals - we're widening access to Member Prices.



Social value

Nisa's *Making a Difference Locally* charity has continued to deliver for the communities our retailers serve.

In 2024, the charity donated over £1m through small charities and community groups across the UK. The charity was presented with the Outstanding Achievement Award at the Retail Industry Awards, too.

Wholesale

Our wholesale business serves independent stores including many under the Nisa brand. 2024 was a hard year for many independent retailers as shifts in consumer demand and changes to legislation impacted trading. As mentioned, through the year, we saw volumes decline by 6.7% across the symbols and independent market⁹.

With that context in mind, in 2024 we focused on **leaning in to support our partners**, enhancing our proposition to help them remain competitive. As well as supporting them on price, we continued to supply our partners with **our own-brand** products. These items act as a differentiator for independent retailers, helping them meet demand for quality products while staying competitive on price. The Co-op own-brand range we offer through our wholesale business remained popular in 2024, with 92% of retail partners buying into the range. And while our overall sales volumes declined, our own-brand sales remained the same; this range is as loved and as looked-for as ever.

We also supported partners through our **logistics network** which has operated at 97.3% availability (2023: 95.8%), and by **building relationships**. While supporting our existing partners, we onboarded new ones.

By achieving these things despite the challenges mentioned, we can clearly see the strength of our wholesale business in a highly competitive market. Even as volumes declined across the sector, we held our market share at 11.9%.



Franchise

In our franchise business, we provide our partners with a full Co-op operating model; they receive our brand, range, space and technology.

2024 saw substantial revenue growth for our franchise business. This was powered by store openings, including new university stores at the University of Surrey and two in Loughborough, including a completely cashless service for the campus demographic. We now serve nearly 150,000 students through our campus sites.

We also launched **seven new petrol forecourt stores** in partnership with EG On The Move across the UK, and in partnership with Compass Group, we've entered **two completely new markets for Co-op**. We opened our Co-op's first ever store on the UK defence estate in Portsmouth and entered the NHS market at Nottingham Queen's Medical Centre.

Accessing new locations and new audiences is an example of where our franchise business creates member value for our Co-op, and a transformed retail proposition to the communities we serve. In term time, the university franchise sites are the busiest Food to Go stores in the whole Co-op, and there's a lot we can learn as a Group here about a demographic who may shop with Co-op for life.



Federal Retail Trading Service

WE CONTINUE TO
EXPLORE WHERE
OUR COMMON
CO-OPERATIVE
HERITAGE CAN
AMPLIFY OUR
POSITIVE IMPACTS

The Federal Retail Trading Services buying group is made up of 13 independent co-operative societies and our Co-op. We buy the vast majority of our food goods for re-sale together to maximise our buying scale and use members' money efficiently. Overall, it represents about a quarter of our volume in Food.

In 2024, we renewed our shared Buying Services Agreement. Leicester Depot was closed and this work was integrated into our Co-op Group's logistics network. For the first time in our history, all co-operative retail societies that are members of FRTS are serviced through one network, moving around 493m cases per year to nearly 3,750 stores.

We continue to explore where our common co-operative heritage can amplify our positive impacts, such as working together on campaigning for shop worker's rights, more action on retail crime and promoting the benefits of Fairtrade.

**FOR THE
FUTURE,
WE'RE NOT
SLOWING
DOWN**



LOOKING AHEAD

As you've read, in 2024 we set our strategy – not only for the year, but for the future.

We are ambitious in our plans to provide real value to you, our members, to 2030 and beyond. And we've already made progress toward these goals: launching propositions and partnerships, reaching new markets and working with our members, to make sure our membership really reflects the things that you care about.

For the future, we're not slowing down. Of course, we recognise the challenges of a changing landscape around us. We feel as concerned about global conflict and climate change as I know many of you, our members, do. And as we enter 2025, volatility continues; we're not immune to the rising costs that all businesses face today. I'm glad that because of our business model, we were able to call an upcoming difficult economic and trading environment in early 2022. We made the changes necessary to put ourselves on strong financial and operational footing in order to best ride the storms that all businesses are now facing.

"Through troubling times, our Co-op offers an alternative way of not just trading, but being."

Because we're owned by you, we can continue to act for you. We're looking to the future with a firmer financial footing and a clear vision. So we'll now continue to focus on delivering value to our members and creating a stronger, more sustainable Co-op; a Co-op that can stay true to itself as the world moves in unexpected ways; a Co-op that can keep serving members, colleagues and communities for generations to come.

Shirine

Shirine Khoury-Haq
Chief Executive Officer,
The Co-op Group

FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

Earlier in this report, Rachel Izzard, our Chief Financial Officer, gave an overview of the Group's performance during the year.

Rachel touches on our continued financial stability, and how we have achieved a solid financial performance given the ongoing challenging market conditions and difficult trading environment of 2024.

In addition to Rachel's overview, this section of our report provides further commentary on our statutory results. The comparative figures in 2023 reflect a 53-week period whereas 2024 figures cover 52 weeks.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

To remind you of our key performance indicators:

£million	2024*	2023*	Var (£m)
STATUTORY PERFORMANCE MEASURES:			
Revenue	11,279	11,262	17
Operating profit	151	66	85
Profit before tax (PBT)	161	28	133
ALTERNATIVE PERFORMANCE MEASURES:			
Underlying operating profit	131	97	34
Underlying EBITDA	481	468	13
Underlying profit / (loss) before tax	45	(2)	47
Net debt (including leases)	(1,248)	(1,315)	67
Net debt (excluding leases)	(55)	(82)	27

* The 2023 figures reflect the 53-week period to 6 January 2024 whereas the 2024 figures reflect the 52 weeks to 4 January 2025.

OUR GROUP FINANCIAL METRICS

Revenue: total Group sales of £11.3bn are in line with last year (2023: £11.3bn). Sales in our Food, Funerals and Legal services businesses have grown in the year, offset by decreases in Federal, Wholesale and Insurance. More detail is available in the business unit updates we've shared.

Operating profit: at £151m, our operating profit has improved by £85m (2023: £66m), with underlying operating profitability improving by £34m as described in Rachel's overview, with a reduction in non-underlying items of £51m as described below.

Underlying earnings before interest, taxes, depreciation and amortisation (EBITDA): reflects our underlying operating profit excluding depreciation and amortisation charges, and has improved against the comparative period at £481m (2023: £468m) broadly reflecting the improvement in underlying operating profit performance.

Profit before tax (PBT): at £161m, our PBT is £133m higher than last year (2023: £28m). Driven by the improvement in our operating profit by £85m higher than the comparative period, with net finance income also being £48m favourable to 2023. Overall, we have recorded net finance income of £10m in the year (2023: £38m net finance cost).

A key driver of the movement in net finance income and expense is the favourable returns on our funeral plan investments in comparison to last year at £102m (2023: £17m). These investment returns are market-driven and current period returns are above the long-term average that we would expect, at around £50m for a typical year.

Other smaller favourable movements have also been seen on the fair value of some of the financial instruments that we hold (such as foreign exchange contracts, commodity derivatives and interest rate swaps). These gains have, however, been offset by lower pension finance income (which is £60m lower than last year) following the buy-in transaction undertaken in 2023 (see the non-underlying interest section below for further detail).

Net debt (excluding leases): we closed the year at £55m of core net debt excluding leases (2023: £82m), representing an improvement from the previous year end position of £27m. Our resilient trading performance and consistent cost control has continued to achieve strong operating cash generation whilst maintaining our investment in member pricing and colleague support.

Net debt (including leases): our lease liabilities reduced by £40m from 2023 year-end being a function of lease maturities (with the majority of these being under review and in negotiation with our landlords) and increased discount rates which reduces our lease liability. In conjunction with the above, this saw our net debt including lease liabilities reduce to £1,248m from the prior year end position of £1,315m – an improvement of £67m.

FINANCING INCOME AND COSTS

Financing costs / income (£m)	2024	2023	Var
Underlying bank / loan interest	(47)	(56)	9
Interest received	25	25	-
Net underlying lease interest	(64)	(68)	4
Total underlying interest (net)	(86)	(99)	13
Net pension finance income	17	77	(60)
Finance income (funeral plans)	107	17	85
Finance expense (funeral plans)	(18)	(16)	3
Movement on foreign exchange contracts	(1)	(6)	5
Movement on quoted debt	(3)	(10)	7
Movement on interest rate swaps	3	4	(1)
Other non-underlying interest (net)	(9)	(5)	(4)
Total non-underlying interest	96	61	35

Net underlying interest expense: at £86m, our net underlying financing costs are £13m favourable to last year (2023: £99m) as we have incurred less interest on our borrowings following the repayment of the remaining £200m Sustainability Bond in May 2024.

Non-underlying interest: the net finance income recorded from non-underlying items increased by £35m, with significant movements including:

- The non-cash returns achieved on our funeral plan investments in 2024 were £102m which is £85m higher than in the prior year (2023: £17m). The higher returns on the investments were driven by market conditions and the 2023 performance reflected a much lower return than we would expect to see in a typical year of around £50m. The returns achieved in 2024 are above that longer-term average.
- Net finance pension income is £60m lower than last year at £17m (2023: £77m). This income is non-cash, and the reduction in comparison to the prior year reflects the significant reduction in the net pension surplus that we hold on our balance sheet following the buy-in transaction undertaken in November 2023, which saw the value of the pension asset held reduce by around £1bn. The net pension interest recorded in our Income Statement is a function of the value of the surplus at the start of the period and so will continue to be lower in the future than it has historically been.

NON-UNDERLYING ITEMS

(£m)	2024	2023	Var
Property disposals and closures	19	9	10
Impairments of assets	(18)	(32)	14
Change in value of investment properties	14	4	10
Other non-underlying items	5	(12)	17
Total non-underlying items	20	(31)	51

* Positive items are gains and negative items are losses.

Property disposals and closures - we recorded a gain of £19m on the disposal of a small selection of Food stores and other non-trading properties during 2024, and the proceeds received exceeded the net book value we were holding for those properties. The comparative figure in 2023 was a gain of £9m.

Impairment of assets - we recorded a net impairment of £18m in 2024, primarily in relation to those Food stores where our latest future trading cashflow forecasts do not fully support the asset value of the sites. This is an improvement from the £32m recorded in the prior year.

Change in value of investment properties - we recorded a £14m gain on our investment properties primarily relating to the gain realised on two properties that we disposed of in the year. The comparative figure in 2023 was a gain of £4m.

Other non-underlying items - we've recorded a net gain of £5m in 2024 (2023: £12m charge). This comprises a £17m gain relating to a one-off adjustment to eliminate a historic fair value adjustment to certain property, plant and equipment assets, a £5m charge in relation to legal costs on ongoing legal claims and a further £7m charge in relation to the recognition of funeral plan liabilities for plans waiting redemption (omitted on adoption of IFRS 17).

NET DEBT AND CASHFLOW

Net debt £m	2024	2023	Var
Bank debt	(475)	(677)	202
Lease debt	(1,193)	(1,233)	40
Total debt	(1,668)	(1,910)	242
Group cash & cash equivalents	320	395	(75)
Short-term investments	100	200	(100)
Net debt (excluding leases)*	(55)	(82)	27
Net debt (including leases)*	(1,248)	(1,315)	67

* Our net debt metrics include our short-term investments.

Cash generation	2024	2023	Var
Net cash inflow from operating activities	456	602	(146)
Capex	(273)	(205)	(68)
Disposal proceeds	34	37	(3)
Net cash inflow from funeral plan investments	20	40	(20)
Lease payments - principal & interest	(183)	(191)	8
Net bank & loans interest	(25)	(39)	14
Other	(2)	(4)	2
Net cash generation	27	240	(213)

Reconciliation to cash and cash equivalents and net debt

Short-term investments	100	(200)	300
Repayment of borrowings	(204)	(100)	(104)
Accrued interest on amortised debt	2	8	(6)
Net decrease in cash and cash equivalents	(75)	(52)	(23)
Opening core net debt	(82)	(322)	240
Net cash generation	27	240	(213)
Closing core net debt	(55)	(82)	27

We continued to reduce our overall indebtedness in 2024, closing out the year at £55m of net debt (excluding lease liabilities). This is a reduction of £27m from year-end 2023. This trend continues on the good progress with overall net debt reduction at 92% in the last three years.

During 2024, we generated strong net cashflows from operating activities of £456m (2023: £602m) demonstrating a resilient trading performance across our business portfolio and continued focus on cost control.

In 2024, we increased the amount we are spending to invest and grow our Co-op through £273m in capital expenditure (2023: £205m). Furthermore, in May we repaid the remaining £200m principal on maturity of the Sustainability Bond in cash without refinancing, which has reduced both our debt and cash balances.

In October our credit rating was upgraded by Standard & Poors (to BB from BB-) reflecting our improved profitability and lower indebtedness. We also extended our £400m sustainability-linked revolving credit facility to 2029.

OUR BALANCE SHEET

The total net assets of the Group at £2.2bn are similar to last year (2023: £2.0bn).

Significant individual line item movements include the reduction in our borrowings following the maturity and settlement in cash of the remaining £200m 5.125% Sustainability Bond in May 2024 with no refinancing. This reduction in liabilities is offset by a corresponding reduction in assets held in short-term investments and cash that were utilised to fund that repayment.

Our funeral plan investments have increased by £68m, which includes the £102m investment plan returns that we recorded in 2024. Funeral plan liabilities have also reduced by £97m primarily driven by £94m finance income (recorded in other comprehensive income) following an increase in the risk-free gilt rate during the year. This is used to discount future cashflows associated with the back-book of funeral plans.

The net pension surplus that we hold on our balance sheet has reduced slightly from the last year-end position to £325m (2023: £356m). The net pension surplus that we hold on the Group balance sheet is much smaller now following the buy-in transaction in November of last year. As the majority of the liabilities are now insured the assets of the scheme move in-line with the liabilities and so we don't see as much movement as we have historically. The reduction in the surplus primarily relates to the payments made from the Pace surplus to fund contributions to our Defined Contribution pension scheme.

Our net deferred tax asset has reduced from £52m asset (2023) to £38m liability at year-end 2024, mainly driven by a deferred tax charge in the year of £63m and a movement of £26m on our funeral plan liabilities, taken directly to retained earnings.

RISK MANAGEMENT

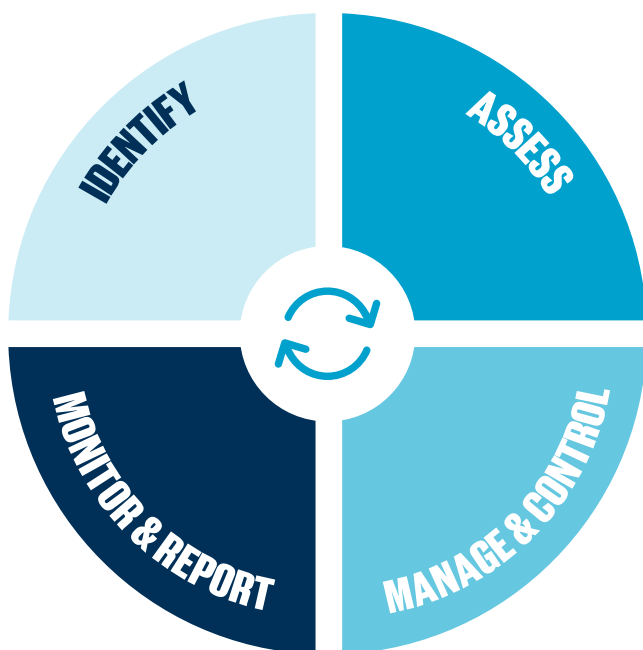
RISK MANAGEMENT

Effective risk management is a key component of growing and protecting our Co-op. Our colleagues share responsibility for identifying and responding to risk and making effective decisions that fit with our co-operative Values and Principles, while promoting an entrepreneurial approach and prudent risk culture.

Managing our risks well means we grow and protect value for our member-owners and their communities. Our risk management framework gives colleagues a clear way to identify and manage risks while keeping us within our risk appetite. Our Board and senior leaders oversee and manage the risks to our business by ensuring that our approach to controls, response plans and resources are effective.

OUR APPROACH TO RISK

We use a standard four-step approach to help our leaders and colleagues recognise and manage risk within the risk appetite set by our Board. This is supported by our risk management processes and tools, designed to align to our strategy and objectives.



OUR RISK MANAGEMENT FRAMEWORK

Governance

Our Board oversees our risk management framework through the Risk and Audit Committee (RAC) and regularly considers the status of our Co-op's Risk Profile by reviewing risk mitigation plans and responses to significant and emerging risks.

Each of our principal risks is owned by a member of our Operating Board and they are responsible for overseeing the responses to these risks. This is undertaken with the support of subject matter experts in the business. Our Business Risk and Assurance Committee (BRAC) provides challenge to these responses. Risk and control discussions are escalated to BRAC from within our business and functions.

Roles and responsibilities

Our Co-op uses a three-line model to manage risk.

First line – frontline colleagues, managers and leaders manage risk as part of their day-to-day activities and escalate issues.

Second line – our risk functions provide advice and oversight to help the frontline manage risk within our risk appetite.

Third line – our Internal Audit team provides independent assurance and challenge.

OUR RISK GOVERNANCE

Our Board reviews our position against our risk appetite, the principal risks to our business and monitors management's action plans.

In 2024, the Risk and Audit Committee (RAC), our Operating Board members and the Business Risk and Assurance Committee (BRAC) met regularly to look at the risks affecting our Co-op and have scrutinised our key risks and the activity undertaken by management to mitigate these. The BRAC considers risks that may affect the achievement of our strategic objectives. As part of our annual planning exercise, we reflect any

changes to our strategy in our risk profile.

Members of our Operating Board are individually responsible for managing the principal risks and mitigating those risks with the support of the appropriate senior leaders.

The Business Risk and Assurance Committee is made up of nominated members of our Operating Board, senior leaders from each business unit and key support functions, our Chief Finance Officer and Director of Risk and Internal Audit. This Committee has responsibility for monitoring the delivery of plans, assessing emerging risks and, when required, challenging action taken to keep us within risk appetite.

OUR RISK APPETITE

Our risk appetite is set and approved by our Board and reviewed periodically or when there are significant changes affecting our business. Our last review was undertaken in November 2024.

When setting our strategy and medium-term business goals, we consider the degree of risk we are willing to accept to achieve those goals. The level of risk we are willing to accept will vary depending on the type of risk.

The Operating Board and senior leaders put into practice monitoring processes to make business decisions, ensuring that we operate within our risk appetite, taking corrective action where needed. We regularly report to the Business Risk and Assurance and Risk and Audit Committees on our position compared to our agreed risk appetite.

We consider the following key areas of risk to support our decision-making:

Strategic and membership

We are open to taking some risks to achieve our strategic objectives, provided we do so in a responsible way that contributes to the growth and sustainability of our Co-op, and in a way that will create value for our member-owners, communities, and colleagues.

Financial and treasury

We adopt a prudent financial approach and avoid risks that would undermine our Co-op's financial viability.

Operational

Our processes, systems and ways of working must meet the needs of our stakeholders with minimum disruption.

Regulation and compliance

We aim to always comply with the laws and regulations that govern our business.

Brand and reputation

Co-operative Values and Principles are at the centre of our approach to business and how we engage with our stakeholders. We consider these Values and Principles in the decisions we make in the course of running our business.

REGULATORY LANDSCAPE

The various businesses within our Co-op are each affected in different ways by changes in regulation. We continuously monitor planned changes to regulation and adapt to meet new requirements.

The Financial Reporting Council (FRC) announced revisions to the UK Corporate Governance Code to enhance transparency and accountability of businesses that subscribe to the Code. We have a programme of work in place to prepare for these revisions and their subsequent implementation, to ensure we comply with the requirements that are relevant to our business as a co-operative.

Co-op Food and Co-op Wholesale Limited

There are various codes and regulations that apply to our Food business and Co-op Wholesale Limited (formerly Nisa Retail Limited) we comply with.

Co-op Funeral Plans Limited and *Co-op Insurance Services Limited* are authorised by the Financial Conduct Authority.

Co-operative Legal Services is regulated by the Solicitors Regulation Authority (SRA).

PRINCIPAL RISKS AND UNCERTAINTIES

Our principal risks have been assessed using the methodology outlined. They have been reviewed by our Board and detail the risk exposures that pose the greatest potential impact to our Co-op. Our principal risks are set out in the tables below.

In addition to our principal risks, there may be risks that are not known to us or some we may consider not to pose a material threat to our Co-op. We remain flexible and respond to the risk landscape as it changes.

How our principal risks developed in 2024

Through 2024, we saw changes to the geopolitical environment as conflict heightened in the Middle East. Attacks on shipping in the Red Sea put pressure on costs, as shipping companies diverted their cargo ships, adding additional time and costs to their voyages.

Challenges in the macro-economic environment are still creating uncertainty for UK consumers. The impacts of this span several of our principal risks. The principal risks most impacted are:

Competitiveness and External Environment: cost of living pressures continue to impact the finances of our member-owners and customers as they seek out value and adapt their shopping habits.

Supply Chain and Operational Resilience: challenges remain within the supply chain in terms of sourcing of products and materials for and from our suppliers.

Environment and Sustainability: the urgency to address climate change remains. The current geopolitical and economic circumstances have served to heighten the challenges ahead and have the potential to impact our ability to meet our climate commitments over the long term.

Beyond this, the broad extent of our Principal Risks has remained the same. In our [viability statement](#), our Directors have concluded that the business will have sufficient funds for the period to 31 December 2027.

All of our principal risks have been considered as part of our viability assessment. Those marked with **V** are modelled through the Group plan.

CHANGE

Risk description: we will make changes to the way we operate through our board-approved plan. If our plans are not delivered in an effective way, we will not realise the benefits of our change programmes.

Reason for the risk	What we do	What has changed	What we plan to do
Number and complexity of change programmes Available resources and capacity for change Complex dependencies between change programmes Cost of change	Ensure oversight of our change portfolio activity has appropriate governance and robust controls Approach to change ensures member, customer, partner and colleague impact is considered and effectively managed, and that changes are fully embedded without disruption Long-term planning assesses and prioritises change choices and investment decisions that align with the delivery of our strategic objectives	Continued strengthening of end-to-end change processes focused on the effective delivery of strategic outcomes and risk mitigation in a fast moving and changeable macro-environment Maturing portfolio processes and demand forecast reporting to ensure we focus on what has the most material impact and benefit in delivering our vision and strategy Introduced integrated end-to-end change and business-as-usual planning Richer financial reporting that identifies risks and opportunities earlier	Further embed the connections between our change portfolio, our overall strategy and our approach to risks and opportunities much earlier Ongoing improvements to the way we track transformational and functional change that underpins our Co-op strategy to ensure we understand and manage interdependencies and impacts Mature our approach to integrated planning to provide the confidence and assurance we will deliver on our strategy

COMPETITIVENESS AND EXTERNAL ENVIRONMENT ^v

Risk description: the competitive and economic landscape in which we operate means that we need to monitor our growth targets, propositions, and competitor behaviour to remain viable and innovative.

Reason for the risk	What we do	What has changed	What we plan to do
<p>New entrants and market competition</p> <p>Innovation and market disruption</p> <p>Cost pressures</p> <p>Market factors, such as the rising cost of living and inflation</p> <p>Macro-economic and supply chain issues relating to geopolitical issues</p> <p>Changes to regulation and Government policy</p> <p>Structural changes to the economy post-exit from the single market and customs union transition</p> <p>Social and political uncertainty</p>	<p>Strategic planning and financial planning</p> <p>Risk and opportunity management, including financial forecasting</p> <p>Annual planning refresh with regular reporting and analysis</p> <p>Undertake market share, customer behaviour and competitor analysis</p> <p>Sales monitoring and reporting</p> <p>Horizon scanning and frequent assessment of external conditions</p> <p>Agile promotions and marketing responses</p> <p>Extensive due diligence for all acquisition activity</p> <p>Engagement with Government and industry working groups</p>	<p>We have started to deliver on our strategy to deliver our growth ambitions for 2030 and create economic value, ownership value and social value for our member-owners</p> <p>The Chancellor's budget introduced an unexpected increase to Employer's National Insurance, alongside the additional costs of meeting increasing regulatory requirements. This will put pressure on our price competitiveness</p> <p>Economic conditions continue to severely impact real income for UK households, as well as significantly increasing our costs, leading many consumers to seek out value</p> <p>Changes in consumer behaviour and expectations have driven greater participation in online and local shopping</p>	<p>Progress toward our target of eight million member-owners by 2030</p> <p>Invest in our member-pricing model</p> <p>Operate efficiently in order to drive value competitiveness</p> <p>Accelerate convenience growth with store openings and extended services</p>

BRAND AND REPUTATION

Risk description: we set ourselves high standards in the way we operate our business. Our Co-op difference means we are owned by and run for the benefit of our members. As a co-operative we reflect our Values and Principles and consider wider social and ethical impacts within our decision making, so that we can be commercially successful and sustainable. If we don't meet these standards there is a risk to our reputation.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Expectations of our member-owners, communities and the customers we serve to deliver positive social impact</p> <p>Running our businesses in accordance with the principles set out by the International Co-operative Alliance (ICA)</p> <p>Scrutiny by the media</p> <p>Sustained use of third-party partners to deliver Co-op branded products and services</p>	<p>Create economic value for our member-owners through the products and services we provide</p> <p>Create social value for the communities we serve</p> <p>Create ownership value by giving our member-owners a say in how we run our business</p> <p>Report on our ethical priorities and sustainability progress through our Social Value and Sustainability report, charting our responsible business performance and progress</p> <p>Report progress against both commercial strategy and delivery of our vision in our interim and annual reports</p> <p>Apply our Ethical Decision-Making Tool to inform key business activities and help make better decisions on behalf of our member-owners</p>	<p>Established clear messaging for our masterbrand <i>Owned by You, Right by You</i>. This has reinforced the sense of ownership our members have and how we as a business conduct ourselves for our stakeholders</p> <p>Our campaigning activity through the media and with respective UK Governments has brought about a change in the law as to how attacks on retail workers are dealt with</p> <p>We launched the International Co-operative Development Fund as part of our Peace and Co-operation campaign</p> <p>External communications to establish Co-op's values for social mobility, including campaigning to have social mobility as a protected characteristic</p>	<p>Drive through cultural change required to support our <i>Owned by You, Right by You</i> message</p> <p>Protect Co-op brand reputation by focusing on delivering the three aspects of member benefit: economic, social and ownership</p> <p>Deliver our Co-op's social value strategy which will support member-owners, colleagues and customers</p> <p>Reach eight million member-owners by 2030 and support growth for our core businesses – Food, Life Services and Business-to-business</p> <p>Deliver on commitments with other charity partners in the communities we serve</p>

FUNDING AND LIQUIDITY ^v

Risk description: the Group relies on a combination of external funding and cashflow generation to run its businesses. A deterioration in economic conditions may require our Co-op to take mitigating action to ensure adequate funding and cashflows. Such mitigation could include reducing or delaying capital expenditure, eliminating discretionary costs and/or disposal of non-core assets.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Changes in economic environment and outlook</p> <p>Movements in market prices</p> <p>Changes in tax and tariff regimes</p> <p>Certain debt markets may not be accessible during periods when the group may wish to refinance</p>	<p>We have a Board-approved Treasury policy in place, which is actively monitored through our Treasury Committee</p> <p>Updates are provided to the Board covering debt facilities and liquidity headroom to ensure adequate capacity to cover future funding requirements</p> <p>Strategic plans supported by scenario planning</p> <p>Hedging strategies are in place to minimise impacts of interest rate and commodity movements</p>	<p>We operate in a period of continuing economic and geopolitical uncertainty, however our balance sheet remains strong</p> <p>The Group received a credit rating upgrade in 2024 from S&P</p> <p>Our £400m sustainably-linked revolving credit facility was successfully extended out to 2029</p>	<p>Continue to repay or refinance our debt facilities ahead of any debt maturities to ensure we maintain adequate liquidity headroom to cover the future operations of the business</p>

TECHNOLOGY AND CYBER THREATS

Risk description: we electronically store and process data on our member-owners, colleagues, customers and partners. We are reliant on technology to deliver our business operations so theft of data or a cyber-attack could significantly disrupt our business.

Reason for the risk	What we do	What has changed	What we plan to do
Custody of valuable data Reliance on technology Sophisticated and diverse cyber threat landscape (including AI) Data privacy and data protection regulations Member-owner, colleague and customer confidence Increase in third-party cyber incidents Protection of information owned or managed by our Co-op Protection of services that our Co-op delivers to our customers and member-owners	Provide 24/7 security operation capability with embedded information Security controls 24-hour threat and security event monitoring and response capability vulnerability management Supplier security due diligence and assurance, and regular testing for security weaknesses Share best practice and foster a strong information security culture Continually improve security controls through an ongoing security improvement programme Obtain independent assessments of our security posture to define strategy Engage with the business to ensure security controls are aligned to their risk appetite	Improved protection from external cyber threats including increased boundary controls Enhanced end user compute protection capabilities We have further matured our identity solutions Introduced a phishing simulation capability We have improved our Data Loss Prevention controls through improved information, protection and governance Extended cloud security controls Implemented additional security controls into Nisa	Mature our identity and access management controls Mature our email security tooling and implement enhanced email controls Introduce controls that demonstrate to our member-owners and customers that communication from the Co-op is genuine, to reduce fraudulent activity Invest in technology replenishment Invest in tooling to provide a unified view of assets in our overall attack surface Improve our internal capabilities on threat detection

PEOPLE

Risk description: our ability to attract and retain colleagues with relevant skills and experience while fostering a diverse and fairer workplace is important to achieving a strong, competitive Co-op. If we do not continue to recruit talent and invest in our colleagues, then it may impact our operations and our ability to deliver on our strategic plans.

Reason for the risk	What we do	What has changed	What we plan to do
Ineffective selection and assessment processes Talent attraction Need for greater diversity Increased demand for talent and reduced supply	Pre-employment screening, culture fit assessment and induction for new hires Ongoing inclusive leadership behavioural training for all leaders and managers Colleague performance reviews, engagement and recognition Talent management review Pay and reward packages are reviewed regularly to ensure they remain competitive and fair Operate a hybrid working policy which gives more choice over how, when and where our colleagues work best to balance business and colleague needs	Continued roll out of inclusive hiring training to hiring managers Further introduction of talent forums (<i>Our People, Our Talent</i>) across business units to drive talent agenda and mobility Design and planning for refreshed behavioural framework Planning for use of Oracle Skills	Integrate refreshed <i>Ways of Being</i> and new <i>Ways of Leading</i> into recruitment, performance and talent processes Implement framework and Oracle technology that supports talent development and reskilling as the world of work changes Make improvements to the colleague experience that reinforce colleague member-ownership, in line with <i>Owned by You, Right by You</i> Implement new Rewarding Growth Incentive plan for all colleagues and make changes to senior leadership bonus and long-term incentive plan Introduce a total reward benefit platform

MISUSE AND/OR LOSS OF PERSONAL DATA

Risk description: we hold personal information of our member-owners, colleagues and customers. We need to make sure we protect and manage this responsibly.

Reason for the risk	What we do	What has changed	What we plan to do
Member-owner, colleague and customer confidence Data privacy and data protection regulations Information processed on our behalf by third parties	Dedicated Data Protection, Data Management and Information Security teams provide challenge, guidance, and oversight Role-specific training and awareness to manage data protection risks and promote ethical data usage Data protection impact assessments for new systems, processes or business activities, or changes to existing ones Maintain strategic relationships with Government bodies and third parties	Increased accountability through enriched records of data processing activity Further improvements to streamline governance, reporting, monitoring and oversight Targeted assurance plan in place Bespoke training for colleagues managing rights requests	Further embed assurance activity over key data protection controls Evaluate materiality and practical implications to our Co-op of key proposed changes to data protection related regulation and standards Enhance suite of reporting to include trend analysis, risk metrics and emerging risks Drive increased ownership and accountability for personal data to ensure an appropriate level of data protection risk and compliance

HEALTH & SAFETY AND SECURITY

Risk description: we have a duty of care to protect our colleagues, customers and third parties. Failure to carry out this duty effectively may result in adverse legal, financial and reputational impacts.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Keeping colleagues, members, customers and visitors to our sites safe</p> <p>UK health and safety legislation</p> <p>Size and complexity of our business</p>	<p>Co-op wide health, safety and security frameworks define how we implement and report on controls</p> <p>We monitor and oversee issues through committees of subject matter experts</p> <p>Our performance is published in our annual Social Value and Sustainability report</p> <p>A comprehensive set of minimum standards outline the controls required to mitigate risks</p> <p>We continue to manage risk at our Co-op, using the well-established three lines of defence operating model</p>	<p>Across the UK, crime rates within our food retail network increased in 2024 by 2%. This is on top of the 42% increase in 2023. Rising rates of crime, such as violence and abuse, have been reported across the UK's retail sector</p> <p>Following an increase in violence towards shopworkers, the Government has announced it will create a new specific offence of assaulting a shopworker</p> <p>Continued investment in security measures and equipment such as secure kiosks, product protection and body-worn cameras</p> <p>Improved police performance in relation to attendance with a 66% attendance rate in 2024 compared to 20% in 2023, before we launched our crime action plan</p> <p>More focus on working collaboratively with police. Our police partnership activity increased, and we continue to support activity of the Home Office's Retail Crime Steering Group</p>	<p>Campaign on the Government's commitment to make assaulting a shopworker an aggravated offence in 2025. This was part of the King's Speech in 2024</p> <p>Continue our <i>Safer Colleagues, Safer Communities</i> programme of activity encompassing security, wellbeing, campaigning and social responsibility</p> <p>Conduct horizon scanning for future changes in health and safety legislation, sharing our findings with specialist teams</p> <p>Ongoing health and safety and crime data enhancements to develop current system intelligence</p> <p>We will be able to benchmark our crime levels against the sector when the British Retail Consortium and Association of Convenience Stores crime reports are published</p> <p>Expansion of external police partnerships targeting persistent and prolific offenders</p> <p>Focus on challenges relating to offender management in the campaign space. How do we support breaking the cycle of crime?</p> <p>Roll out CCTV alerts, and test and trial of entry and exit store trial</p>

SUPPLY CHAIN AND OPERATIONAL RESILIENCE

Risk description: if we are unable to prevent, adapt or respond to a major failure or external event to a key part of our business or supply chain, it could significantly affect the availability and quality of products and services delivered to our member-owners, colleagues, customers and partners.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Unpredictable external events like severe weather, pandemics and significant geopolitical events, as well as food fraud risks</p> <p>Efficiency of logistics network processes, infrastructure, and resource capacity</p> <p>Post-exit from the single market and customs union, structural changes to the economy, trade deals and national infrastructure</p> <p>Supplier capacity and preparedness for cross-border processes</p> <p>Variability in customer and network demand leading to supply pressures and service instability</p>	<p>Established business disruption planning and testing, including incident management processes</p> <p>Regular disaster recovery testing and review of IT service levels to ensure resilience to external sources of disruption</p> <p>Regular strategic review of our network to meet future demands and growth aspirations</p> <p>Engage with industry working groups, Government and information exchanges to support joint responses with key stakeholders</p> <p>Post-exit from the single market and customs union we manage goods moving from Great Britain to Northern Ireland through the Windsor Framework's 'green lane'</p> <p>Food authenticity management system, horizon scanning of potential change in external events and regulations, risk mitigation and a robust product testing programme</p> <p>Work closely with the National Crime Agency, the Food Standards Agency, the Food Intelligence Information Network and the British Retail Consortium to underpin the integrity of our products</p> <p>We have a process in place to assess supplier performance, allowing for early intervention where supply chain process is impacted</p>	<p>We have worked with our suppliers to minimise the supply chain disruption caused by:</p> <ul style="list-style-type: none"> - attacks on shipping in the Red Sea which have put pressure on our costs, as shipping companies diverted their cargo ships - the severe weather that has impacted our produce supply chain <p>There are cost implications following the increases announced for the National Living Wage and Employer's National Insurance</p> <p>We continue to deliver our multi-year retail business transformation programme and Funeralcare's core system transformation programme. Both support greater resilience</p> <p>A change of government has impacted timescales of some new regulation including the EU</p> <p>Deforestation-free regulation obligations and EU labelling requirements. We worked with our suppliers to understand impacts and preparation required</p>	<p>Use artificial intelligence systems to accelerate data analytics</p> <p>Work in partnership with British Farmers by implementing funds rewarding them for carbon emissions reduction and promoting nature across the beef, lamb and dairy sectors</p> <p>Prepare for the planned legislative changes around waste packaging</p> <p>Work collaboratively with our suppliers and Business-to-business partners to ensure the future safety of our supply chain through artificial intelligence and enhanced processes</p> <p>We continue to evolve our supply chain and logistics system architecture to help manage the complexity of our network and drive forecast accuracy</p>

REGULATORY COMPLIANCE

Risk description: our Co-op is subject to laws and regulations across its businesses. Failure to respond to changes in regulations or stay compliant could affect profitability, our reputation (through fines and sanctions from our regulators) and our licence to operate.

Reason for the risk	What we do	What has changed	What we plan to do
<p>New and updated laws and regulations from the UK Government and the devolved nations can impact our Co-op</p> <p>Our businesses provide financial and legal products and services which are regulated by the Financial Conduct Authority (FCA) and the Solicitors Regulation Authority (SRA)</p> <p>There are codes and regulations that apply to our Food business including the Groceries Supply Code of Practice (GSCOP)</p>	<p>Horizon scanning for emerging changes on the regulatory landscape, taking appropriate action and feeding into consultations where applicable</p> <p>We have colleagues with relevant expertise, robust processes and controls to ensure the products and services we provide comply with all relevant laws and regulations</p> <p>Processes and a charter in place to engage with suppliers and remain compliant with GSCOP</p> <p>Established Risk and Compliance capability across our businesses</p> <p>Mandatory regulatory/legislative training for relevant colleagues</p> <p>Regular cross-functional review and monitoring of regulatory landscape, including tracking of delivery plans and assurance reviews</p>	<p>Exports to Northern Ireland continue to be managed through the phased implementation of the Windsor Framework with further rollout of EU labelling introduced in the year</p> <p>Further improved processes and controls to ensure compliance with the Controlled Land Order 2010</p> <p>A change of government has impacted timescales of some new regulation including proposed significant changes in employment practices</p>	<p>Continue to strengthen compliance frameworks and horizon scanning in response to increasing regulatory requirements on our businesses</p> <p>Preparation underway to ensure we comply with the Financial Reporting Council's new disclosure requirements</p>

PRE-NEED FUNERAL PLAN OBLIGATIONS

Risk description: the measurement of our pre-paid funeral plan obligations is sensitive to changes in several factors. Adverse movements could result in lower-than-expected funds being available and the business receiving a lower amount for each funeral or result in individual contracts becoming onerous.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Changes in the cost of providing a funeral or expected inflation on funeral costs</p> <p>Underperformance of assets held to meet funerals</p> <p>Changes in long-term interest rates</p>	<p>Most funds are invested in whole life insurance policies with guaranteed minimum returns</p> <p>Regular stress testing, actuarial modelling and monitoring of risk positions versus risk appetite</p> <p>Annual assessment of key assumptions and annual actuarial valuation by external actuaries</p> <p>Monitoring and oversight by a senior committee of specialists, business leaders and advisers</p> <p>Monitoring of Financial Conduct Authority (FCA) reporting requirements (Core Capital, Liquidity and General Solvency)</p>	<p>Investment returns will remain a risk and opportunity due to the wider economic and political climate</p> <p>Returns have been higher in 2024 than in 2022-23; however, we remain exposed to the possibility of potential movements in market conditions</p>	<p>Regularly review and improve the methodology and assumptions used in our actuarial models</p> <p>Ongoing monitoring of the required levels of funding and FCA metrics</p> <p>Ongoing review of our investment mix against our risk appetite</p>

SUSTAINABILITY

Risk description: the way we run our business operations and the products and services we provide are affected by local and global social and environmental events. Running our Co-op sustainably is essential to achieving our Co-op's goals and meeting our ambition of becoming Net Zero for Scope 1 and 2 emissions by 2035 and for Scope 3 emissions by 2040.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Physical and transitional climate-related risks impacting food sources and materials, supply chains, livelihoods and economic growth</p> <p>Increasing UK and international environmental policies and regulations, including carbon prices and tighter emissions limits</p> <p>A competitive environment on sustainability and changing expectations and attitudes of our members, customers, suppliers and partners</p> <p>Living up to our co-operative Values and Principles</p> <p>The technologies and/or infrastructures required to achieve Net Zero are still unavailable or unaffordable</p> <p>Increasing risk of human rights and modern slavery issues in global supply chains</p>	<p>Our climate risks are each owned by leaders. Each risk has identified controls in place to mitigate the impact, and we conduct regular reviews to identify risk and regulatory developments</p> <p>Work closely with our suppliers to drive innovation and test opportunities to scale joint sustainability work</p> <p>We have a robust human rights due diligence programme spanning our full Co-op and supply base that supports our suppliers in tackling human rights issues</p> <p>Continue to campaign for climate justice and influencing Government for collective action around climate change</p>	<p>We introduced a new operating model that enables our functions and businesses to identify and manage our risks to grow and protect more effectively</p> <p>This year we are expanding the scope of our Climate-related Financial Disclosures to cover all our group operations</p> <p>Our board-approved plan includes dedicated sustainability spend that enables us to make progress towards our commitments whilst ensuring a commercially viable approach</p> <p>50% of our Category 1 (Scope 3) emissions are now covered by suppliers with validated science-based targets</p>	<p>We will review our Sustainability Plan to continue ensuring our Co-op's financial planning aligns and supports our climate commitments</p> <p>We will incorporate sustainability metrics into our investment decision-making frameworks to ensure we invest in the right work for the Co-op at the right time to ensure our sustainable and resilient future</p> <p>We will deliver our strategy for healthy and sustainable diets to manage our proposition in line with consumer sentiment and sustainability goals</p> <p>We will continue to lead and to actively participate in key multi-stakeholder initiatives on sustainability, including the relaunched Government Net Zero Council, co-chaired by our CEO</p>

CLIMATE-RELATED FINANCIAL DISCLOSURES

As a large organisation, our Co-op is committed to complying with the UK Government's mandate to disclose climate-related financial information. Details of this disclosure are set out on [page 110](#).

MODERN SLAVERY

We have a long-standing commitment to protecting human rights in the UK and overseas. We welcomed the introduction of the Modern Slavery Act in 2015 and remain committed to providing an open and honest account of what we are doing to prevent modern slavery in our supply chains and business. You can read more about our approach to ethical trading, and how we manage the risks related to tackling our exposure to modern slavery in our food supply chains in our [Modern Slavery statement](#).

EMERGING RISKS

We monitor emerging risks and opportunities for our Co-op and across our businesses and functions where the full extent and implications of a risk may not be completely understood but needs to be tracked.

We regularly evaluate changes to our risk profile triggered by new or unexpected events and respond to them at a function, business or group level with the support of our business continuity and legal teams.

EMERGING RISK	WE PROTECT VALUE AND GROW BY...
Political risks The instability in the geopolitical landscape could further complicate our supply chains and operations, and our ability to create value for our members. The UK Government has introduced legislation that will lead to an increase in our operating costs, and is likely to introduce more.	Working with suppliers and partners and having robust business continuity plans in place. We maintain regular contact with relevant Government departments and industry bodies.
Economic risks Economic volatility in the world increases the possibility of future financial instability, which may impact our ability to protect and grow value and support our member-owners and their communities. The increase to employers' National Insurance payments announced by the Chancellor in the Autumn Budget will also add significant costs to running our Co-op, around £50m. The introduction of the Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations will impact our costs by around £30m.	Our member-ownership model means we can take a longer-term view than our competitors; we aim to create a strategically commercially viable and sustainable business. We are also working in partnership with our suppliers to look at ways we can reduce or remove packaging. We have a packaging strategy to reduce the impact packaging has on planet, people and profit.
Social risks Changes in demographics and population structures in the UK may impact our business.	Reviewing our propositions to meet both our colleagues' and members' needs now and in the future.
Technological risks Progression in technology accelerates, our existing ways of operating and working become outmoded and impact the opportunities to create value offered by new technology.	Adopting new technology to improve our operations, explore opportunities in new markets and deliver value to our members.
Legal and regulatory risks Differing regulation and legislation across the UK's devolved nations, and with the EU, continues to drive up costs for our Co-op and impacts our ability to protect and grow value.	Engaging with Government, its agencies and industry bodies to ensure compliance is achieved in an effective way.
Environmental risks Climate change and an increase in the frequency of severe weather events may impact our capacity to protect and create sustainable value for our member-owners.	Demonstrating best practice in transitioning to a clean economy and renewable energy solutions.

GOVERNANCE REPORT

We give members the information they need to play a part in our business and make informed choices. This section of our report seeks to answer any questions you may have on the way we're run - from the people on our Board to our emissions for the year.



BOARD BIOGRAPHIES



Debbie White

Chair

Appointed as Chair on 2 January 2024

(Independent Non-Executive Director and Chair Designate from August 2023)

Committee Membership

Nominations Committee
(Committee Chair from 2 January 2024)

Skills and experience

Debbie is an experienced Non-Executive Director. She is the Senior Independent Director of Spire Healthcare Group plc. and was previously a Non-Executive Director of Howdens Joinery Group plc. Debbie is also Audit Committee Chair and Non-Executive Director of PAVmed, Inc., a US medical technology company (listed on the NASDAQ). Debbie is a special adviser to Angeles Equity Partners and sits on the Board of Xanitos, Inc, a portfolio company.

Debbie's executive career most recently included roles as Group Chief Executive of Interserve Group and Global CEO for healthcare and government at Sodexo. Debbie started her career as a Chartered Accountant with Arthur Andersen (UK), before joining AstraZeneca where she held a range of financial roles. She later joined PwC Consulting where she worked across a number of sectors in a global capacity.

Debbie is Honorary Treasurer and a trustee of Wellbeing of Women, a UK charity which funds research into women's reproductive and gynaecological health.



Shirine Khoury-Haq

Chief Executive Officer

Appointed as CEO in August 2022

(Interim CEO from March 2022)

Skills and experience

Shirine is Group CEO at Co-op and has been a Director on the Co-op Board since joining in 2019. Shirine joined Co-op in August 2019 as Chief Financial Officer and later also became Chief Executive Officer of Life Services, leading Co-op Funeralcare, Insurance and Legal Services.

Before joining Co-op, Shirine was Chief Operating Officer for the Lloyd's insurance market, which comprised more than 50 leading insurance companies operating in over 200 countries. Shirine also led the digital modernisation programme for the wider London insurance industry.

In addition to holding senior positions at IBM, McDonald's and the insurer Catlin Group, Shirine has worked in a number of regulated sectors in the UK and overseas including retail, IT, pharmaceuticals and consumer goods.

Shirine was previously a Non-Executive Director and Chair of the Audit and Risk Committee at Persimmon Plc. and a Non-Executive Director at the Post Office.



Rachel Izzard

Chief Financial Officer

Appointed as CFO and Executive Director in June 2023

Skills and experience

Rachel joined the Board in June 2023 as Group CFO for Finance and Procurement.

Rachel has extensive experience at board level, holding a variety of senior executive and Non-Executive leadership roles in the commercial sector, across a wide variety of countries.

Prior to this role, Rachel was CFO at N Brown plc, the UK fashion digital retailer. Rachel also has 25 years' experience in airlines and logistics including as CFO and CIO of Aer Lingus, during which time the company achieved a turnaround in both customer proposition and financial results.

Rachel was also CFO at IAG Cargo, co-founding the business from the divisions of British Airways and Iberia, and also held a range of roles overseas in Sydney, Hong Kong and New York.

BOARD BIOGRAPHIES



Moni Mannings OBE

Senior Independent Director

Appointed as Senior Independent Director on 2 January 2024

Committee Membership

Nominations Committee
Remuneration Committee
(from 23 January 2024)

Skills and experience

Moni is a qualified solicitor. Until March 2016 Moni was a senior partner in international law firm Olswang LLP having enjoyed a career spanning over three decades in legal practice as a banking and finance lawyer. Moni founded and led Olswang's International Banking and Finance Division and served on Olswang's Board for 13 years.

Moni is currently Senior Independent Director Designate at Land Securities Group plc and a Member of The Takeover Panel.

Moni has previously served as a Non-Executive Director of easyJet plc, Hargreaves Lansdown plc, Investec Bank plc, Polypipe Group plc, Dairy Crest Group plc, Breedon Group plc and Cazoo Group Ltd and was Deputy Chair of Barnardo's.

Moni founded EPoC (Empowering People of Colour), a not-for-profit network that seeks to increase the diversity of boards. She is a member of the Parker Review Committee and a trustee on the Board of the St Mark's Hospital Foundation charity.



Kate Allum

Member Nominated Director

Elected as a Member Nominated Director in May 2021

Committee Membership

Nominations Committee
Remuneration Committee
(Committee Chair from 18 June 2024)

Skills and experience

Kate has extensive experience at board level, holding a variety of senior executive and non-executive leadership roles in the commercial sector, across a wide variety of companies, cultures and countries.

Kate is currently the Chair of Court for the University of the West of Scotland and the Wild Water Group and is also a director of Ballater (RD) Limited and Thrive Ballater Limited.

Previously, Kate was a director of Eurocell PLC, Billingtons Food Group and Chief Executive of Cedo Limited and First Milk Limited, the largest UK-owned dairy co-operative.



Margaret Casely-Hayford, CBE

Member Nominated Director

Elected as a Member Nominated Director in May 2016

Margaret will reach the end of her term on 17 May 2025

Committee Membership

Remuneration Committee
(until 26 March 2025)
Nominations Committee
(until 26 March 2025)

Skills and experience

Margaret is a qualified lawyer of over 30 years' standing, was the Director of Legal Services for the John Lewis Partnership for nine years and on the Board of the British Retail Consortium for four years. She is also a member of the Institute of Directors' Corporate Governance Advisory Board.

Margaret is an adviser to a number of social enterprises including the Better Business Initiative and is a champion of diversity, equity and inclusion.

BOARD BIOGRAPHIES



Sarah McCarthy-Fry

Member Nominated Director

Elected as a Member Nominated Director in May 2019

Due to stand for re-election in May 2025

Committee Membership

Risk and Audit Committee

Nominations Committee
(from 26 March 2025)

Skills and experience

As a committed co-operator for over 30 years, Sarah has previously served as a local Councillor and as a Labour and Co-operative Party MP, representing Portsmouth North. As a Government Minister in HM Treasury, Sarah was responsible for personal savings policy and financial inclusion including Credit Unions. As Schools Minister, she led the development of apprenticeships policy and partnerships with Business and Schools.

Sarah is a former Finance Director at GKN Aerospace, a global engineering company and a former Chair of the Employment and Skills Board for the Solent Local Enterprise Partnership. Sarah is a Trustee and Treasurer of the Parliamentary Outreach Trust.



Adrian Marsh

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director in May 2023

Committee Membership

Risk and Audit Committee (Chair)

Remuneration Committee
(from 23 January 2024)

Skills and experience

Adrian is an accomplished Group Finance Director and experienced Non-Executive Director with multi-sector expertise. Most recently, Adrian was Group Finance Director of DS Smith plc where he held the position for 10 years. Prior to this, Adrian held senior finance positions at Tesco plc, AstraZeneca plc and Pilkington plc.

Adrian is currently a Non-Executive Director and Audit Chair of John Wood Group. Adrian's previous directorships include Greenergy International and WeConnectStudents.com.

Adrian is a Fellow of the Chartered Association of Certified Accountants and a Fellow of the Association of Corporate Treasurers.



Luke Jensen

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director on 19 February 2024

Committee Membership

Risk and Audit Committee
(from 19 February 2024)

Skills and experience

Luke is an established retail leader with a wealth of experience in the global food retail industry. Luke is currently Executive Chair at Hana Group SAS, a world leading provider of fresh 'on the go' sushi and pan-Asian Cuisine. Luke is also a Non-Executive Director of NS&I (National Savings & Investments).

Luke previously served as CEO of Ocado Solutions where he led the transformation of Ocado from a UK retail company to a recognised global technology business. He was also Group Development Director of J Sainsbury's plc where he was responsible for online and all customer-facing digital activities.

Luke was previously a Non-Executive Director of Asos plc.

BOARD BIOGRAPHIES



Wais Shaifta

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director on 25 February 2025

Committee Membership

Nominations Committee
(from 26 March 2025)

Remuneration Committee
(from 26 March 2025)

Skills and experience

Wais is an expert in digital growth and transformation with experience in leading technology businesses. Wais was previously CEO of Push Doctor, the largest digital partner to the NHS. Prior to that, Wais held executive and leadership positions in group operations, digital tech, product, business development, mergers and acquisitions, and international expansion at Just Eat and Treatwell.

Wais is an Independent Non-Executive Director at Reach plc, Snappy Shopper and the Gym Group, where he is the Chair of the Remuneration and Sustainability Committees. Wais is also Senior Independent Trustee at The Football Foundation, England's largest sports charity.



Christine Tacon CBE

Member Nominated Director

Elected as a Member Nominated Director on 18 May 2024

Committee Membership

Risk and Audit Committee
(from 26 March 2025)

Skills and experience

Christine is a Chartered Engineer and an environmentalist with a wealth of commercial expertise and experience. Christine has held many positions at board level, most recently as the Chair of Assured Food Standards who operate the Red Tractor Assurance scheme.

During her career, Christine has held positions at Mars and Fonterra; New Zealand's dairy co-op and she also led the Co-op's farming business, the UK's largest at the time. She has served as a Non-Executive Director for organisations including the Met Office and the Natural Environment Research Council. Christine was also appointed as the first Groceries Code Adjudicator, responsible for regulating the supermarket sector to ensure fair treatment for suppliers.

Christine is currently the Chair of MDS Ltd, a two-year management training scheme in the food industry for graduates and the Chair of the BBC Rural Affairs Committee. She is also a trustee of the Farmers Club Charitable Trust and runs the Women in Food and Farming Network. Christine was awarded the CBE in 2004 for her services to agriculture.



Lord Simon Woolley

Independent Non-Executive Director

Appointed as an Independent Non-Executive Director on 25 February 2025

Committee Membership

Risk and Audit Committee
(from 26 March 2025)

Skills and experience

Simon is a political and equalities activist and is currently Principal of Homerton College, Cambridge and the Deputy Vice Chancellor at the University of Cambridge. Simon also holds an advisory role with The King's Commonwealth Fellowship Programme, and is a Non-Executive Director of Police Now Ltd and the Youth Futures Foundation. Previously, Simon served as Human Rights Commissioner, as well as creating and leading the UK Government's pioneering Race Disparity Unit. Simon also founded Operation Black Vote, the internationally renowned campaigning NGO working with ethnic minorities in the UK to increase understanding of civic society, participation in Parliament and public life and to promote equality and human rights.

EXECUTIVE BIOGRAPHIES



Shirine Khoury-Haq

Chief Executive Officer

See Board biographies



Rachel Izzard

Chief Financial Officer

See Board biographies



Dominic Kendal-Ward

Group Secretary and General Counsel

Skills and experience

Dom became Group Secretary and General Counsel in May 2022. He originally joined our Co-op in 2017 as General Counsel of our insurance business. Dom qualified as a solicitor in 2006. Prior to joining our Co-op, Dom spent 12 years at the international law firm Linklaters, working for a wide variety of organisations on corporate advice and transactions. Dom is a Director of Co-operatives UK.

Other Directors and Executive members who have served during the year:

Four other Directors served during the year before reaching the end of their nine-year term and Rahul Powar stepped down from the Board for personal reasons after more than six years on the Board:

- Allan Leighton served as an Independent Non-Executive Director until 18 February 2024.
- Paul Chandler served as a Member Nominated Director until 18 May 2024.
- Stevie Spring served as an Independent Non-Executive Director and Chair of the Remuneration Committee until 24 June 2024.
- Rahul Powar served as an Independent Non-Executive Director until 25 February 2025.
- Lord Victor Adebawale served as an Independent Non-Executive Director until 27 March 2025.

GOVERNANCE REVIEW



CHAIR'S OVERVIEW

I am pleased to present our 2024 Governance Review which sets out detail on our unique governance structure and the key areas considered by our Board and its Committees during the year.

OUR MEMBER-OWNERS

Member-ownership is the reason our Co-op exists. As mentioned in my earlier note, 2024 was the year we put members back at the heart of our organisation, achieving solid financial results while rising to meet market challenges and increasing our positive impact.

With this sharpened focus, we exceeded our membership goals in 2024. More member-owners joined our Co-op, more member-owners traded with our Co-op, and more member-owners engaged with us on the issues that matter most to them.

Our National Members' Council ('Council'), which is 100-strong, acts as our members' representative, holding our Board to account for how the business performs and our commitment to co-operative Values and Principles.

Under the ongoing leadership of Denise Scott-McDonald as President, our Council continues to demonstrate a balanced approach of support and challenge to our Board. Our Council members consistently demonstrate their dedication to our Co-op, our member-owners, and our colleagues. We deeply appreciate their engagement and contributions, and we extend our gratitude to the Council for its ongoing support and challenge.

Plans for our 2025 Annual General Meeting are well underway. I look forward to meeting as many of you as possible and value the opportunity to listen to your input and feedback. The meeting will take place on Saturday, 17 May 2025 and members will be able to join us in person at Co-op Live, online, or at one of our six new local events. We will keep members updated at www.co-operative.coop/agm where we will publish the AGM notice. If you are an eligible member, please watch for an email or letter with more information.

OUR BOARD AND EXECUTIVE

A number of changes have taken place during the year. At the start of the year, we welcomed Moni Mannings as our new Senior Independent Director. In February 2024, Luke Jensen joined as an Independent Non-Executive Director in anticipation of Stevie Spring reaching the end of her term in June 2024. Paul Chandler reached the end of his term as a Member Nominated Director in May 2024 and we welcomed Christine Tacon following the AGM in May 2024.

More recently, Rahul Powar and Victor Adebawale (both Independent Non-Executive Directors) stepped down from our Board (in February 2025 and March 2025 respectively).

To replace Rahul and Victor, and following a robust recruitment process, we recently welcomed Wais Shaifta and Lord Simon Woolley to our Board – read more on [page 63](#). I look forward to the part our new Directors will play in helping shape our Co-op's future.

In May 2025, Margaret Casely-Hayford will reach the end of her term as a Member Nominated Director. I look forward to welcoming our new Member Nominated Director, following the 2025 MND election process.

OUR BOARD'S EFFECTIVENESS

Reviewing our Board's own performance is central to ensuring we deliver for our member-owners and maintaining high standards of corporate governance. Following the external review conducted in 2023, an internal review was undertaken during 2024, facilitated by our Senior Independent Director, Moni Mannings. More details on the review process can be found in the Nominations Committee report on [page 99](#).

LOOKING AHEAD

I would like to thank all of my Board colleagues for their support during my first year as Chair. We continue to evolve our ways of working with financial stability and member ownership central to all our discussions and decisions.

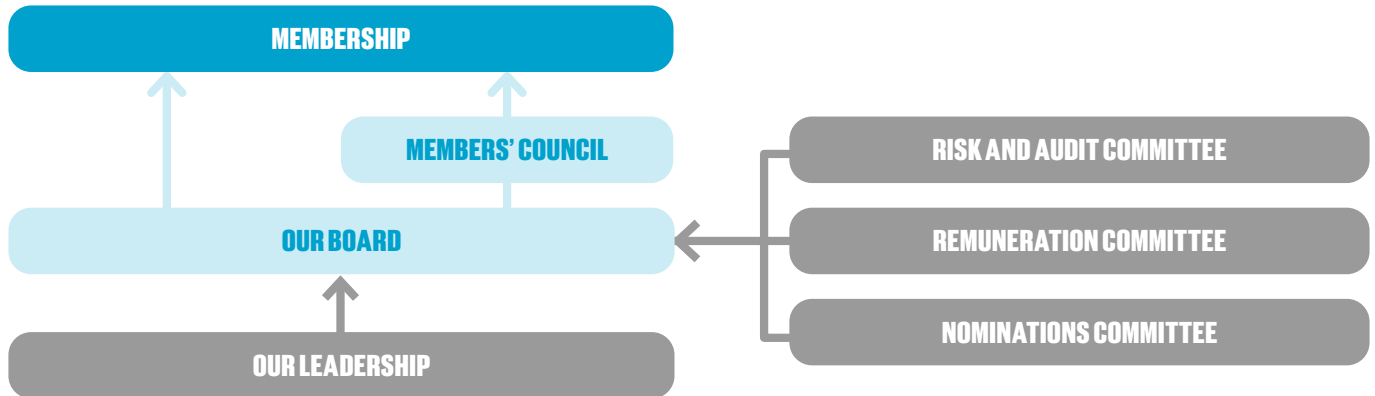
With our sights firmly set on ambitious growth, coupled with the Government's pledge to double the size of the co-operative sector in the UK, 2025 looks set to be another exciting time for our Co-op and for our Board, during which we remain committed to maintaining our high levels of corporate governance.



Debbie White
Chair, The Co-op Group

OUR GOVERNANCE STRUCTURE

Our unique governance structure is carefully constructed and is based on member-ownership. It is defined in our Rules, which set out a number of formal ways in which our Board, its committees and individual Directors keep in touch with our Members' Council, its committees and our member-owners.



Our Board leads our Co-op and takes decisions at the highest level to ensure our Co-op is successful in the long term. The decisions we take are what we believe to be in the best interests of our member-owners.

Our Board is supported by three committees. They have specific tasks which they carry out on behalf of the Board, set out in their written terms of reference:

- Our Risk and Audit Committee has oversight of our Co-op's financial reporting and how well we are managing risk. The report of our Risk and Audit Committee can be found on [page 90](#).
- Our Remuneration Committee ensures our senior leaders are fairly and appropriately rewarded, taking into account the wider pay policy across our Co-op. The report of our Remuneration Committee can be found on [page 70](#).
- Our Nominations Committee ensures we have the right Independent Non-Executive Directors (INEDs) and Executive Directors in place and that the Board as a whole works well. The report of our Nominations Committee can be found on [page 99](#).

Our Council is a democratically elected body of 100 members. This Council acts as our member-owners' representative, holding our Board to account for how the business performs. It also acts as a guardian of our purpose and co-operative Values and Principles. Council highlights from 2024 can be found in your Council's Annual Statement on [page 121](#).

There are a number of ways that the Board takes into account the views of the Council, detailed under Stakeholder Engagement on [page 127](#).

OUR BOARD

There are 12 Directors on our Board. We have three categories of Directors: Executive Directors, Independent Non-Executive Directors (INEDs) and Member Nominated Directors (MNDs).

Director biographies can be found on [page 54](#). Members are able to see copies of the Directors' appointment letters by contacting the Group Secretary.

ROLE OF OUR DIRECTORS

Debbie White, our Chair, is responsible for:

- Leading our Board and making sure it operates well.
- Making sure we have the right Board in place, with the right skills to run a business of the size and complexity of our Co-op.
- Making sure co-operative Values and Principles are at the heart of what we do, and that business decisions are both ethical and sustainable.
- Continuing to develop the relationship with our Council.
- Making sure that the Board is made aware of the views of our Council and other stakeholders.
- Setting the Board agenda and managing Board meetings.
- Setting the tone from the top and making sure business culture is clear.
- Making sure the Board effectively holds leadership to account.

Shirine Khoury-Haq (Chief Executive) and Rachel Izzard (Chief Financial Officer) are our **Executive Directors**. They have delegated responsibility for the day-to-day operation of our Co-op and are accountable to our Board for all elements of our Co-op's operational and financial performance.

Moni Mannings, our **Senior Independent Director (SID)**:

- Uses her experience to advise, guide and provide feedback to the Chair.
- Deals with any governance issues relating to the Board or the Chair's performance, and any matters which are not appropriate for the Chair to deal with.
- Takes the lead role in the annual Board evaluation process.
- Takes responsibility for leading the Chair's annual performance review and acts as the Board's primary point of contact for stakeholder views.
- Regularly liaises with our Council.

Our **INEDs** and **MNDs** provide independent and constructive challenge and an external focus to Board discussions using their professional industry knowledge. They help set our strategy, oversee commercial and financial performance, ensuring co-operative Values and Principles remain at the heart of our Co-op. They also meet with members and our Council to hear their views.

Dominic Kendal-Ward, our **Group Secretary**, advises the Board on legal, compliance and governance matters and makes sure there is the right level of information flowing between our Board and our Council, and our Board and leadership. He supports our Chair with Board procedures and is available to Directors for advice and assistance.

DIVISION OF RESPONSIBILITIES

The roles and responsibilities of the Chair and Chief Executive are clearly set out in their role profiles, which are approved by the Board and available on our website.

APPOINTMENTS OF OUR BOARD – INDEPENDENT NON-EXECUTIVE DIRECTORS (INEDs)

INED appointments are made by our Board following recommendation from the Nominations Committee. When we need to recruit an INED, the Nominations Committee will lead the process.

During the year, rigorous selection processes were undertaken leading to the appointments of Wais Shaifta and Lord Simon Woolley. More details on the selection processes can be found in our Nominations Committee Report on [page 99](#).

Following INED (and MND) appointments, the Council Scrutiny Committee considers a report from the Board and scrutinises the adequacy and objectivity of the process followed. The report of the Scrutiny Committee can be found on [page 124](#).

INEDs have to be elected by members at the first AGM following their appointment and are then subject to re-election by our members at our AGM every three years thereafter.

The UK Corporate Governance Code sets out that all Directors should be subject to annual re-election. We choose not to comply with this in our Rules to avoid a situation where all the Directors leave the Board at the same time. It ensures we maintain continuity and allows for staggering and succession planning.

APPOINTMENTS OF OUR BOARD – EXECUTIVE DIRECTORS

The Nominations Committee is responsible for making recommendations to our Board in respect of Executive Director appointments. No appointments of Executive Directors were made during 2024.

APPOINTMENTS OF OUR BOARD – MEMBER NOMINATED DIRECTORS (MNDs)

MNDs are voted for and elected directly by our members. The MND Joint Selection and Approvals Committee (MNDJC), a joint Board and Council Committee, works with an independent search firm to oversee the selection process and assess the eligibility, skills and experience of MND candidates who are put forward to a member ballot. Members then vote for who they would like to see on our Board.

The MND election process takes place before the AGM and the results are announced at the meeting.

The MNDJC led on the 2024 and 2025 MND election processes, supported by Warren Partners, an executive search firm.

TERMS OF OFFICE

Our **INEDs** and **MNDs** have a maximum term of office of nine years.

Our **Executive Directors** are employed directly by our Co-op and don't have a maximum term of office. They are however subject to re-election as Directors by our members every three years. Shirine Khoury-Haq, our CEO, was last elected in 2023; Rachel Izzard, our CFO, was last elected in 2024.

OUR BOARD'S SKILLS AND EXPERTISE

Our Nominations Committee reviews the skills and expertise we have on our Board to make sure it continues to be well balanced, diverse, effective and suitable to deliver our vision.

Our Board Composition Charter (BCC) sets out:

- Certain requirements for our Board's composition as a whole.
- Levels of knowledge and expertise expected for individual directors.
- Additional requirements for key roles such as Chair and Senior Independent Director.

Our Rules and the BCC contain strict membership and eligibility criteria which all of our Board Directors need to meet. This includes high standards of professional expertise needed to run a business of the size and complexity of our Co-op as well as a strong commitment to co-operative Values and Principles.

The Board considers that each Director brings relevant and complementary skills, experience and background to the Board.

BOARD SUCCESSION PLANS

The Board maintains a Board succession plan and is satisfied that the plan remains sufficiently robust. Senior leader succession is a matter for the Chief Executive (with the support of our Chief People and Inclusion Officer) in consultation with the Board. Senior leader succession plans were reviewed by our Board during the year.

BOARD EFFECTIVENESS

In accordance with our governance principles and the requirements outlined in our Rules, the Board conducts regular performance evaluations.

The Nominations Committee is responsible for overseeing an annual Board effectiveness review. According to our Rules, this review should be conducted by an external firm every two years unless the Nominations Committee and the Chair concur that there is a valid reason to defer. Currently, the Nominations Committee and the Chair have agreed to conduct external reviews every three years, aligning with best practices in corporate governance.

An internal review took place in 2024, facilitated by our Senior Independent Director, in accordance with established governance standards. More details on the review process and outcomes can be found in the Nominations Committee report on [page 99](#).

HOW OUR BOARD OPERATES

The Board and each of its committees have a scheduled forward plan of meetings to make sure time is allocated to key areas for our Co-op, and to make best use of the Board's time.

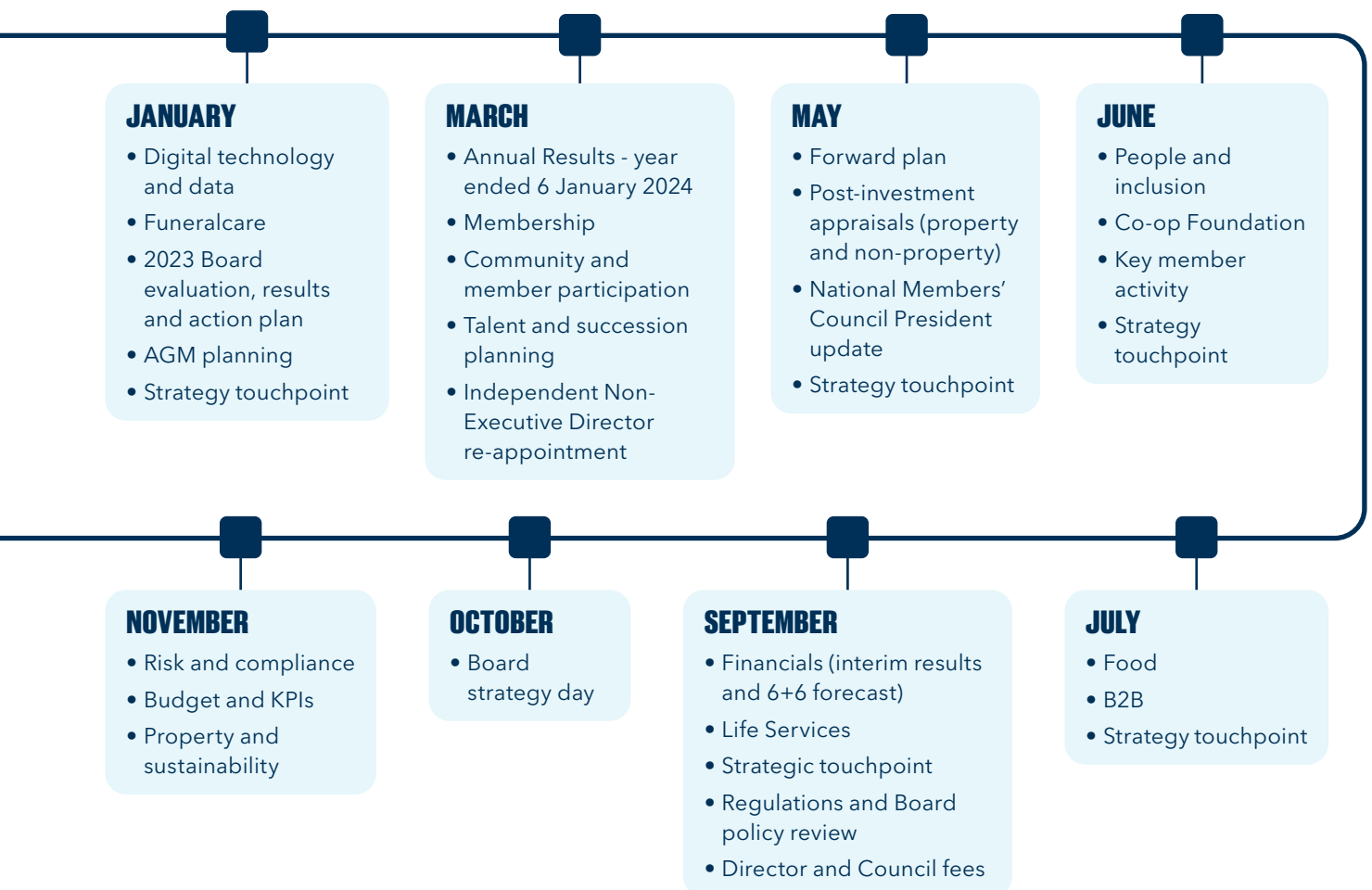
The Board had eight scheduled meetings during the year, held both in in-person and hybrid formats. During the year, our Board:

- Focused on strategy, with a number of deep dives on particular topics presented throughout the year.
- Held closed sessions between INEDs and MNDs alone without Executive Directors or the Group Secretary present.

Set out below are the highlights of the matters that the Board considered in 2024. Not all of the matters the Board considered are listed.

In addition to the matters shown, every meeting includes strategic, operational and financial updates from the CEO and CFO. Meetings also include updates on health and safety and our business divisions through leader reports prepared by our Operating Board members.

KEY BOARD ACTIVITY



The agendas for Board meetings are prepared by the Group Secretary in consultation with the Chair, with reference to the Board forward planner. There is flexibility within the planner to address any arising business matters.

Our Board also regularly provides reports on their meetings to the Council and receives reports from the Council on its activities.

BOARD ATTENDANCE

Directors' attendance at scheduled Board and committee meetings is set out in the table below. This does not include any unscheduled meetings which were held during the year and which were needed at relatively short notice or any cancelled meetings. It only captures where Directors attended Committee meetings in their capacity as a Committee member.

The numbers in brackets show how many meetings each Director could have attended. When we're setting the Board meeting schedule, we always take Directors' availability into account but with a larger Board we cannot always find dates all can attend.

Director	Board	Risk and Audit Committee	Nominations Committee	Remuneration Committee
Debbie White (Chair)	8(8)		3(3)	6(6)
Allan Leighton ¹	0(1)			
Kate Allum	8(8)		3(3)	6(6)
Margaret Casely-Hayford	8(8)		3(3)	6(6)
Paul Chandler ²	3(3)	3(3)		
Rahul Powar ³	8(8)	5(5)		6(6)
Sarah McCarthy-Fry	8(8)	5(5)		
Shirine Khoury-Haq	8(8)			
Stevie Spring ⁴	4(4)			3(3)
Lord Victor Adebowale ⁵	7(8)	4(5)	3(3)	
Rachel Izzard	8(8)			
Adrian Marsh	7(8)	5(5)		5(6)
Moni Mannings	8(8)		3(3)	6(6)
Luke Jensen ⁶	7(7)	4(4)		
Christine Tacon ⁷	5(5)			
Denise Scott-McDonald ⁸			3(3)	

¹ Reached the end of their term on 18 February 2024

² Reached the end of their term on 18 May 2024

³ Stepped down from the Board on 25 February 2024

⁴ Reached the end of their term on 24 June 2024

⁵ Reached the end of their term on 27 March 2024

⁶ Appointed as a Director on 19 February 2024

⁷ Appointed as a Director on 18 May 2024

⁸ Not a Director but is a member of the Nominations Committee by virtue of role as Council President

TIME COMMITMENT AND CONFLICTS OF INTEREST

Conflicts of interest are situations in which Directors have, may have, or at least give the impression that they may have, divided loyalties on any issue. All Directors have a duty to avoid conflicts of interest.

Prior to appointment, Directors are asked to disclose any other appointments they have, and any potential conflicts of interest. We also carry out a number of other background checks. Directors also must confirm they will have sufficient time to do the role. This obligation continues while Directors remain on the Board and is kept under review.

There are specific provisions in our Rules which cover any real or potential Director conflicts of interest.

The Board remains satisfied that each Director is able to allocate sufficient time to perform their responsibilities effectively.

INDEPENDENCE

It is important that we have Directors on our Board that think objectively and independently. The UK Corporate Governance Code (UK Code) requires at least half the Board to be considered as independent.

As a co-op we have two different ways of looking at and assessing the independence of our Directors, as defined within the UK Code and within our Rules and BCC.

The Board considers all our INEDs and MNDs to be independent in character and judgement as per the criteria set out in the UK Code.

DIVERSITY AND INCLUSION

As a co-op, the guiding values of self-help, self-responsibility, democracy, equality, equity and solidarity translate through to the balance and diversity we seek for our Board.

Our Board is mindful that diversity of thought brings a richness of debate that is vital to its effectiveness. Those values are within our Board Diversity and Inclusion Policy, which can be found on our website. The policy was reviewed during the year by the Nominations Committee.

Our Board supports the recommendations of the Parker Review and FTSE Women Leaders Review to increase representation of women and people from an ethnic minority on Boards and is pleased to exceed the recommendations. Our Board is currently made up of eight women (67%) and four men (33%). Five of our Directors are from ethnic minorities (42%). Our Chair, SID, CEO and CFO are all female.

DECISIONS OF OUR BOARD

Our Board takes decisions at the highest level to ensure the long-term success of our Co-op.

It focuses on the future goals for our Co-op and how those goals should be achieved in a way which is in the best interests of our members as a whole and in line with our purpose, and co-operative Values and Principles. How those decisions are put into action is a matter for the Chief Executive Officer, the Executive and the Operating Board. The Board then monitors progress and holds leadership to account.

We do not have the same structure as limited companies, which often have large, institutional investors. We are a co-op and are very clear that we want to do business in a better way for the benefit of our member-owners and communities.

When considering future plans, our Board looks at short, medium and longer-term views to try and make sure our Co-op, and the way it does business, is built on a solid platform for generations to come. To achieve this, our Board takes decisions at the highest level, consistent with our purpose and co-operative Values and Principles, that are commercially sensible and meet the needs of our member-owners.

Our Board looks at the interests, views and needs of our wider stakeholders when making decisions of substance. Our contact with them, as detailed on [page 127](#), helps our Board understand these views.

Members' views are at the heart of our Board's decision-making process through the use of an Ethical Decision-Making Tool. This helps our Directors focus on what members are likely to think, whether the decision will create value and what the potential impact of the decision will be on our members and our wider communities. Recommendations on material decisions put forward to our Board must include a view on each of these elements.

MANAGING OUR RISKS

Our Board oversees our risk management framework through the Risk and Audit Committee. It regularly reviews and agrees risk mitigation plans and responses. Our Board ensures that policies and practices are consistent with our Purpose and co-operative Values and Principles.

For more information on risk management at Co-op and our principal risks and uncertainties, please see [page 44](#).

Our commitments to the environment and tackling climate change are long-standing and we continue to strengthen our governance processes in line with requirements from the Taskforce on Climate-Related Financial Disclosure (TCFD). More detail is provided on [page 110](#).

DELEGATED AUTHORITIES FRAMEWORK AND MATTERS RESERVED FOR THE BOARD

Our Board has the power to delegate certain decisions. This may, for example, be to individual Directors or Board Committees. We have a Delegated Authorities Framework which is reviewed regularly by the Risk and Audit Committee and approved by our Board. This sets out defined levels of authority for colleagues.

In line with good governance, the Board has reserved a level of decision making to itself, which covers areas including Strategy and Management, Group Structure, Capital and Borrowing and Financial Reporting and Controls. These are recorded formally in a 'Matters Reserved for the Board', approved by the Board.

COMMUNICATING WITH OUR STAKEHOLDERS

For information on how our Board acted with regard to our key stakeholder groups throughout the year, please see full details within our Section 172 Statement on [page 127](#).

ADDITIONAL GOVERNANCE INFORMATION

Whistleblowing

Our Board remains comfortable that there are sufficient processes in place which enable colleagues to raise any issues which they feel uncomfortable about, or which are not in line with co-operative Values and Principles. See [page 98](#) for further detail.

Board Code of Conduct

Our Board Code of Conduct sets out the standards of behaviour expected from our Directors. All Directors must follow the code during their term in office.

Directors' and Officers' liability insurance

We have Directors' and Officers' liability insurance in place which covers Directors against any legal action taken against them for doing Co-op business. They also receive an indemnity from our Co-op for specified liabilities which could possibly arise from them performing their role.

Independent professional advice and Board support

Our Board can seek the advice or assistance of the Group Secretary, Secretariat and the wider leadership team. We also have procedures in place so that if any of the Directors feel they need independent professional advice to enable them to perform their duties properly, they can ask for that advice and, subject to certain limits, our Co-op will pay.

Our subsidiaries

Our subsidiaries operate within the strategy and direction set by our Board. There are a number of rules, policies and procedures (particularly relating to governance and authority levels) which apply across the whole of our Co-op.

There are three subsidiaries which are treated slightly differently: Co-op Insurance Services Limited is regulated by the Financial Conduct Authority (FCA), Co-op Funeral Plans Limited is also FCA regulated and Co-operative Legal Services Limited is regulated by the Solicitors Regulation Authority. This means they have particular areas of responsibility for which they are accountable to their regulator. Our Co-op retains general oversight of these businesses but, in order to satisfy their regulatory obligations, they need to keep a higher level of independence for their conduct and everyday operational decisions.

Our compliance with the UK Corporate Governance Code

The UK Corporate Governance Code (UK Code) applies to large companies with traded shares.

As we are a co-op, we are not required to comply with the UK Code. However, we believe the general principles of governance set out in the UK Code are key to running a good business. For us, it's the right thing for our Co-op to continue to voluntarily comply with the UK Code where it can be applied directly to our democratic model and it makes sense for us to do so. A review of our Co-op's compliance with the UK Code is undertaken annually with the results considered by the Risk and Audit Committee.

Our compliance with the Co-operative Corporate Governance Code

We have reviewed our compliance with the Co-operative Governance Code, originally published in 2019 by Co-operatives UK, and are comfortable that our practices remain consistent with it, are appropriate and offer the necessary protection to our member-owners.

THE REPORT OF THE REMUNERATION COMMITTEE

INTRODUCTION FROM THE COMMITTEE CHAIR



On behalf of the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Report for our 2024 financial year. This is my first report since being appointed as Remuneration Committee Chair and I would like to thank my predecessor, Stevie Spring, as well as fellow Committee members for their support since my appointment.

The report is split into two sections:

- Our Co-op's forward-looking Executive Pay Policy on [page 78](#) which will apply from 1 January 2025 onwards, subject to our members' advisory vote at our 2025 AGM.
- The Annual Report on Remuneration on [page 84](#) which details the remuneration paid to our Executive Directors in the 2024 financial year, and which is subject to our members' advisory vote at our 2025 AGM.

HOW THE COMMITTEE WORKS

The Committee is responsible for determining our Co-op's pay strategy as well as the specific remuneration packages for our Executive Directors. It also has oversight of pay practices in place for our colleagues across our Co-op.

The Committee's terms of reference are reviewed annually, making changes in line with corporate governance developments, and best practice. The Committee's terms of reference are available [on our website](#).

COMMITTEE MEETINGS

All members of the Committee are Non-Executive Directors of our Co-op. Our Chief Executive and Chief Financial Officer are not members of the Committee, but are invited to attend where relevant, along with our Board Chair and Risk and Audit Committee Chair. This ensures there is alignment with broader Board decisions.

In 2024, the Committee held six meetings and the attendance of Committee members is detailed on [page 66](#).

WHAT THE COMMITTEE DID IN THE YEAR

In line with the Committee's Terms of Reference, the Committee's time was divided between the following areas through 2024:

FEBRUARY

- Assess 2023 performance of Executive Directors and Operating Board members
- Approve outcome of 2023 bonus plan
- Approve Directors' Remuneration Report
- Approve payment of 2021 Deferred Bonus Awards

MARCH

- Approve measure and performance expectations for 2024 bonus plan
- Update on wider workforce pay

JUNE

- Review feedback and AGM voting outcomes

NOVEMBER

- Approve measure and performance expectations for 2025 bonus plan
- Design of new Long Term incentive plan
- Approve Rewarding Growth incentive plan
- Review inflight performance of 2024 bonus plan
- Review of Committee terms of reference
- Update on wider workforce pay

OCTOBER

- Market benchmarking of Executive Directors' remuneration

SEPTEMBER

- Committee effectiveness review
- Review of Executive pay approach

OTHER COMMITTEE SUPPORT

The Committee sought independent, external advice through Deloitte, who advised on market trends and benchmarking for comparable executive roles. Further details are on [page 89](#).

EVALUATION OF COMMITTEE EFFECTIVENESS

The performance of the Committee is reviewed annually. The 2024 review followed the same process as the main Board using the digital evaluation platform BoardClic.

2024 BUSINESS PERFORMANCE AND BONUS OUTCOMES

As discussed earlier in this report, in 2024 we delivered a solid business performance in the context of a challenging market. Our Food and Life Services business grew, while our Wholesale business faced challenges. We increased membership numbers, continued to support causes and communities, and built on the financial discipline achieved in previous years to grow our operating profit.

BONUS

With reference to our bonus plan, we assessed 2024 through a balanced scorecard of measures, both financial and non-financial.

Our Co-op performed well against the targets that the board set. As a result, our 2024 bonus plan outturn equated to 66.5%-71.5% of the maximum bonus opportunity available.

Full details of our 2024 bonus plan is detailed on [page 85](#) along with details of the personal performance outcomes for each of our Executive Directors.

DEFERRED BONUS PAYMENTS

The second half of our 2022 bonus plan is now due to colleagues still employed by our Co-op and not under notice at the time of payment.

It will be paid in May 2025 to senior leaders in line with the scheme rules.

Further details of the amounts that were paid and deferred can be found on [page 84](#).

SUPPORTING OUR COLLEAGUES

Our colleagues are integral to our Co-op's success. This year we continued to significantly invest in colleague pay, particularly for frontline colleagues. We remain committed to paying the Real Living Wage to ensure all colleagues are paid fairly.

In April 2024, we aligned our minimum hourly rates to the Real Living Wage as set by the [Living Wage Foundation](#) and we will again during 2025.

We've continued to support all our colleagues financially:

- Continuing with our 30% colleague discount on own-brand products.
- Offering all colleagues not eligible for our bonus schemes a one-off winter recognition payment of £30 loaded onto colleague membership cards.
- Launching our Rewarding Growth incentive plan. All colleagues are eligible to participate, including frontline colleagues and customer team members who can earn up to a £1,000 bonus share over three years.
- As at the end of 2024, over 15,000 colleagues have signed up to the Wagestream app, with 4,800 colleagues now automatically enrolled into saving towards a rainy-day fund, which is a key step in creating financial security and independence.

At the end of 2024, more than 72% of colleagues were members of our pension scheme; 70% of colleagues were pension members in 2023. 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 [Social Value and Sustainability Report](#) for more details.

PAY GAP REPORTING

In addition to our statutory reporting of our gender pay gap, we have also chosen to voluntarily report our ethnicity pay for the last year. This year we were proud to also publish [our socioeconomic pay gap report](#).

EXECUTIVE PAY POLICY

Our current Executive Pay Policy is subject to a non-binding advisory member vote at the 2025 AGM.

During 2024, the Committee has worked with our external advisers, Deloitte, to undertake a full review of the policy. Our Executive Pay Policy must be fit for purpose, helping our Co-op thrive by attracting and retaining key talent, while ensuring that pay is competitive but not excessive.

The review considered how our Co-op pay approach compares with other similarly sized businesses within the FTSE 50-150. These are the businesses we compete with for talent; businesses who are similar in size and complexity.

Following the review, the Committee concluded that changes were needed to our Executive Pay Policy to better align to the external market and to support our ambitious strategy.

The key findings of the review concluded that our Executive Pay Policy:

- Didn't incentivise and reward longer-term delivery within our Senior Leader population, particularly considering our ambitious growth targets.
- Was out of line with typical best practice in respect to Executive Pay.
- Our total pay was not competitive, particularly in relation to our variable pay approach.
- Our approach was too short-term focused, and we needed an approach to better align senior leaders' variable pay to Co-op's long-term performance and results.

Following the review, the Committee have determined that changes are needed to our Executive Pay Policy to make sure we deliver on our strategy and vision for our members. The changes that will take effect from 2025 are outlined below.

CHANGES TO OUR ANNUAL BONUS PLAN APPROACH

Since 2018, we've operated a single bonus plan for our Executive Directors, with performance being determined against yearly performance targets.

Given our new strategy and ambitious growth targets, the Committee determined that the variable pay approach was too focused on short-term delivery of in-year performance.

The Committee and our Board believe it's extremely important that our pay approach encourages and rewards leaders for taking the necessary future-focused decisions to ensure our Co-op thrives. For this reason, we are rebalancing our variable pay opportunities for senior leaders across our Co-op.

A BONUS PLAN AND A LONG-TERM INCENTIVE PLAN

From 2025, we continue to operate an annual bonus plan to incentivise and reward delivery of agreed annual performance measures. Alongside this, we will also launch a long-term incentive plan (LTIP) to incentivise and reward the delivery of key three-year performance measures.

As part of this change, from 2025 we will be better aligning our Executive Directors' incentive opportunities to typical market practice, as we tilt the balance from short-term to longer incentives.

A reduced bonus plan

Under the annual bonus plan, we are reducing the maximum bonus opportunities of Chief Executive, Chief Financial Officer and Group Secretary and General Counsel. Please refer to the Executive Pay Policy on [page 78](#) for further details.

Previously, 50% of any bonus plan awarded to our Executive Directors was deferred for a period of two years. The deferred portion of bonus was held as cash and wasn't subject to any other further performance conditions, other than being time-bound.

It is the Committee's view that deferral under the annual bonus plan is no longer necessary, and it will not be applied to any future bonus plan awards from 2025 onwards. However, all previous bonus plan awards are still subject to the two-year deferral period.

Further information on the 2025 bonus plan performance measures is detailed on [page 82](#).

A new long-term incentive

The new LTIP will reward longer-term performance, and help us retain key talent; any opportunity under the scheme requires participants to remain with our Co-op for three years.

Our new LTIP will have a 'base' level of award with a maximum opportunity. For the Chief Executive, this is up to 200% of salary, only being attained where stretching three-year targets are met.

This allows us to incentivise our Executive Directors to focus on a broader set of holistic performance measures around economic, social and ownership value. The Committee has also aligned incentives to our sustainability agenda through the new LTIP. More information on the 2025 LTIP performance measures is on [page 82](#).

Full details of the revised Executive Pay Policy can be found on [page 78](#).

LOOKING AHEAD FOR 2025

REWARDING GROWTH

Over the last three years, under Shirine's leadership, we've significantly improved the resilience of our Co-op by focusing on the foundations of our business.

Building on these foundations, we can now move to an exciting growth phase for our Co-op to enable us to deliver more value for you, our members. We have significant growth ambitions, and we want to incentivise and reward all of our colleagues for the key role they will play in achieving them.

I'm extremely proud and excited to be able to launch, for the first time ever, an all-colleague incentive plan: 'Rewarding Growth'. This will reward all of our colleagues who are members if we meet our growth ambitions over the next three years.

Each colleague will have a maximum opportunity that can be earned over the next three years.

The 'maximum opportunity' (the amount that could be paid out) differs by role and is awarded pro-rata to the hours a colleague works. For most colleague member owners, it will be up to £1,000, which we'll pay out if we meet our ambitions.

This way, if we all work together to grow our Co-op, then all of our colleague member-owners will share in our success.

Every colleague will participate in Rewarding Growth, including our Executive Directors, please refer to the Executive Pay Policy on [page 78](#) for further details

An incentive plan that all colleagues can participate in has been a long-term ambition for the Committee. It's really pleasing to see that we've been able to put this in place while also aligning our lowest rates of pay to the Real Living Wage which has and continues to be a significant investment for our Co-op.

AGM

On behalf of the Committee, I would like to thank members and our Members' Council for their input and engagement this year, and we welcome any comments you may have on this report.

It remains important to us that our members make their views heard and we would ask that you vote prior to the meeting. In 2025, we will be asking our members to approve the Annual Report on Remuneration and to approve our new Executive Pay Policy for the next three years. Both votes are advisory.

We look forward to your support for the proposed new Executive Pay Policy and Annual Report on Remuneration at our 2025 AGM.



Kate Allum
Chair, the Remuneration Committee

CHANGING OUR EXECUTIVE PAY POLICY: A SUMMARY

Our Executive Pay Policy is designed to attract, retain, and motivate the talent our Co-op needs to deliver our growth strategy. These changes are to strike an appropriate balance between short-term and long-term sustainable performance for the benefit of our members.

As mentioned, our external advisers, Deloitte, reviewed our remuneration policy by benchmarking FTSE 50-150 firms. Given our Co-op's comparative size and complexity, the Committee deemed it appropriate to position the pay opportunities of our Executive at the median of this comparator group.

The table below summarises the proposed change to the Remuneration Policy along with the rationale for making the change.

ELEMENT	CHANGES TO POLICY	RATIONALE
Annual bonus opportunity	Reduced maximum annual bonus opportunities: <ul style="list-style-type: none"> - CEO from 250% to 200% of salary. - CFO from 180% to 170% of salary. - Group Secretary and General Counsel from 150% to 110%. 	Reduced bonus opportunities better align with external market practice. Tilts the balance from short-term, in-year performance to longer-term sustainable performance, across a broader set of both financial and non-financial measures.
Bonus deferral	All unvested bonus awards, up to and including the 2024 scheme, remain subject to a 50% deferral for a period of two years. All future bonus awards from 2025 onwards will no longer be subject to any deferral.	Bonus deferral is not effective in incentivising longer-term performance. The new LTIP scheme will be the primary incentive mechanism for retaining senior leaders.
LTIP opportunity	Introduce a long-term incentive plan (LTIP) from 2025 with annual grants and maximum annual opportunities of: <ul style="list-style-type: none"> - CEO: 200% of salary. - CFO: 170% of salary. - Group Secretary and General Counsel: 110% of salary. 	Addresses market competitiveness challenges. Ensures that the rewards for Executive Directors are aligned to a broader, holistic set of performance measures. Supports in retaining and motivating a high-performing CEO and executive team.
Rewarding Growth incentive plan opportunity	The Rewarding Growth incentive plan is a one-off all-colleague plan for a period of three years. This plan is open to all colleagues and incentivises them to deliver our growth ambitions. The maximum opportunity over three years is: <ul style="list-style-type: none"> - CEO: £1,650,000 over 3 years. - CFO: £875,500 over 3 years. - Group Secretary and General Counsel: £385,000 over 3 years. 	To incentivise and reward all colleagues in delivering our growth ambitions. Payments under this scheme are contingent on the business delivering a material step up in operating profit for the benefit of members.

OUR EXECUTIVE PAY POLICY

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 we 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 vision, difference and co-operative Values and Principles.
- We want a benefits package that reflects that.

SUMMARY OF EXECUTIVE PAY POLICY

Our new Executive Pay Policy is summarised below:

ELEMENT	POLICY AND OPERATION	OPERATION AND PERFORMANCE CONDITIONS
Base salary Supports the attraction and retention of the best talent.	Salaries are normally reviewed annually by the Committee, with the change being effective on 1 April. Salary increases take account of: <ul style="list-style-type: none"> - Individual performance. - Role, skills and experience. - Increases being awarded to other colleagues across the Co-op Group. - Salary levels for Executives are benchmarked against the median of FTSE 50-150 firms. 	Base salary is paid four-weekly.
Benefits Provides market-competitive and cost-effective benefits to support the attraction and retention of the best talent.	The company may periodically review benefits available to colleagues. Executives are generally on similar terms to other senior leaders. Benefits may include a car allowance, healthcare, and insurance benefits. Business expenses are also reimbursed including any associated tax. The Committee retains the right to provide additional benefits depending on individual circumstance, where considered reasonable and appropriate, including but not limited to enabling recruitment, retention or relocation.	Normal benefit provisions apply to our Executive Directors, including car allowance, private medical cover and life insurance.
Pension To provide a competitive level of retirement income to attract and retain Executive Directors and other colleagues.	Pension allowances are set as a percentage of base salary. The maximum allowance payable is aligned with the maximum pension benefit available to the wider colleague population which is 10% of base salary.	Executive Directors may receive a cash allowance and/or contribution to a defined contribution pension scheme.

ELEMENT	POLICY AND OPERATION	OPERATION AND PERFORMANCE CONDITIONS
Annual bonus plan (BP) Encourages improved operational and financial performance and aligns the interests of Executive Directors to those of our members.	<p>BP awards are discretionary and determined by the Committee following the end of the annual performance period, reflecting achievement against targets set.</p> <p>The maximum BP opportunity is 200% of base salary for the CEO, 170% for the CFO and 110% for the Group Secretary and General Counsel.</p> <p>Up to 25% of the BP is paid for threshold performance, and 100% is paid for achieving stretch targets.</p>	<p>The performance measures and targets for each annual BP cycle will be set at the start of each year.</p> <p>Payments will be based on a combination of business and individual performance.</p> <p>The BP includes performance underpins to ensure the scheme is affordable and sustainable.</p> <p>The Committee has discretion to adjust the formulaic outcomes of the BP, both upward and downwards (including to nil) to reflect any circumstances which the Committee considers relevant. Any adjustments will be disclosed in the relevant Annual Report on Remuneration.</p>
Long-term incentive plan (LTIP) The LTIP aims to align the interests of our senior leaders, including our Executive Directors, with the long-term interest of members and customers by incentivising the delivery of our strategy.	<p>LTIP awards are discretionary and are typically granted each year. Any payment under the scheme will occur at the end of the three-year performance period, and is subject to the achievement of the performance conditions.</p> <p>The maximum annual LTIP opportunity is 200% of base salary for the CEO, 170% for the CFO and 110% for the Group Secretary and General Counsel.</p> <p>Up to 25% of the LTIP is paid for threshold performance, and 100% is paid for achieving stretch targets, with straight-line vesting between threshold and stretch.</p>	<p>The Committee may set performance conditions and metrics based on delivering economic, social and member value.</p> <p>The Committee has discretion to adjust the formulaic outcomes of the LTIP, both upward and downwards (including to nil) to reflect any circumstances which the Committee considers relevant. Any adjustments will be disclosed in the relevant Annual Report on Remuneration.</p> <p>The LTIP includes performance underpins, to ensure the scheme is affordable and sustainable.</p>
Rewarding Growth incentive plan (RGIP) This is a one-off scheme to provide all colleagues with the opportunity to share in the Co-op's long-term success in growing the operating profit of the business over the next three years.	<p>Performance outturns will be determined by how much of our growth ambition we've achieved in any of the three performance years.</p> <p>The maximum opportunity over three years is:</p> <ul style="list-style-type: none"> - CEO: £1,650,000 over 3 years. - CFO: £875,500 over 3 years. - Group Secretary and General Counsel: £385,000 over three years. 	<p>In addition to how much of our growth ambition we've achieved, the scheme includes performance underpins. For a Rewarding Growth payment to be made in any relevant performance year, all the underpins must be met.</p> <p>The Committee has discretion to adjust the formulaic outcomes of the RGIP, both upward and downwards (including to nil) to reflect any circumstances which the Committee considers relevant.</p> <p>Any adjustments will be disclosed in the relevant Annual Report on Remuneration.</p>

EXISTING AWARDS

The Group will honour any existing annual bonus plan and deferred award commitments, subject to the rules and performance conditions that apply to those schemes.

MALUS AND CLAWBACK

Clawback provisions apply to all of our incentive plans 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.

PAYMENTS OUTSIDE POLICY

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments), notwithstanding that they are not in line with the proposed remuneration policy set out in this report where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, 'payments' includes the Committee satisfying awards of variable remuneration.

POLICY FOR EXECUTIVE RECRUITMENT

The pay package for any new Executive Director 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 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 Executive Directors' service contracts will not exceed six months. Current Executive Directors' 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 actively employed. In exercising its discretion, the Committee will take account of the reasons for leaving, performance and contractual commitments.

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 Annual Report on Remuneration on [page 84](#).

PAY FOR 2025: SUMMARY

ELEMENT	EXECUTIVE DIRECTORS	OTHER COLLEAGUE GROUPS
Salary	<p>Chief Executive, Shirine Khoury-Haq - £825,000 effective 1 Jan 2025 (7.3% increase).</p> <p>Chief Financial Officer, Rachel Izzard - £525,000 effective 1 April 2025 (3.9% increase).</p> <p>Group Secretary and General Counsel, Dominic Kendal-Ward - £356,125 effective 1 April 2025 (1.75% increase).</p>	<p>1.75%: senior leaders.</p> <p>Pay negotiations with our trade union partners for all other colleagues are yet to be concluded for 2025.</p>
Benefits	Includes colleague discount, life assurance (4x salary), company car cash allowance (or car), private medical cover.	<p>All colleagues are eligible for colleague discount and life assurance (between 1x and 6x salary).</p> <p>Eligibility for other benefits is dependent on seniority/work level.</p>
Pension	Pension and/or cash supplement totalling 10% of salary.	Participation in a pension plan is offered to all colleagues on a contributory basis. The maximum contribution is 10% of salary.

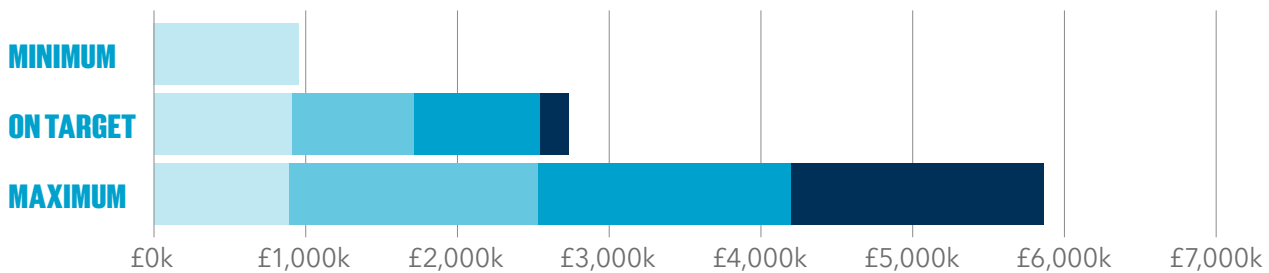
ELEMENT	EXECUTIVE DIRECTORS	OTHER COLLEAGUE GROUPS																										
Annual bonus plan	<p>Performance is based 80% on business metrics and 20% on achievement of personal objectives.</p> <p>Maximum award opportunities of:</p> <ul style="list-style-type: none"> - CEO: 200% of salary. - CFO: 170% of salary. - General Counsel: 110% of salary. <table> <tr> <th colspan="2">MEASURE</th><th>WEIGHTING</th></tr> <tr> <td colspan="2">Operating profit £m</td><td>50%</td></tr> <tr> <td colspan="2">Colleague engagement</td><td>10%</td></tr> <tr> <td rowspan="4">Customers and members</td><td>Member participation</td><td rowspan="4">20%</td></tr> <tr> <td>Member perception</td></tr> <tr> <td>More members</td></tr> <tr> <td>Spending more</td></tr> <tr> <td colspan="2">Personal performance</td><td>20%</td></tr> </table>	MEASURE		WEIGHTING	Operating profit £m		50%	Colleague engagement		10%	Customers and members	Member participation	20%	Member perception	More members	Spending more	Personal performance		20%	<p>All colleagues and store managers are eligible to participate in the annual bonus plan.</p> <p>Maximum award varies by role.</p>								
MEASURE		WEIGHTING																										
Operating profit £m		50%																										
Colleague engagement		10%																										
Customers and members	Member participation	20%																										
	Member perception																											
	More members																											
	Spending more																											
Personal performance		20%																										
LTIP	<p>Awards are subject to a three-year performance period. The performance metrics are aligned to our strategy.</p> <p>Maximum award opportunities of:</p> <ul style="list-style-type: none"> - CEO: 200% of salary. - CFO: 170% of salary. - Group Secretary and General Counsel: 110% of salary. <table> <tr> <th colspan="2">2025/27 LTIP MEASURES</th><th>WEIGHTING</th></tr> <tr> <td>Run our Co-op efficiently</td><td>Return on capital employed (ROCE) %</td><td>25%</td></tr> <tr> <td>Grow our Co-op</td><td>Gross merchandising value (GMV) £</td><td>25%</td></tr> <tr> <td rowspan="2">Our Member-Owners</td><td>Member satisfaction (NPS) %</td><td>12.5%</td></tr> <tr> <td>2027 Total Member Spend £m</td><td>12.5%</td></tr> <tr> <td rowspan="4">Supporting our Colleagues</td><td>Female representation</td><td>WL1-3 2.5%</td></tr> <tr> <td></td><td>WL1-5 2.5%</td></tr> <tr> <td>Ethnic minority representation</td><td>WL1-3 2.5%</td></tr> <tr> <td></td><td>WL1-5 2.5%</td></tr> <tr> <td>More value</td><td>Reduce Scope 1&2 emissions</td><td>15%</td></tr> </table>	2025/27 LTIP MEASURES		WEIGHTING	Run our Co-op efficiently	Return on capital employed (ROCE) %	25%	Grow our Co-op	Gross merchandising value (GMV) £	25%	Our Member-Owners	Member satisfaction (NPS) %	12.5%	2027 Total Member Spend £m	12.5%	Supporting our Colleagues	Female representation	WL1-3 2.5%		WL1-5 2.5%	Ethnic minority representation	WL1-3 2.5%		WL1-5 2.5%	More value	Reduce Scope 1&2 emissions	15%	<p>Colleagues in work levels 1-3 participate in this plan.</p> <p>Maximum award varies by role.</p>
2025/27 LTIP MEASURES		WEIGHTING																										
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		WL1-5 2.5%																										
More value	Reduce Scope 1&2 emissions	15%																										
Rewarding Growth incentive plan	<p>Maximum award opportunities over the three years of the plan:</p> <ul style="list-style-type: none"> - CEO: £1,650,000 over 3 years. - CFO: £875,500 over 3 years. - Group Secretary and General Counsel: £385,000 over 3 years. 	<p>All colleagues are eligible to participate in the Rewarding Growth incentive plan.</p> <p>Maximum award varies by role. For frontline colleagues the maximum opportunity is £1,000 over three years.</p>																										
Recovery positions	<p>The Executive Director incentive arrangements are all subject to malus and clawback provisions.</p>	<p>Malus and clawback provisions apply to the annual bonus plan and LTIP.</p>																										

PAY SCENARIO CHARTS

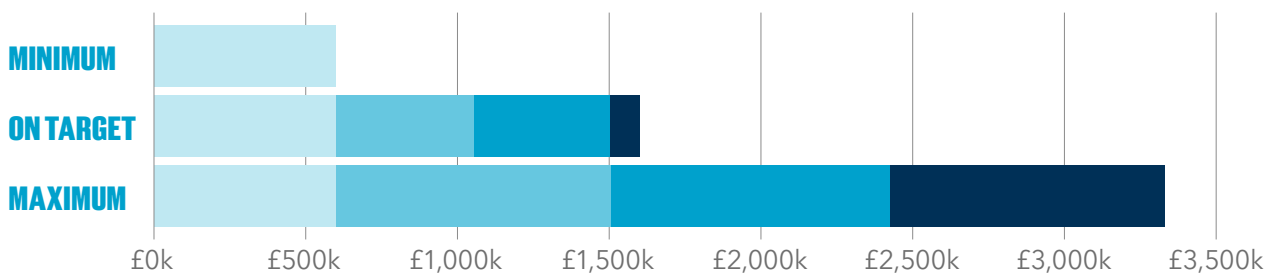
The following charts indicate the level of remuneration that could be received by each member of our Executive in accordance with the Policy in the first financial year to which the new Policy applies (i.e. financial year ending 3 January 2026) at different levels of performance.

In theory, our Executive could achieve 100% of the Rewarding Growth opportunity in 2025, and this has been modelled in the 'maximum' opportunity scenarios. However, at target, Executive Directors are expected to only achieve 10% of their maximum Rewarding Growth opportunity in 2025, which has been modelled in the 'on target' scenario.

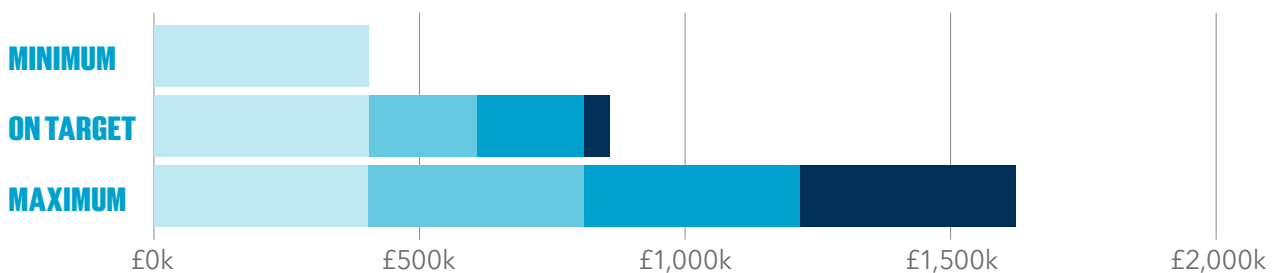
Chief Executive Officer - Shirine Khoury-Haq



Chief Financial Officer - Rachel Izzard



Group Secretary and General Counsel - Dominic Kendal-Ward



■ Fixed Pay
 ■ Bonus
 ■ LTIP
 ■ Rewarding Growth

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 2024 financial year.

2024 PAY FOR OUR EXECUTIVES IN POST ON 4 JANUARY 2025

Name of Executive	Year	Fixed Pay			Performance Pay			Total pay £'000
		Basic salary £'000	Taxable benefits ² £'000	Pension benefits ³ £'000	Bonus plan ⁴ £'000	Deferred bonus plan ⁵ £'000	Other ⁷ £'000	
Shirine Khoury-Haq	2024	766	5	77	682	372	296	2,197
	2023	764	5	76	844	0	0	1,689
Dominic Kendal-Ward	2024	350	14	35	188	65	52	704
	2023	342	14	34	226	10	0	626
Rachel Izzard ⁶	2024	489	14	45	290	0	0	838
	2023	260	8	7	179	0	0	454

¹ The 2023 financial year ran from 1 January 2023 to 6 January 2024, which is a week longer than the 2024 financial year.

² Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).

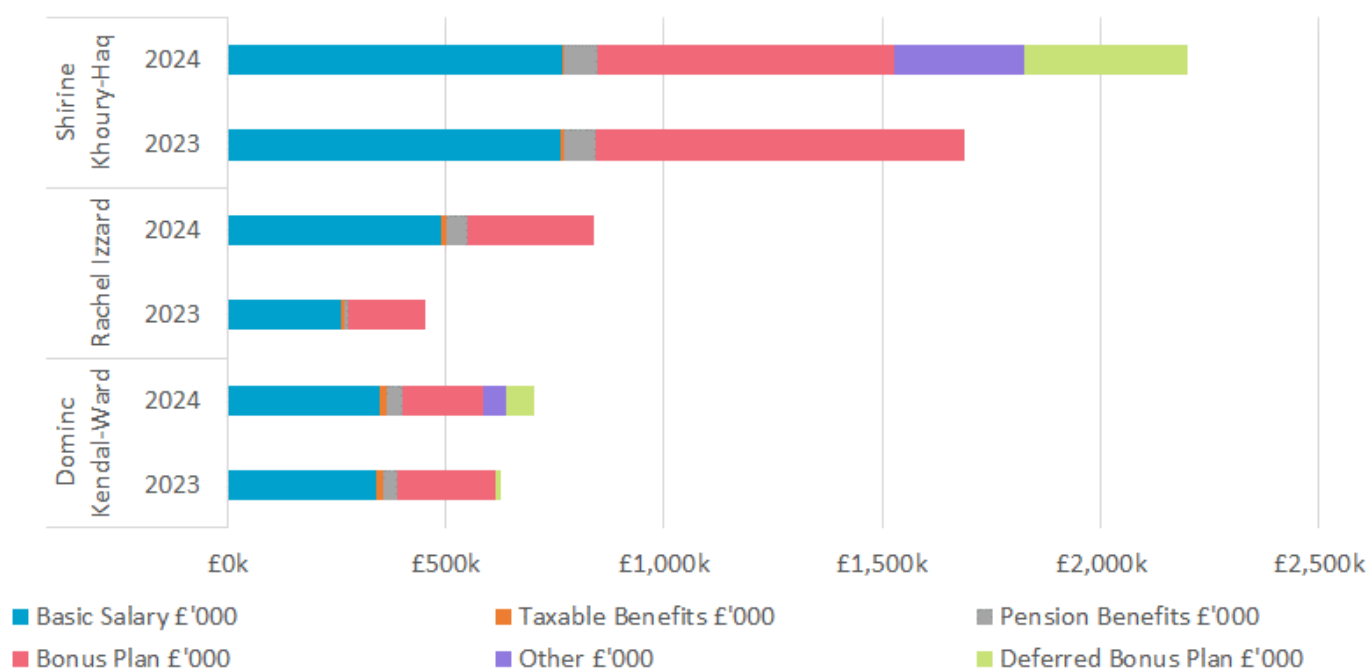
³ Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.

⁴ Bonus Plan amounts shown represent 50% of the 2024 bonus plan earned award which is payable May 2025. 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.

⁵ Deferred bonus awards relate to the 2022 bonus plan.

⁶ The salary and benefits information shown for Rachel Izzard for 2023 relates to the period since she joined our Executive on 12 June 2023.

⁷ Due to the fallow year for deferred bonus payments as a result of the Committee exercising discretion to not make any awards under the 2021 bonus, the Committee decided to put in place a retention arrangement which applied to our Executive Directors and our Directors who were employed during 2021. The retention bonus vested in December 2024. Any payment was conditional on the Co-op satisfying its banking covenants and the Executive Directors demonstrating satisfactory performance and remaining employed at the end of the retention period. The conditions of the retention bonus were all met, and the full awards have now vested. The vested award for Shirine Khoury-Haq is £296k whilst the award for Dominic Kendal-Ward is £52k. Rachel Izzard was not employed at the time of grant and therefore did not qualify for an award.



2024 FIXED PAY

Salary			Benefits	Pension
Shirine Khoury-Haq	£768,750	2.5% increase	Benefits package remained unchanged and includes car allowance and private healthcare.	Pension or pension cash allowance of up to 10% of salary.
Rachel Izzard	£515,000	14.4% increase		
Dominic Kendal-Ward	£350,000	No increase		

2024 BASE SALARIES (AUDITED)

Shirine Khoury-Haq's salary was increased by 2.5% on 1 April 2024 to £768,750. Rachel Izzard's salary was increased by 14.4% to £515,000 on 1 June 2024. No salary increase was awarded to Dominic Kendal-Ward in 2024 and his salary remained at £350,000 per annum.

2024 BONUS PLAN OUTTURN

The annual bonus plan (BP) outturn is determined by business and financial measures and individual performance including objectives which are designed to support the achievement of our strategic goals.

As detailed in the Chair's letter, the Committee are satisfied that the formulaic annual BP outcomes are appropriate and reflect Co-op's performance for the year. Details of the achievement against each element of our 2024 balanced scorecard are provided below:

Performance measure	Weighting	Threshold (25% payout)	Target (50% payout)	Stretch (100% payout)	Actual performance	Outcome		
						Shirine Khoury-Haq	Rachel Izzard	Dominic Kendal-Ward
Operating profit	50%	£110m	£130m	£150m	£135.6m	32%	32%	32%
Colleague engagement	10%	73%	74%	75%	73%	2.50%	2.50%	2.50%
Member participation	20%	224,000	242,000	251,000	359,000	20%	20%	20%
Member perception		51%	52%	53%	54%			
Increasing members		5.25m	5.35m	5.5m	6.19m			
Member spend		£2.902m	£2.981m	£3.088m	£3,183m			
Individual performance	20%					17%	12%	17%
Total % of maximum						71.50%	66.50%	71.50%

Financial performance for 2024 was in line with expectations, with operating profits falling marginally ahead of target.

Whilst our Co-op continues to have highly engaged colleagues, our 2024 score of 73% has not improved when compared to our 2023 result. Therefore, the performance for this measure only achieved threshold.

Our performance across our four member metrics exceeded the stretch targets.

WHAT DEFERRED BONUS PLAN AWARDS DO OUR EXECUTIVES HOLD?

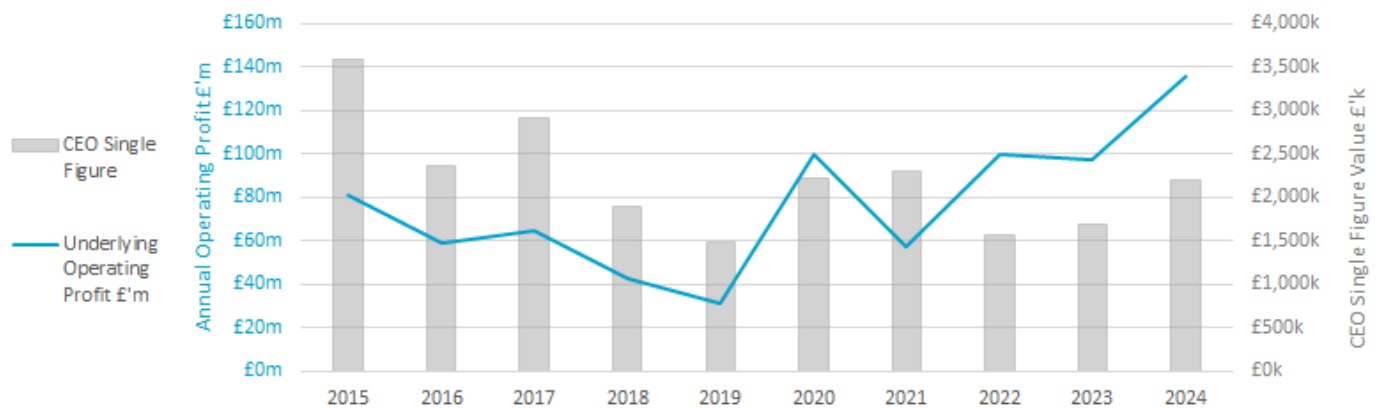
Awards are made annually under the bonus plan and any payments due are made in cash, with 50% of all awards paid in two years' time. The table below shows the value of the deferred award held by executives in post on 7 January 2025.

Name of Executive	Bonus Plan award year	Value of deferred bonus award £'000	Expected vesting date
Shirine Khoury-Haq	2024	£682k	Apr/May 2027
	2023	£844k	Apr/May 2026
Rachel Izzard	2024	£290k	Apr/May 2027
	2023	£179k	Apr/May 2026
Dominic Kendal-Ward	2024	£188k	Apr/May 2027
	2023	£226k	Apr/May 2026

The bonus plan rules apply in respect of payments being made.

PERFORMANCE AND CHANGE IN GROUP CHIEF EXECUTIVE REMUNERATION

The chart and table below illustrate the change in annual operating profit achieved over the last ten years and compares that with the change to the CEO's single-figure value for those years.



	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Underlying Operating Profit £'m	£81m	£59m	£65m	£43m	£31m	£100m	£57m	£100m	£97m	£136m
£'000	Shirine Khoury-Haq	-	-	-	-	-	£836	£1,571	£1,689	£2,198
	Steve Murrells			£2,046	£1,895	£1,485	£2,220	£1,469	-	-
	Richard Pennycook	£3,596	£2,373	£872						
	CEO single figure	£3,596	£2,373	£2,918	£1,895	£1,485	£2,220	£2,305	£1,571	£1,689

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
2024	Option C	87:1	84:1	78:1
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 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 colleague team members 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.

NON-EXECUTIVE DIRECTORS' REMUNERATION

This section of the report includes details of the payments made to the Non-Executive Directors (NEDs) in office during 2024.

During the year the NED Fees Committee (a committee of the Council) agreed that an annual fee increase be introduced for NEDs. The increase approved by the NED Fees Committee for 2024 was 2.5%, effective 1 April 2024.

	Fees prior to increase (8 Jan 2024 – 31 Mar 2024)	Fees post increase (1 Apr 2024 – 4 Jan 2025)	% Increase
Board Chair	£250,000	£256,250	2.5%
Independent Non-Executive Directors (INEDs)	£60,000	£61,500	2.5%
Member Nominated Directors (MNDs)	£60,000	£61,500	2.5%
The following additional fees apply:			
Senior Independent Director	£15,000	£15,375	2.5%
Chair of Risk and Audit Committee	£15,000	£15,375	2.5%
Chair of Remuneration Committee	£15,000	£15,375	2.5%

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 Directors 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 NED letters of appointment are available for inspection on request.

NON-EXECUTIVE MEMBERS OF OUR BOARD AT 4 JANUARY 2025

	Co-op Board £'000	Risk and Audit Committee Chair £'000	Remuneration Committee Chair £'000	Senior Independent Director £'000	2024 Total ⁴ £'000	2023 Total ⁵ £'000
Debbie White (Chair) ¹	255				255	26
Lord Victor Adebawale	61				61	61
Kate Allum	61		8		69	61
Margaret Casely-Hayford	61				61	61
Luke Jensen ²	54				54	-
Sarah McCarthy-Fry	61				61	61
Adrian Marsh	61	15			76	52
Moni Mannings	61	15			76	1
Rahul Powar	61				61	61
Christine Tacon ³	39				39	-

¹ No additional fee is paid to the Chair of the Nominations Committee.

² Luke Jensen was appointed an Independent Non-Executive Director on 19 February 2024.

³ Christine Tacon was appointed a Member Nominated Director on 18 May 2024.

⁴ The 2024 financial year ran over 52 weeks from 7 January 2024 to 4 January 2025.

⁵ The 2023 financial year ran from 1 January 2023 to 6 January 2024, which is a week longer than the 2024 financial year.

FORMER NON-EXECUTIVE MEMBERS OF OUR BOARD WHO LEFT DURING THE 2024 FINANCIAL YEAR

	Co-op Board £'000	Risk and Audit Committee Chair £'000	Remuneration Committee Chair £'000	Senior Independent Director £'000	2024 Total ⁴ £'000	2023 Total ⁵ £'000
Allan Leighton ¹	See note 1					See note 1
Paul Chandler ²	23				23	61
Stevie Spring ³	28		7		35	76

¹ Allan Leighton stepped down as Chair on 1 January 2024 but remained as a Non-Executive Director until 18 February 2024. Allan Leighton waived his fee for the duration of this appointment, instead this was paid directly by our Co-op to charity. In 2024 it was paid to The Co-operative Community Investment Foundation. In 2023 the donation was £8,076.

² Paul Chandler reached the end of his term on 18 May 2024.

³ Stevie Spring reached the end of her term on 24 June 2024.

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.

MEMBERS OF THE COMMITTEE

Details of the Committee members and their attendance at meetings during 2024 are provided on [page 66](#).

Rahul Powar left the Committee in February 2025 when he stepped down from the Board and Margaret Casely-Hayford left the Committee in March 2025 ahead of reaching the end of her term on the Board in May 2025. Wais Shaifta was appointed to the Committee in March 2025.

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 Committee meetings, 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 2024, the Committee retained Deloitte as its independent remuneration adviser. The fees paid to Deloitte during this period totalled £64,200 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.

THE REPORT OF THE RISK AND AUDIT COMMITTEE

THE REPORT OF THE RISK AND AUDIT COMMITTEE



INTRODUCTION FROM YOUR COMMITTEE CHAIR

The Committee had a busy year in 2024, helping to ensure the integrity of our financial reporting, the internal control environment and risk management process. We have seen a number of changes to the Committee's members since last year. I'd like to thank Paul Chandler for his contribution to the Committee as he stepped down from the Board in May 2024 following a nine-year term as a Member Nominated Director and also Rahul Powar and Victor Adebowale who left the Committee in March 2025. I was delighted to welcome Luke Jensen to the Committee during the year as well as Lord Simon Woolley and Christine Tacon who joined the Committee more recently.

A key focus throughout 2024 was our change portfolio and in particular our transformation programme in Finance. We received updates from programme sponsors and assurance partners on progress against plans, the key risks facing the programme and management's response to challenges. We also considered lessons learned from a previous programme to understand how these learnings were being shared and implemented.

Management has continued to provide the Committee with updates on activity it has taken in response to corporate governance reforms and the work that is underway to enhance internal control.

We've continued to oversee the work of our auditors, external and internal, keeping a particular focus on IFRS 17 because of the changes it makes to how funeral plans are accounted for and presented in our annual results. Other key topics we considered through the year include cyber security, sustainability and climate-related disclosures.

We were pleased that Co-op ranked first amongst all 14 designated retailers by suppliers for overall compliance with the Groceries Supply Code of Practice in the annual Groceries Code Adjudicator survey.

A handwritten signature in black ink, appearing to read 'Adrian Marsh', with a long, sweeping flourish extending to the right.

Adrian Marsh
Chair, the Risk and Audit Committee

RISK AND AUDIT COMMITTEE MEMBERSHIP AND ATTENDANCE

Our Board has a Risk and Audit Committee ('Committee') which oversees Co-op's financial reporting and risk management process. The UK Corporate Governance Code ('the UK Code') recommends that there are at least three independent directors on the Risk and Audit Committee, and we met this recommendation during 2024.

Details of the Committee members and their attendance at meetings during 2024 are provided on [page 66](#). Rahul Powar and Lord Victor Adebawale left the Committee when they stepped down from the Board (February and March 2025, respectively). They were replaced by Lord Simon Woolley and Christine Tacon in March 2025.

All Committee members are considered by our Board to be independent under the UK Code, providing objectivity and independent scrutiny.

Our Board is satisfied that Adrian Marsh's relevant and recent financial experience means he is qualified to be Chair of the Committee.

During 2024, several colleagues regularly attended meetings including the Chief Executive Officer, Chief Financial Officer, Group Secretary and General Counsel, Senior Assistant Secretary, Director of Risk and Internal Audit, Head of Internal Audit and the Head of External Financial Reporting. Our Board Chair also attended meetings as an observer. Other colleagues attended when asked to do so by the Committee, and the external auditors attended each session. The Committee also met the Director of Risk and Internal Audit and the external auditors in private sessions.

WHAT THE RISK AND AUDIT COMMITTEE DOES

The main areas the Committee looks after include the following:

Financial and regulatory reporting

The Committee checks that our Co-op's Annual Report and Accounts, along with other information on its financial performance, is professionally prepared, and that the report itself is fair, balanced and understandable. It also reviews our financial statements, ensuring management has followed appropriate accounting standards and made appropriate estimates or judgements. It also assesses compliance with financial and regulatory requirements, including monitoring compliance with the Groceries Supply Code of Practice (GSCOP).

Risk management and internal controls

The Committee reviews our Co-op's internal financial control framework and internal control systems, and monitors any weaknesses identified and how management are remediating them. It reviews how emerging and principal risks are identified and assessed and maintains direct oversight of Co-op's principal risks including how they are managed and mitigated.

Internal Audit

The Committee monitors the performance of our Internal Audit team. The Committee also reviews the performance of, and helps to set the objectives of, the Director of Risk and Internal Audit. The Committee also considers and approves the remit of the Internal Audit team. This includes setting Internal Audit's assurance priorities and monitoring the implementation of management's responses to findings from Internal Audit reports.

External audit

The Committee reviews and ensures the effectiveness and independence of our external auditors and approves their fees. It also reviews the findings of the audit including management's response to any recommendations.

Climate-related financial disclosures and sustainability reporting

The Committee reviews and recommends to our Board the approval of our Social Value and Sustainability Report and relevant climate-related financial disclosures within it, and ensures that the report is independently verified.

Other

The Committee also monitors our Co-op's procedures around whistleblowing, compliance with the Modern Slavery Act and General Data Protection Regulation (GDPR) and management of pension schemes.

The Committee's terms of reference give more detail on what it does and can be found on our website: www.co-operative.coop/investors/rules. During the year we undertook a review of these terms of reference to ensure they remain in line with best practice and the UK Code.

KEY ACTIVITY FOR THE COMMITTEE IN 2024

FEBRUARY

- Financial control - year-end process and key judgements
- UK Code compliance
- Groceries Supply Code of Practice (GSCOP) Annual Report
- Digital technology and data risk deep dive
- Corporate governance reforms
- Whistleblowing
- Internal Audit activity
- Key and emerging risks
- External audit Letter of Engagement and Fees
- Effectiveness review and Terms of Reference
- Task Force on Climate-Related Financial Disclosures (TCFD)

MARCH

- 2023 Annual Financial Statements
- External auditor's full year report
- 2023 Social Value and Sustainability Report
- Co-op Funeral Plans Limited update
- Risk management and internal control review
- Insurance renewal strategy

JUNE

- Financial control
- Treasury update
- External audit Management Letter
- Effectiveness of external auditors
- Internal Audit activity and assurance priorities
- Transformation programmes update
- Risk deep dives - change management and regulatory compliance
- Data protection

NOVEMBER

- Financial control
- Pensions update
- Transformation programmes update
- External audit Plan and Fee
- Internal Audit activity, assurance priorities, effectiveness and quality
- Corporate governance reforms
- Data protection

SEPTEMBER

- Financial control
- 2024 Interim Financial Statements
- Tax policy
- GSCOP update
- Funeralcare update
- Risk management and internal control review
- Whistleblowing
- Cyber security risk deep dive
- Internal audit activity, quality and standards
- External audit strategy

This year an internal review of the Committee's effectiveness was undertaken. The review followed the same process as the main Board and Committee reviews using the digital evaluation platform BoardClic. All Committee members, the external auditors and regular attendees completed a questionnaire covering key governance questions on the operation of the Committee.

The results were discussed by the Committee at its meeting in February 2025. An action plan has been devised and progress against this will be monitored by the Committee over the year.

SIGNIFICANT ISSUES RELATING TO THE FINANCIAL STATEMENTS

When the Committee looked at the 2024 financial statements, it considered all key areas of judgement and estimation. In all cases, it discussed these with management and our external auditor and their impact on the full year financial statements.

Areas of focus

Going concern and viability

Management continues to monitor our borrowings, facilities and banking covenants to ensure that we have enough financial headroom to continue to run our business as a going concern.

The Committee reviewed the appropriateness of adopting the going concern basis in preparing the full year financial statements and assessed whether our Co-op is viable over a longer period. The Committee has assessed management's assumptions in financial projections, as well as stress testing to reflect principal risks and market conditions, and agree that our Co-op is a going concern.

Property, plant and equipment and right-of-use asset impairment

Our Co-op's balance sheet includes significant intangible assets and property, plant and equipment balances. The most significant of these are in the Food business, the Funeralcare business and at a Group corporate level. Accounting standards require us to perform an impairment review of indefinite life intangible assets annually, and other assets where there is an indicator of impairment. As a result of impairment reviews of Food stores, funeral homes and property, a non-underlying impairment charge in respect of food stores has been recognised within the full year results. The Committee reviewed management's impairment assessment and respective outcomes, and challenged the key assumptions that underpin the calculations, such as the discount and long-term growth rates, and judgement taken over the impairment of new stores and impairment reversals.

Property, regulatory and legal and self-insurance provisions

Our Co-op makes provisions for probable future liabilities, notably in relation to onerous contracts associated with leases and dilapidation provisions in respect of our trading and non-trading properties, as well as in relation to regulation and litigation and self-insurance. These provisions require significant judgement and estimation, in determining whether, and how much, we should account for as a provision. The Committee reviewed management's judgement and estimation underpinning these provisions, satisfying itself that assumptions used, including around future cashflows and discount rates, were appropriate.

Accrued supplier income (long-term agreements)

We hold long-term agreements with our suppliers which are inherently complex. The Committee has sought assurance from management at year-end that our methodology and processes of internal controls are appropriate to ensure that supplier income has been recognised correctly throughout the year and an accurate cut-off has been achieved at year-end.

Revenue recognition for funeral plans and contractual service margin (CSM)

The Group adopted the new insurance contract standard (IFRS 17) in 2023. This is applicable to our funeral plans and covers recognition, measurement, presentation and disclosure of insurance contracts (our funeral plans). Under IFRS 17 there are complex assumptions that impact the timing and amount of revenue and profit that is recognised over the life of the funeral plans. Throughout 2024 the Committee has continued to monitor and challenge the processes, controls and accounting assumptions that underpin revenue and profit recognition for our funeral plans in line with IFRS 17 including volume of plans and CSM roll-forward.

Valuation of insurance contract liabilities (funeral plans)

As noted above, our funeral plans are covered by IFRS 17 (Insurance Contracts) and the value of the insurance liability that we hold on our balance sheet to cover the provision of future funerals includes material judgement and estimation. The Committee has continued to receive reports from management around the continual improvements being made to process, controls and data to ensure the funeral plan liability is calculated accurately.

Pension scheme IAS19 valuation

Our Co-op has a number of defined benefit pension schemes, of which the Pace scheme is the largest. Management apply judgement over the underlying assumptions (such as the future growth rate of investments and the death rate of members of the scheme), which can materially affect the valuation of the pension schemes. The Committee assessed the key assumptions that underpinned the pension calculations to satisfy itself that they were appropriate.

EXTERNAL AUDIT ACTIVITIES

The Committee's responsibility

The Committee makes recommendations to the Board about the appointment, reappointment, and removal of the external auditors (and is responsible for any tender process when required). It also approves the remuneration and terms of engagement of the external auditors and assesses the effectiveness of the external audit process. Our members have the opportunity to vote on the appointment of the external auditors at the AGM in line with the UK Code.

During the year, the Committee approved the reappointment of EY as our Co-op's auditors and approved their fees. EY provide the Committee with relevant reports, reviews, information and advice throughout the year. All these activities are set out in the engagement letter.

Independence, objectivity and fees

Our external auditors must be judged to be independent for the audit to be objective, so we have an External Auditor Independence Policy. We also have a policy about appointing colleagues who used to work for the external auditors and an approach to be taken when using the external auditors for non-audit work.

The Committee pre-approves all non-audit spend with EY. This spend is capped at 70% of the average audit fee over the previous three years.

In line with our External Auditor Independence Policy, the external auditors are prohibited from performing certain tasks including (but not limited to) the following:

- Bookkeeping or preparing accounting records or financial statements.
- Designing and implementing financial information systems.
- Valuation services.
- Internal Audit services.
- Management functions or some human resource services.

The Committee approved the nature and cost of all non-audit work done by EY for our Co-op and is satisfied that EY's non-audit work didn't affect objectivity in carrying out the audit.

Details of the amounts paid to the external auditors during the year for audit and other services are set out in Note 3 to the financial statements.

Effectiveness of auditors

The Committee discussed the effectiveness of EY throughout the year. It reviewed the outputs of an effectiveness review undertaken by Internal Audit which comprised a survey of Co-op Finance leaders, Committee members and other key stakeholders on EY's performance in relation to the 2023 audit. Amongst other factors the review covered resource, independence and objectivity, communication and quality. Responses suggested that EY continued to provide a professional, independent and objective service.

Partner rotation

The partner responsible for the 2024 audit is Chris Voogd. This is Chris's final year on our audit. Following a selection process we have now identified a successor audit partner whose first year will be 2025.

INTERNAL CONTROL AND RISK MANAGEMENT

We adopt the 'three lines' approach to trying to make sure our Co-op does what it says it will do. The first line establishes and maintains appropriate structures and processes for the management of operations and risk (including controls). The second line provides complementary expertise, support, monitoring and challenge related to the management of risk. Internal Audit provides independent assurance, as the third line.

Internal controls framework

Our Board has overall responsibility to make sure controls are in place to enable our Co-op to operate in compliance with policies. The effectiveness of our controls is assessed using the COSO model, a globally recognised framework for risk management and internal control.

Each Operating Board member was asked to review how well the controls were working for their area of responsibility and to self-certify the results of their review. This included consideration of the key elements of internal control in operation, and the key improvement initiatives. The review of the Operating Board members' self-assessments forms an important part of the annual review of the systems of risk and control and outputs from this activity were shared with the Committee.

The Committee also received regular management reports on financial control across our Co-op, including management's progress on addressing the external auditor's control recommendations arising from their 2023 audit and complex judgement areas such as IFRS 17 in relation to our Funeralcare business.

Further key components of our internal control framework are:

- Our controls are designed to ensure that risks are appropriately managed. This includes risks around the completeness and accuracy of accounting for financial transactions, as well as for reducing the potential cost from loss of assets or fraud. Risks and controls are regularly reviewed.
- Policies, procedures and training for colleagues, co-ordinating the way colleagues do things across our Co-op through regular management meetings and other forums, as well as setting policies for how we spend our money and making sure that the right approvals are in place.
- A Code of Business Conduct, which sets out how colleagues should act in line with co-operative Values and Principles with member-owners, customers, other colleagues, suppliers, the community and competitors. This code tells colleagues how they can report any serious wrongdoing confidentially and several policies support this code such as anti-fraud and theft, and anti-bribery and corruption.
- Colleagues receive and provide information on strategy and objectives through their reporting lines and a formal performance measurement process. Colleagues also receive regular business updates from our Co-op leaders through various channels. We also have an external-facing colleague website: coop.co.uk/colleagues.

Risk management

Our Board and senior leaders are responsible for identifying and evaluating our Co-op's main business risks. We aim to have systems that manage each risk in an efficient and effective manner. We look at what could go wrong and how we can stop it happening. This is to protect our members' interests and our reputation, and to make sure we comply with regulatory standards and achieve our business objectives.

The Committee has received regular updates from the Group Risk team. This included a review of Group Key Risks held on our Group Risk Register, which in 2024 included cyber security, benefits realisation of transformation programmes and delivery of our environmental, social, governance and sustainability commitments. Updates on our emerging risks have also been reviewed, including potential economic, social and environmental risks.

The Committee has reviewed risk deep dives on other topics including:

- Digital technology and data – focusing on the risks associated with legacy systems and cyber security, and establishing plans to mitigate and reduce these risks.
- Change management – how our transformation portfolio and the risks associated with it are being managed and monitored, and the current risk trend and appetite status in this area.
- Legal and regulatory compliance – the framework in place to manage this risk and an overview of the controls, monitoring, reporting and horizon scanning mechanisms in place.

INTERNAL AUDIT

Internal Audit is an independent function authorised by our Board through the Committee. Its main role is to provide professional, objective assurance while providing insight to improve the way our Co-op is managed and controlled. Internal Audit continued to adopt a flexible, dynamic approach to planning in 2024 and regularly re-assessed Co-op's assurance priorities. The Committee reviewed and approved these priorities during the year. At each meeting, the Committee received a report from the Director of Risk and Internal Audit on:

- The work of Internal Audit and the progress it had made against its assurance priorities.
- The impact on the systems of risk and control from Internal Audit findings.
- The remediation of any issues arising from Internal Audit reports.

During the year, the Committee reviewed Internal Audit reports covering key processes, systems and controls, and projects and programmes. The reports have covered a range of different areas and businesses at our Co-op including care of the deceased, food supply chain resiliency, artificial intelligence and property risk management. The Committee also reviewed Internal Audit reports on key people topics including modern slavery, Co-op's inclusion strategy and inclusive hiring. The Committee also received assurance updates on our Finance function's technology (SAP) transformation programme from both the Programme team and a third-party independent assurance partner.

The Committee reviewed the Internal Audit charter, which reaffirmed the purpose of Internal Audit, and outputs from Internal Audit's internal quality review. The Committee is satisfied that the Internal Audit team have appropriate resources and continue to be impactful and effective.

CORPORATE GOVERNANCE REFORMS

In January 2024, the Financial Reporting Council announced revisions to the UK Code. The Committee considered the changes to the UK Code and intends to be compliant with the new relevant provisions in the timeframes it sets out. The main substantive change is a new requirement for the Board to make a declaration in the annual report on the effectiveness of material controls. The Board declaration is required for financial years beginning on or after 1 January 2026, i.e. for financial statements Co-op will publish in early 2027. The Committee has received and reviewed management plans to ensure compliance with this requirement.

ETHICS AND COMPLIANCE

Whistleblowing procedure

To ensure our Co-op follows best practice and co-operative Values and Principles, a whistleblowing procedure has again been in place during the year to allow colleagues to pass on information about suspected wrongdoing. We use an external independent party to manage our Speak Up service, which allows colleagues to raise concerns confidentially should they not wish to talk to someone within our Co-op. This procedure also allows suppliers to report on any suspected wrongdoing. In addition to Speak Up, reports can be made direct to colleagues at our Co-op.

We have a procedure for recording and investigating whistleblowing reports and the Committee reviewed a summary of whistleblowing cases reported throughout the year. The Committee considers the whistleblowing procedures to be appropriate for our size and scale. The whistleblowing policy is included in the Code of Business Conduct and is available on our internal colleague hub and our website.

Groceries Supply Code of Practice (GSCOP)

During 2024, our Co-op engaged and worked collaboratively with Mark White, the Groceries Code Adjudicator (GCA), and we continue to demonstrate our compliance with the Code. The GCA Annual Survey 2024 ranked Co-op first out of 14 retailers for overall Code compliance, with 98% of direct suppliers responding positively (compared to 96% and a ranking of fifth out of 14 in 2023). We value the supplier feedback given in the GCA Survey and management uses the outputs to shape its continuous improvement plans.

The Committee has kept compliance under review through regular updates from the Code Compliance Officer. The Committee approved the Annual Compliance Report for submission to the Competition and Markets Authority, as required by the Groceries (Supply Chain Practices) Market Investigation Order 2009. A summary of progress in the year is on [page 109](#).

Our Social Value and Sustainability Report and CRFD

The Committee has responsibility for reviewing our Co-op's approach to sustainability reporting and social impact accounting. We review and recommend the approval of the Social Value and Sustainability Report to our Board, giving it the same importance and focus as the Annual Report and Financial Statements. Our Social Value and Sustainability Report is independently assured.

The Committee also received updates on management's approach to disclosures in accordance with CRFD.

General Data Protection Regulation (GDPR)

The Committee receives regular updates from Co-op's Data Protection Officer to ensure that our Co-op continues to meet its obligations under GDPR. This included an overview of the effectiveness of Co-op's Data Protection Compliance Framework, a view of Co-op's current overall risk and focus areas for continuous improvement.

THE REPORT OF THE NOMINATIONS COMMITTEE

THE REPORT OF THE NOMINATIONS COMMITTEE



INTRODUCTION FROM THE COMMITTEE CHAIR

I'm pleased to present this year's report which details the role of our Nominations Committee and the important work undertaken by our Committee during the year.

In 2024, our Committee focused on Board succession, and the balance of skills, experience, knowledge and diversity on our Board.

BOARD CHANGES

As detailed earlier in the report, a number of changes have taken place on our Board during the year.

Moni Mannings joined as our Senior Independent Director in January 2024. We welcomed Luke Jensen in February 2024 as an Independent Non-Executive Director in anticipation of Stevie Spring reaching the end of her term in June 2024. Kate Allum (Member Nominated Director) took over from Stevie as Remuneration Committee Chair in June 2024, having already served on the Committee from the start of the year.

During the year Paul Chandler also reached the end of his nine-year term as a Member Nominated Director and we welcomed Christine Tacon as our newly elected Member Nominated Director in May 2024.

Rahul Powar and Victor Adebawale (both Independent Non-Executive Directors) stepped down from the Board in February 2025 and March 2025 respectively. Margaret Hayford is due to reach the end of her term as a Member Nominated Director in May 2025.

Succession activity has therefore remained a focus area for the Committee, as we conducted selection processes for two new Directors, Lord Simon Woolley and Wais Shaifta, who we were delighted to welcome to our Board in February 2025. Details on the two recruitment processes are included in the report.

To support ongoing succession activity, the Committee took the opportunity during the year to refresh the Board Skills Matrix.

INTERNAL BOARD EFFECTIVENESS REVIEW

Following an externally facilitated review in 2023, this year's review was internal, overseen by our Senior Independent Director, Moni Mannings. The Committee reviewed its own effectiveness and remained satisfied in this regard.

OTHER AREAS OF ACTIVITY

The Committee also continued to deal with all routine matters, including:

- Assessing whether Directors met the required eligibility and membership criteria.
- Reviewing the composition of our Board Committees.
- Reviewing our Committee Terms of Reference and Board Diversity and Inclusion Policy.
- Recommending the re-appointment of Independent Non-Executive Directors.



Debbie White
Chair, the Nominations Committee

WHAT DOES OUR NOMINATIONS COMMITTEE DO?

Our Nominations Committee:

- Leads the appointment process for Independent Non-Executive Directors (INEDs).
- Checks and approves the qualifications and commercial experience requirements of INEDs and Executive Directors.
- Reviews the diversity and experience of our Directors to ensure our Board has a balanced perspective overall, and can therefore provide effective leadership and oversight.
- Evaluates Board performance.
- Reviews and recommends succession plans for our Board.
- Submits proposals to the Non-Executive Directors' Fees Committee in respect of the remuneration of our Co-op Chair, INEDs and Member Nominated Directors (MNDs).

Two areas outside of our Committee's remit are MND elections and Senior Leader Succession. The Member Nominated Directors Joint Selection and Approval Committee (MNDJC) oversees the election process for MNDs, including who is elected by members. Our Board maintains oversight of succession plans for our senior leaders which were reviewed during the year.

MEMBERSHIP AND ATTENDANCE

Details of the Committee members and their attendance at meetings during 2024 are provided on [page 66](#). Victor Adebawale left the Committee when he stepped down from the Board in March 2025 and Margaret Casely-Hayford left the Committee ahead of reaching the end of her term on the Board in May 2025. Wais Shaifta and Sarah McCarthy-Fry joined the Committee in March 2025. Where appropriate, the CEO is also invited to attend meetings.

The Committee met formally three times during the year. The Committee maintained dialogue outside of formal meetings to progress Board appointment activity.

TERMS OF REFERENCE

The Committee's Terms of Reference were reviewed during the year and are available at www.co-operative.coop/investors/rules

2024 FOCUS AREAS

Board recruitment

The Committee engaged the services of two search firms during the year - Lygon Group and Russell Reynolds.

The only connection these firms have with our Co-op is as recruitment consultants and there are no relevant connections with individual Directors.

Both search firms met with various stakeholders to understand the role requirements, with candidate briefs subsequently agreed. The Committee ensured that both processes were formal, rigorous and transparent, and that they were conducted in line with our Board Diversity and Inclusion Policy. In particular, our Committee ensured that diverse candidates from a wide variety of backgrounds were included in the shortlists.

The processes included interviews conducted by Committee members (including the Council President). Candidates also met our CEO.

The Committee was unanimous in recommending to the Board the appointments of Wais Shaifta and Lord Simon Woolley.

Board Skills Matrix

An effective Board requires the right mix of skills and experience.

To help with ongoing succession planning and recruitment, our Committee introduced a new Board Skills Matrix using an external platform (Board Outlook) for the first time. The skills in the matrix are mapped to our strategic priorities. This helps our Board to deliver our strategy and allows them to provide appropriate challenge to our leadership team.

The completed matrix was shared with both the Board and Nominations Committee in January 2025. We intend to maintain the matrix to help inform future Board succession discussions. The skill categories and the number of Directors categorised as either 'advanced' or 'expert' were also shared with the MND Joint Selection and Approvals Committee to inform MND candidate longlisting.

Board inductions

All new Directors complete a comprehensive induction programme tailored to them. This includes meeting all members of the Board and Operating Board, meeting other key stakeholders (including the President of the National Members' Council) and undertaking visits to our Co-op's operations.

Building on feedback from both recently appointed Directors and the outputs from the 2023 Board Effectiveness Review, the Committee oversaw enhancements to the Director Induction Programme to ensure it remained comprehensive, yet appropriately structured, timely and focused.

Board effectiveness

The Board effectiveness review provides our Board with an opportunity to reflect on performance. In line with best practice, this is carried out annually.

This year we undertook an internal review using a digital evaluation platform called BoardClic to collate the evaluation data. All Board members and regular attendees completed a questionnaire covering seven key areas; purpose and strategy; board agenda and meetings; talent and culture; board composition and dynamics; the chair; information, reporting and risk management; and the relationship with the Council.

The results were discussed by both the Board and Nominations Committee in January 2025, then an action plan was collated.

The Committee will monitor progress against the action plan. The report and outputs of the review were shared with the Senate Governance Sub-Committee in March 2025.

A review of each Board Committee was also undertaken and results discussed with the respective Committees in February 2025. Any Committee-specific actions will be overseen by each Committee Chair.

Directors' fees

Our Committee submits proposals to the Non-Executive Directors' Fees Committee of the Council regarding any increases to our Non-Executive Directors' fees.

Following a review of market data and in the context that the Directors' fees had not been reviewed since 2016, a proposal was submitted during the year to increase fees by 2.5%. This was approved by the Non-Executive Directors' Fees Committee. You can find more detail in the Annual Report on Remuneration on [page 70](#).

Re-appointment of Directors

During the year, the Committee considered and recommended to the Board the re-appointment of Rahul Powar (INED).

The Member Nominated Director Joint Selection and Approvals Committee (MNDJC) was responsible for the MND election process. This saw Kate Allum being re-elected for an additional term and Christine Tacon elected in May 2024.

Diversity and inclusion

One of our Committee's priorities is achieving a diverse and inclusive workplace that is representative of our membership. We are proud that our Board benefits from gender and ethnic diversity.

We are also pleased to report that our Board continues to exceed the voluntary target set out in the FTSE Women Leaders Review and the recommendations of the Parker Review.

Diversity and inclusion remained a key area of focus for the Committee during the recent Board recruitment activity. In accordance with our Board Diversity and Inclusion Policy, both search firms appointed by the Committee were signatories to the Enhanced Code of Conduct for Executive Search Firms and both firms were given clear direction to create a diverse longlist.

Reviewing our Directors' eligibility

Our Committee have reviewed the qualifying and commercial experience of our Co-op's INEDs and Executive Directors throughout the year, including the Membership Criteria and Eligibility Criteria. The Committee can confirm that our INEDs and Executive Directors have all met the relevant requirements and shown continued commitment to co-operative Values and Principles.

During the year the Committee reviewed the independence of the INEDs against the guidance set out in the UK Corporate Governance Code. The Committee concluded that each of the INEDs contributed effectively to the operation of the Board and that they should all be considered as independent and objective.

DIRECTORS' REPORT

The Directors present their report,
together with the audited financial statements
for the period ended 4 January 2025.

RESULTS AND DISTRIBUTIONS

The profit before taxation from continuing operations was £161m (2023: £28m). No interim dividend has been paid for 2024 and members are not being asked to approve any distribution of profits for the year.

GOING CONCERN

As explained fully in the General Accounting Policies section of the financial statements, the Directors have adopted the going concern basis in preparing the financial statements. They have a reasonable expectation that the Group has sufficient liquidity and adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months post the date of approval of these financial statements.

In making their assessment, the Directors have considered the Group's most recent forecasting process and specifically the Group's profitability, cashflows, committed funding and liquidity positions for the period to December 2026. The key assumptions underpinning our forecasts are detailed in the going concern basis of preparation section of the financial statements. Included in these is the refinancing of £200m of the £350m bond maturing in July 2026. Our Co-op operates with net current liabilities as our working capital cycle means cash receipts from revenues arise in advance of the payments to suppliers for the cost of goods sold. We also borrow money from banks and other funding sources, structuring our borrowings with phased maturities to manage our refinancing risk as well as maintaining sufficient levels of liquidity for our Co-op. As part of the going concern review, we have ensured that our forecasts demonstrate compliance with the terms of these agreements – for example, related banking covenants and facility levels – for the period under assessment.

Although our Co-op has a robust planning process, which reflects the continuing economic uncertainty and headwinds impacting the group, we have performed additional stress testing of the going concern basis under severe but plausible downside scenarios. The results of our stress testing of severe but plausible downside scenarios provided a reasonable basis to support the Directors' conclusion over going concern.

LONGER TERM VIABILITY

The Directors have assessed the viability of the Group and our ability to continue operating and comply with covenants over a longer three-year period. We believe a three-year period to 31 December 2027 is appropriate for this viability statement, reflecting the dynamic nature of our largest business, Food.

This aligns with other major retailers and is part of the Group Board's strategic planning process.

This evaluation considered our current position and the impact of principal risks outlined on [page 47](#).

The Group's prospects are assessed primarily through its corporate planning process. This includes an annual review which considers profitability, the Group's cash flows, committed funding and forecasted future funding requirements over three years, with a further year of indicative movements. As part of strategic planning, the Directors make key assumptions about business performance, refinancing transactions and the availability and effectiveness of mitigating actions available to the Group. In particular, cash flow forecasting gives visibility of the Group's funding headroom, comparing net debt to the level of committed facilities over the planning period.

The Group has continued to strengthen its balance sheet and as at 4 January 2025, had total available liquidity of £820m, being cash of £420m, including amounts on short term deposit, and £400m of the Group's Revolving credit facility ("RCF") that remained undrawn at year-end. Total available facilities amounted to £862m at year end. In 2024, we fully repaid the £200m Sustainability Bond and also extended the RCF at £400m for five years to 2029. Strong demand from banks and an improved balance sheet led to a ratings upgrade from Standard & Poors. The RCF includes an accordion feature, allowing a £100m increase with lender agreement.

The Group has sufficient cash in place to repay the 2025 maturities of £111.8m in full at maturity and has ringfenced funds placed on deposit to cover this. For the £350m bond maturing in July 2026, we plan to raise £200m in 2025 from the bond market or other sources, with the remaining £150m covered by existing liquidity, cash or facilities. The funds will be deposited until repayment is required.

As part of strategic planning, the Directors make key assumptions about business performance and stress-test financial scenarios to ensure compliance with facility terms, even under principal risk events.

Key assumptions align with the 2025 full-year outlook but are adjusted for longer-term trends. The viability statement extends the going concern assessment and downside sensitivities into future years. The modelled scenarios are severe yet plausible, and reflect our principal risks as described on [page 47](#). While each of the principal risks has a potential impact to the business and has been considered as part of the assessment, only those that represent severe but plausible scenarios were selected for modelling through the Group plan, as per table below:

Principal risk	Sensitivity applied
Competitiveness and External Environment	Food sales volumes reduced by 3% Funeralcare volumes reduced by 1% Funeralcare average sales price reduced to reflect lower average price and sales mix Wage and other cost inflation Electricity, gas and fuel price increases
Change	Additional system implementation and transformation costs
Funding and Liquidity	Although management are confident in our Co-op's ability to continue to repay or refinance our debt facilities ahead of any debt maturities, we ensure we maintain adequate liquidity headroom to cover the future operations of the business and the uncertainty that the debt markets may not be accessible during periods when the group may wish to refinance debt.

When applying these viability sensitivities, there is no breach to our Co-op's financial covenants and there remains sufficient liquidity headroom through to the end of 2027.

Taking into account the Group's current prospects and principal risks and uncertainties, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over three years to December 2027.

GREENHOUSE GAS EMISSIONS

In 2024, we have reduced Scope 1 and 2 greenhouse gas (GHG) emissions from running our business by 4%, compared to 2023. This means that we have now reduced emissions from running our business by 61% since 2016.

We have made significant improvements in energy efficiency and reduced electricity consumption by 4% and gas consumption by 1% in 2024, compared to 2023. We made improvements in transport route planning, vehicle fill and fridge plug-in compliance when vehicles are parked in our depots. We also continued to phase out hydrofluorocarbons, replacing them with natural refrigerants.

We have set a new science-based target for Scope 1 and 2 GHG emissions – our Co-op commits to reduce absolute Scope 1 and 2 emissions by 66% by 2030 from a 2016 base year. This new target is aligned to limiting the global temperature rise to no more than 1.5°C and has been validated against the most ambitious designation available through the Science Based Targets Initiative (SBTi) process.

In line with GHG Protocol guidance, we present our Scope 1 and 2 GHG emissions figures in two ways. We show GHG emissions if our electricity was counted at UK grid average (known as location-based reporting). We also account for the emissions associated with our electricity supply contracts (known as market-based reporting).

Scope 1 and 2 GHG emissions since 2016 - location-based

2016 ktCO ₂ e	2017 ktCO ₂ e	2018 ktCO ₂ e	2019 ktCO ₂ e	2020 ktCO ₂ e	2021 ktCO ₂ e	2022 ktCO ₂ e	2023 ktCO ₂ e	2024 ktCO ₂ e
649	543	439	393	347	318	288	263	252

Scope 1 and 2 GHG emissions since 2016 - market-based

2016 ktCO ₂ e	2017 ktCO ₂ e	2018 ktCO ₂ e	2019 ktCO ₂ e	2020 ktCO ₂ e	2021 ktCO ₂ e	2022 ktCO ₂ e	2023 ktCO ₂ e	2024 ktCO ₂ e
338	298	250	229	204	197	181	348	343

Scope 1 and 2 GHG emissions by source - location-based

SOURCE	2022 ktCO ₂ e	2023 ktCO ₂ e	2024 ktCO ₂ e
Scope 1 - Refrigeration	66	50	49
Scope 1 - Fuel	95	91	86
Scope 1 - Gas	19	17	17
Scope 2 - Electricity	107	105	100
Scope 1 and 2 - Total (location-based)	288	263	252

Scope 1 and 2 GHG emissions by source - market-based

SOURCE	2022 ktCO ₂ e	2023 ktCO ₂ e	2024 ktCO ₂ e
Scope 1 - Refrigeration	66	50	49
Scope 1 - Transport	95	91	86
Scope 1 - Heating / Generation	19	17	17
Scope 2 - Electricity	1	190	191
Scope 1 and 2 - Total (market-based)	181	348	343

Annual energy consumption (GWh)

SOURCE	2022 GWh	2023 GWh	2024 GWh
Electricity (location-based)	555	507	485
Gas	105	95	94
Fuel	400	391	366

Carbon intensity

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Tonnes CO ₂ -equivalent (location-based) GHG emissions per £m revenue	68.3	57.2	43	36.1	30.2	28.4	25	23.3*	22.3

* 2024 carbon intensity figure is based on a figure of 252 ktCO₂e (252,458 tCO₂e) for Total direct emissions from running our business location-based accounting: Scope 1 and 2 GHG emissions (ktCO₂e) and 2023 £11.3bn revenue

POLITICAL DONATIONS

Like many other businesses of a similar size, our Co-op engages with a wide range of political opinion formers and decision-makers. We do this to protect, promote and enhance our corporate reputation and to deliver our campaigning ambitions. Where relevant to our business, we also actively participate in the work of business trade associations.

Our Co-op is also a subscribing member of The Co-operative Party, which was founded by the co-operative movement in 1917 to promote its Values and Principles.

The Co-operative Party works to raise awareness of the benefits of co-operative and mutual models. We made donations totalling £598,600 (2023: £598,600) to The Co-operative Party, in line with our member-owners' approval at the Annual General Meeting in 2023. This is our financial subscription to the Party for 2024.

The Co-operative Party reports donations to the Electoral Commission in accordance with its reporting obligations as a registered political party under the Political Parties, Elections and Referendums Act 2000. No political donations are made through our Local Community Fund ('the Fund') and its terms and conditions state that the Fund cannot be used for party political purposes.

At the 2024 Annual General Meeting, our members passed a motion for our Co-op to incur political expenditure, including donations and/or subscriptions to political parties, not exceeding £750,000 in total for the year commencing 1 January 2025.

GROCERIES SUPPLY CODE OF PRACTICE (GSCOP)

The Groceries (Supply Chain Practices) Market Investigation Order 2009 (the 'Order') and the Groceries Supply Code of Practice impose obligations on our Co-op and certain other retailers regarding our relationships with grocery suppliers.

Through 2024, our Co-op's Risk and Audit Committee maintained and reviewed GSCOP compliance through regular updates from the Code Compliance Officer and senior leaders in our Food business.

The Committee also approved the Annual Compliance Report for submission to the Competition and Markets Authority as required by the Order. See [page 98](#) for more details.

Working with the GCA

During 2024, our Co-op engaged and worked collaboratively with Mark White, the Groceries Code Adjudicator ('GCA') who met with the Chair of the Risk and Audit Committee, the Code Compliance Officer, our CEO, the Managing Director of our Food business, and other managers at various times throughout the year.

We include the GCA in our supplier newsletter and invite him to our annual supplier conference. We provide transparency to our suppliers and the GCA on our activities to ensure compliance with the Code.

In 2024, our Co-op once again improved its position in the GCA's Annual Survey. Suppliers ranked us first out of 14 designated retailers for our overall compliance with the code (2023: 5th). We were delighted to see that suppliers recognise the benefits of our continuous improvement plans.

Training

We provide GSCOP training to all colleagues who deal with suppliers, not just our Buying teams. In 2024 we refreshed our training and updated our internal GSCOP guidance. In compliance with the Order, all relevant colleagues receive a copy of the Code.

In 2024, we trained 2207 colleagues (2023: 1406). The increase was focused on colleagues who have low or little interaction with suppliers.

Other actions to enhance compliance

We have an established whole business approach to monitoring compliance with the Code, with regular reporting and review at various governance forums. We continually look to improve ways of working with suppliers and enhance Code compliance.

In 2024, two of the ways we did this were:

- Enhancing our SAP system and processes to increase the number of error-free transactions.
- Launching a new supplier finance queries portal, simplifying four email inboxes into one online portal for our suppliers and colleagues to use.

Disputes

During 2024, Co-op had no formal disputes under the Code and believes that it has materially complied with the Code and the Order during the relevant period. We recorded 83 potential supplier issues (2023: 94). Of these, 22 were raised directly with the CCO and 61 were raised to the business and sent onwards to the CCO internally by Co-op colleagues.

CLIMATE-RELATED FINANCIAL DISCLOSURE (CRFD)

As an ethically responsible business, we play our part in addressing both the climate emergency, and the impacts of climate-related risks and opportunities across our operations, physical estate and supply chains.

As a large organisation, our Co-op is committed to complying with the UK Government's mandate to share Climate-Related Financial Disclosures (CRFD) in line with the Task Force on Climate-Related Financial Disclosure (TCFD). We have aligned our strategy with the CRFD recommendations, enabling us to identify, assess and manage our principal climate-related risks and opportunities.

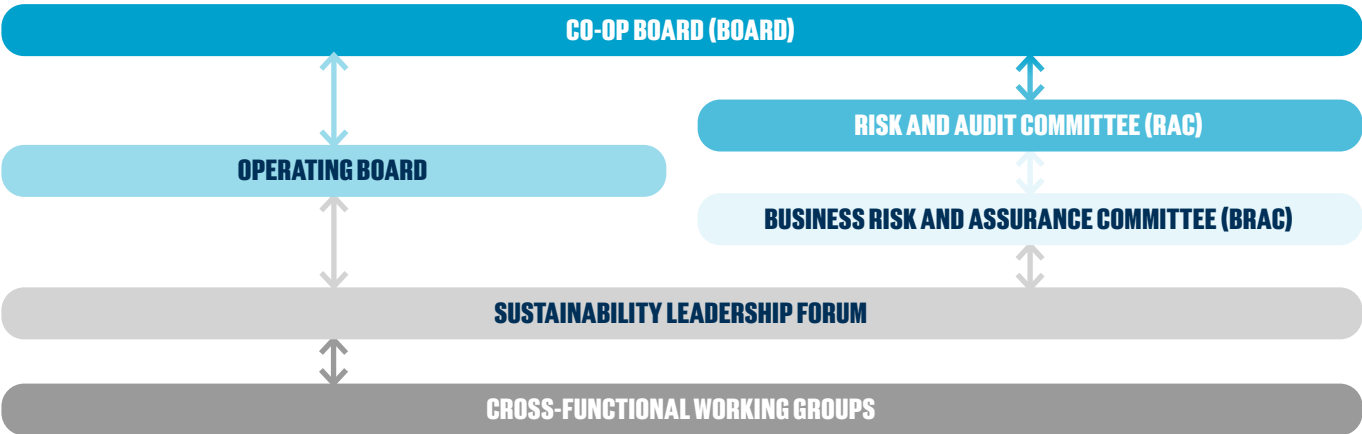
Our disclosures are set out under the four pillars of the CRFD recommendations.

GOVERNANCE

Description of the Group's governance arrangements in relation to assessing and managing climate-related risks and opportunities.

We believe that good corporate governance is critical to achieving our sustainability goals and creating value for our members, customers and the communities we serve. We have evolved our governance structure for managing our climate-related risks (see diagram below) to align to our Group risk management framework and support our sustainable growth.

This structure promotes an entrepreneurial approach and prudent risk culture across our Co-op. It enables our colleagues to identify and respond to climate-related risks and opportunities effectively, and supports our Board and senior leaders in ensuring that our approach to controls, response plans and resources are effective.



Each of our climate-related risks is owned by senior leaders, working within and across functional teams. They have the expertise to understand what is needed to mitigate the risk and to realise opportunities for our Co-op. Senior leaders share updates and concerns across our Group's different governance forums and discuss issues and opportunities in our Sustainability Leadership Forum.

In 2024, we evolved our sustainability steering committee into a Sustainability Leadership Forum ('SLF'), comprised of business leaders, department heads and subject matter experts. The SLF is a cross-functional leadership forum bringing together sustainability 'spokes' from across the Group. It is aimed at improving accountability and ownership of our climate-related risks and opportunities, and to ensure that all activity ladders up to support our sustainability goals and commitments.

Quarterly sustainability updates are made to our Operating Board, while periodic written reports are provided to our Group Board ('Board') as an opportunity to provide oversight and update on delivery progress. In November 2024, an additional deep dive was also presented to the Board, covering all elements of sustainability progress, risks and opportunities, by leaders from across the business.

Our Operating Board, Risk and Audit Committee (RAC), and Business Risk and Assurance Committee (BRAC) scrutinise our principal risks (including our Sustainability principal risk) and the activity undertaken by management to mitigate them. These groups monitor the delivery of plans, assess emerging key climate-related risks and opportunities and, when required, challenge action taken to keep us within risk appetite.

Our Board has ultimate responsibility for risk management in our Co-op. It reviews the principal risks to our business, including our Sustainability principal risk, which is owned by our Group property and sustainability director. Our Board also monitors action plans, reflecting the importance that our Co-op gives to our sustainability commitments. Our Board is briefed on material climate-related risks and opportunities on at least an annual basis. For more information on Co-op's principal risks see [page 47](#).

In 2024-2025, we conducted several internal workshops with subject matter experts from across our Group to review our climate-related risks and opportunities, and associated controls, and delivered updates to our Operating Board. From this review, we identified climate-related issues, risks, opportunities and impacts which are now being considered in our Co-op's financial and business planning. They will be managed according to our Group's risk management framework.

STRATEGY

Sustainability and climate remain a key priority for our Co-op. We have made a commitment to achieve Net Zero in our operations by 2035 and across our full value chain by 2040 – read [our Social Value and Sustainability Report](#) for more details.

We've continued to make progress towards delivering our climate commitments, focusing on both the activity that moves us closer to Net Zero, and the enabling activity and governance that will let us deliver.

A key focus of our performance in 2024 has been collaboration. We won't achieve our Net Zero commitments unless we all play our part. So we collaborate with external bodies, our suppliers and like-minded organisations to build knowledge, innovate and campaign for change. This remains a core focus, and helps us mitigate the risks that exist now and in the future.

Description of the Group's principal climate-related risks and opportunities and the respective time periods to which these risks and opportunities are assessed.

In 2023, we predominantly focused our climate-related financial disclosures on our Food business. We expanded the scope of our disclosures to cover the whole Co-op Group in 2024.

We conducted a series of comprehensive climate risk and opportunity workshops to review the key climate-related risks we identified in 2023, assess any material internal or external changes around those risks and spot new opportunities. This exercise allowed us to:

- Re-assess the key climate-related risks we identified in 2023.
- Analyse individual and aggregate risk conditions to assess the materiality and likelihood of physical and transition risks.
- Discuss the matter in-depth with cross-functional leaders.

We have used the following definitions of time horizons for the purposes of identifying and managing our climate-related risks and opportunities:

- Short. Less than 4 years: aligns with our business strategy and financial planning.
- Medium. 4-10 years: near-term target of addressing current and emerging climate-related risks and Net Zero commitment.
- Long term. 10 years or more: aligned with the long-term nature of climate-related risks and our Net Zero commitment.

Through this exercise, we reconfirmed seven physical and transitional inherent risks that could impact the financial position of our Co-op over the medium-term and long-term, aligned to our planning cycles.

This year we have consolidated our Policy and Legal (carbon taxation) and Policy and Legal (liabilities) risks into an overarching Policy and Legal (compliance and legislative requirements) one. This allows our colleagues and senior leaders to deliver more coordinated monitoring and respond to related threats and opportunities. Our Raw Material Unavailability risk has been expanded to a Food Supply Chain Resilience and Raw Material Availability risk, reflecting the change in the scope of our 2024 disclosures, now covering the whole Co-op Group.

Evolution of our key climate-related risks

Risks	2024-2025	2023-2024
Physical	Food Supply Chain Resilience and Raw Material Availability (acute/chronic)	Raw Material Unavailability (acute/chronic)
	Access to Key Facilities (acute)	Access to Key Facilities (acute)
Transitional	Reputational (public sentiment)	Reputational (public sentiment)
	Policy and Legal (compliance and legislative requirements)	Policy and Legal (carbon taxation)
		Policy and Legal (liabilities)
	Market (investment sentiment)	Market (investment sentiment)
	Market (consumer sentiment)	Market (consumer sentiment)
	Technology (asset impairment)	Technology (asset impairment)

For each risk, we reassessed its likelihood and impact considering trusted information on social, political, and economic events shaping climate action. We also reviewed Co-op's internal research and analytics regarding our assets, products and services, and data from the quantitative assessments and financial modelling we undertook in 2023.

From this, we identified the two climate-related risks with the higher residual risk and therefore most material impact to our Co-op as Technology and Market (consumer sentiment) and performed in-depth scenario analysis on both.

We have used two climate pathways within our scenario analysis.

3°C – current policy – under this scenario, existing policies are implemented to limit global warming. This is a high global warming scenario with extreme weather events and substation damage to ecosystems. We see a gradual shift, increasing renewables and growing societal awareness, but no substantial market or policy shift towards low carbon.

1.5°C – Paris Agreement ambition – under this scenario, we see aggressive global action to limit warming. This is a low global warming scenario with limited increase in extreme weather events and damage to ecosystems. We see an aggressive transition to renewables with rapid technological innovation. There is strong societal awareness of global warming issues, with proactive policy and market shifts to low carbon.

The remaining transitional and physical risks remain important and are monitored and escalated for further discussion as needed in alignment to our Group risk management framework.

Description of the actual and potential impacts of the principal climate-related risks and opportunities on the Group's business model and strategy.

TECHNOLOGY

In the context of climate change, our Technology risk considers that some of our existing fossil fuel-dependent assets become unusable over the medium to long term due to technological disruption or obsolescence.

We must consider and adopt the emerging technologies that support a low carbon economy in a proportionate way. While some of the technology required to meet our Net Zero milestone is currently unavailable or unaffordable, we expect that new innovations will become progressively more reliable and accessible – from new compressed natural gas (CNG), electric and hydrogen vehicles to incorporate into our fleets, to the development of greener alternatives to high global warming potential (GWP) refrigerants.

While current regulation doesn't prevent our Co-op from using fossil fuel-dependent assets, we know that continuing to use them won't help us meet our Net Zero target. We'll need to phase out most of them to hit Net Zero in operations by 2035.

We have conducted scenario analysis which sets out the impairment risk over the carrying value of the assets before the end of their useful lives, under the pathways identified above. The impairment risk represents the expected change in fuel availability and therefore economic value for the business.

When considering our assets, there is a significantly higher value at risk under the 1.5°C scenario, as action to reduce greenhouse gas (GHG) emissions would be timelier and much more aggressive than under the 3°C scenario, which would lead to a much bigger reduction in the fuel availability and a faster transition to greener technology.

We have also considered plans within the business to help mitigate the Technology risk within our scenario analysis. We continue to make changes that are helping us to reduce our carbon footprint:

- Our goal is to fit all our stores with **hydrofluorocarbon-free (HFC-free), low-carbon refrigeration alternatives** by 2035. We continuously monitor our progress to ensure we remain on track to deliver our Net Zero commitment, informed by our science-based targets (SBTs).

- **Funeralcare plans to replace its fleet with greener alternatives** as vehicles come to the end of their useful lives, within the 2035 horizon for Net Zero in operations. We are also improving the utilisation of our fleet to reduce its environmental impact.
- We work with our drivers and are implementing improved **navigation systems to reduce fuel consumption**. We continuously monitor new available fleet options that meet our needs for different sizes of vehicles, routes, and alternative fuel sources.

Our Co-op is committed to achieving our sustainability ambitions and we continuously monitor technology trends and forecasted innovations that could allow us to balance economic and environmental pressures over the short and long-term.

MARKET (CONSUMER SENTIMENT)

Climate change is affecting society and consumer behaviour in multiple ways. Prolonged climate-related events impact countries' macroeconomic conditions, from energy costs to commodity prices, and have a knock-on effect on consumer behaviour in the medium- to long-term time horizon. Consumer demand for low carbon products and services is expected to increase, particularly across younger generations, and we know that a change in human behaviour is required to transition to an economy with lower carbon emissions.

Customers may direct their spend towards retailers with a more positive environmental impact and with increased awareness of – and demand for – sustainable products, there is a risk that our products and services do not align with consumers' preferences.

We've conducted scenario analysis on the consumer sentiment risk for both 1.5°C and 3°C scenarios. As expected, the risk is much more significant under the 1.5°C scenario across all timeframes. In order to meet a 1.5°C warming scenario, we would need to see widespread global uptake of sustainable products and practices and a significant change in consumer habits, including red meat consumption and food waste.

In our unmitigated scenario, there would be no change in the product mix that we provide. While this could potentially lead to a significant revenue risk within the business, the likelihood of this level of change is extremely low, especially in the short term. In a scenario where volumes reduced to this scale, Co-op would be able to mitigate much of this impact through cost savings, so the residual earnings impact is significantly smaller. We also know that our supply chain is dynamic and would be able to pivot to respond to consumer preference changes, although there may be a lag in response if we do not correctly anticipate consumer trends.

The scenario analysis findings align with our knowledge of consumer sentiment risks:

- Demand for sustainable and low-carbon-intensive products is growing. However, affordability and other factors continue to determine customers' expectations and preference for these products.
- Meat and dairy products are high-carbon-intensive. Understanding, anticipating and adapting to consumers' preferences for these products would enable us to manage the risk of a mismatched product and service offer and to meet customers', members' and societal expectations.
- 'Carbon neutral' claims are regularly misunderstood by consumers and raise the risk of greenwashing. We need to prioritise work that results in absolute reduction in emissions, not just offsetting.

To manage this Consumer Sentiment risk, we have established controls that enable us to keep abreast of, and to support, technological developments for more efficient farming, and to develop commercial plans to meet consumer demand based on insights and forecasts up to 2035. Our healthy and sustainable diet strategy is one example of how we manage our proposition in line with consumer sentiment and in a healthier and more sustainable direction.

OPPORTUNITIES

Our Co-op is committed to prioritising action where we can make the most impact. Our Climate Plan, updated in March 2024, reaffirmed our continued focus on clear near-term and science-based targets, and mapped out the rapid reduction of carbon from our operations and supply chains.

We know that by placing retailer and supplier collaboration and people at the heart of our climate plans, we protect and sustainably grow our Group, sharing value with our members, customers, communities and planet.

By delivering on our Climate Plan and commitments we enhance our reputation in the market, enabling us to innovate. We have a 'test and trial' approach allowing us to pivot at the right time to maximise economic and social outcomes for our members. In addition, as part of our investment decisions, we consider potential opportunities to develop new revenue streams, such as EV charging, to deliver commercial returns.

We are regularly assessing climate-related risks and implementing ways to mitigate them. Here are some examples.

Investment sentiment

- Fostering greater supplier-retailer collaboration enables us to address common and interdependent climate-related challenges, reducing costs across the value chain and improving the quality of the products and services we provide.
- Working with other retailers on mechanisms to gather consistent sustainability data from suppliers contributes to the subsistence and development of more sustainable farming.
- Taking proactive measures to reduce our carbon footprint and transparently sharing our sustainability plans provides us with lower capital costs.

Raw material

Investing in responsible sourcing programmes co-created with our suppliers contributes to realising the financial benefits of sustainable practices.

Consumer sentiment

- Anticipating and adapting to the demand for meat-free and less carbon-intensive products enables us to offer more sustainable and healthier alternatives and create a greater positive net impact on our environment.
- By taking a proactive approach on less carbon-intensive meat and dairy products, we can improve the availability and range of plant-based and less carbon-intensive products that we can offer at the right price.

Technology

- Reducing energy and fuel consumption across the Group, from the electrification of our funeral fleet to the use of more efficient refrigeration systems, helps us to reduce our operating costs and helps us meet our sustainability commitments.
- By supporting the development of farming technology with our suppliers, we can improve the availability of higher-quality products at lower prices to our consumers and members.

Key facilities

By pursuing a more efficient use of our network and facilities we can increase efficiencies, reduce costs and mitigate disruptions for the benefit of our suppliers, partners, customers and members.

Policy and regulation

By continuously and proactively collaborating with Government officials and other key stakeholders in the sustainability field, we are best able to monitor and model the impact of policy changes to integrate them into our business and financial planning.

Analysis of the resilience of the Group's business model and strategy, taking into consideration different climate-related scenarios.

During 2023, scenario planning was undertaken with support from our external advisers, DNV, for five different climate scenarios. This was to identify the inherent physical and transitional risks that could impact our Co-op over a ten-year horizon.

The assessment focused primarily on the Food business, which is our most material business unit. We plan to expand the scope to cover the Group in future years.

In the current year, we have worked on building internal capability to model financial risk and forecast future emissions to inform future business or strategic decisions. This is still in development but has allowed us to begin to see the impact of mitigation actions over the short, medium and long term. For the purposes of this disclosure, we are focused on the 3°C and 1.5°C scenarios.

We have undertaken another risk identification cycle in the current year, which has given us a clear understanding of the risks to the business which have not changed materially from the prior year. It has also helped us understand the financial impact if left unmitigated, and the controls which we have in place (either currently or within our forecasting cycle) to mitigate these impacts. We have also undertaken a prioritisation exercise, which has highlighted Technology and Market (consumer sentiment) as our most material risks and focused our modelling on these areas.

Our Net Zero Blueprint aims for Net Zero in Scope 1 and 2 by 2035 and Scope 3 by 2040. This Blueprint and the targets within it have been validated by the Science Based Targets initiative (SBTi). In our latest forecasting cycle this year, we have ensured that action within supports our trajectory outlined in the Net Zero Blueprint.

This includes funding to support:

- Decarbonising our fleets across Food, Funerals and E-Commerce.
- Replacing high fluorinated gas (F-GAS) refrigerators in Food and Funerals.
- Energy efficiency initiatives across our property portfolio.
- 'Test-and-learn' initiatives around our Scope 3 emissions particularly related to meat and dairy suppliers, decarbonising packaging and reducing food waste.

Our physical risks are more significant under the higher global warming scenario (3°C). However, we have strong mitigations to remain resilient to these risks.

Our key facilities all have business continuity plans which are consistently reviewed to ensure they are up to date to minimise disruption. Monitoring is also integral for our Raw Material risk, for both our sourcing strategy and technological developments that could mitigate the risk. We also have a robust contingent supplier process to protect from extreme weather conditions in certain geographical areas. While we do have a global supply chain, the above strategy provides resilience even in the more extreme scenario.

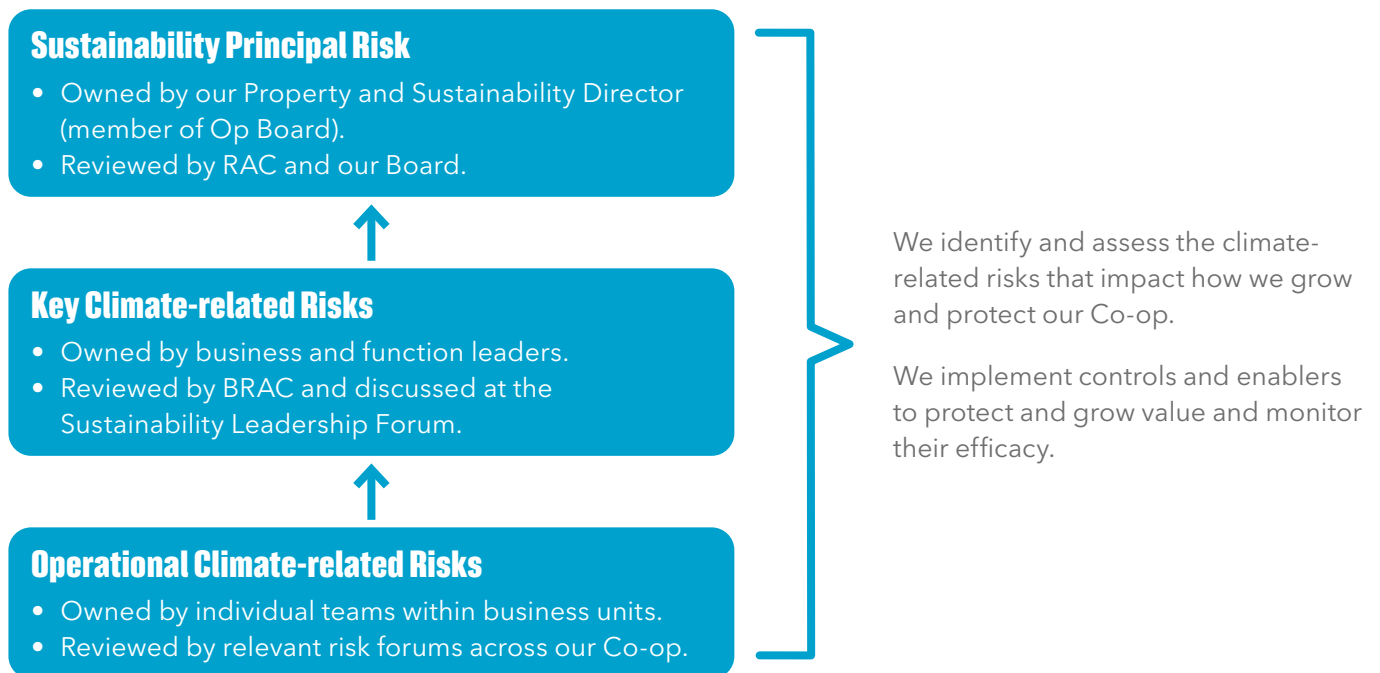
RISK MANAGEMENT

Description of how the Group identifies, assesses and manages climate-related risks and opportunities, and how these processes are integrated into the Group's overall risk management framework.

Our Co-op risk management framework [page 44](#) enables our colleagues across the Group to identify and manage our climate-related risks within the risk appetite set by our Board.

To manage our climate-related risks, we apply the Group's three-line model:

- **First line:** frontline colleagues, managers and leaders manage climate-related risks and opportunities as part of their day-to-day activities and escalate issues to the Sustainability Leadership Forum.
- **Second line:** our risk functions provide advice and oversight to help the Sustainability Leadership Forum and wider frontline teams manage climate-related risks and opportunities, including those related to legal and regulatory compliance.
- **Third line:** our Internal Audit team provides independent assurance and challenge to ensure we are on track to meet our climate commitments.



This framework contributes to ensuring that our Co-op has the right risk management plans in place and enables our senior leaders to integrate climate-risk assessments into our Co-op's financial and operational planning. For example, in 2024, we conducted several internal workshops with subject matter experts from across our Group to review our climate-related risks, opportunities and associated controls, and update our Operating Board on our progress.

METRICS AND TARGETS

Description of the targets used by the Group to manage climate-related risks and to realise opportunities and of performance against these targets, as well as a description of the key performance indicators (KPIs) used to assess progress against targets, including the calculations on which these KPIs are based.

Our most important climate metrics relate to our annual greenhouse gas (GHG) emissions in absolute tonnes. We have made significant progress towards reducing our GHG emissions in both our own operations and our wider value chain (Scopes 1, 2 and 3).

DESCRIPTION	GHG PROTOCOL CLASSIFICATION	2016 BASELINE	2024 ACTUAL	CHANGE VS BASELINE (%)
Our operations	Scope 1 and 2	649 ktCO ₂ e	252 ktCO ₂ e	-61%
Our value chain	Scope 3	5,839 ktCO ₂ e	4,333 ktCO ₂ e	-26%

We are committed to reducing our GHG emissions in line with the latest scientific guidance. Specifically, we set science-based targets for GHG reduction across all emission scopes. These targets are in line with the pace of reduction required to limit global warming to no more than 1.5°C above pre-industrial temperatures.

Our near-term and long-term targets were validated in early 2024 by the Science Based Targets initiative. Our supplier engagement target has been set in line with advice from lenders and forms the basis of sustainability-linked finance, so we have linked our interest rate to achievement of this metric.

A detailed description of how our KPIs are calculated is disclosed in our Basis of Reporting document [which is available online](#).

Near-term targets

- Reduce absolute Scope 1 and 2 emissions from Co-op operations by 66% from 2016 to 2030.
- Reduce absolute Scope 3 emissions from Co-op's value chain by 48% from 2016 to 2030¹.

Long-term targets

- Reach Net Zero Scope 1 and 2 emissions from Co-op operations by 2035.
- Reach Net Zero Scope 3 emissions from Co-op's value chain by 2040.

Supplier engagement target

Ensure that 69% of suppliers in Category 1, scope 3 emissions covered by suppliers with validated science-based targets by 31/12/2025.

79% of suppliers in Category 1 scope 3 emissions covered by suppliers with validated science-based targets by 31/12/2030.

¹ Following the latest SBTi Corporate Standard, our validated targets distinguish emissions from energy and industry (E&I) and forestry, land use and agriculture (FLAG). Our 48% near-term Scope 3 target reflects a reduction of 58.8% for E&I emissions and 42.4% for FLAG emissions.

STATEMENT OF CO-OP BOARD RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations.

The Group accounts have been prepared in accordance with UK-adopted international accounting standards for the 52-week period ended 4 January 2025 and in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014.

The Group financial statements are required by law to give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for that period.

In preparing the Group financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether UK-adopted international accounting standards, in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014, have been followed.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Group's position and performance, business model and strategy.

Each of the Directors listed on [page 54](#) confirm that, to the best of their knowledge:

The Group financial statements, which have been prepared in accordance with international accounting standards – UK-adopted international accounting standards, in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014 – give a true and fair view of the assets, liabilities, financial position and profit of the Group.

The Strategic Report and Governance Report, contained in the Annual Report and financial statements, include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In this context, 'the Group' means Co-operative Group Limited, and all the companies and societies it owns.

FINANCIAL STATEMENTS

So far as the Directors are aware, there is no relevant information that has not been disclosed to our auditor. The Directors believe that all steps that ought to have been taken have been taken to make them aware of any relevant audit information, and to establish that our auditor has been made aware of that information.

AUDITORS

A resolution to re-appoint EY LLP as auditors of the Group, and to determine their remuneration for the forthcoming year, was proposed at the 2024 Annual General Meeting and approved.

By Order of the Board



Dominic Kendal-Ward
Group Secretary and General Counsel

CO-OP NATIONAL MEMBERS' COUNCIL: ANNUAL STATEMENT

Our Co-op is owned by you, our members, and we exist to do right by you.

Your National Members' Council is elected from around the UK to represent and champion your interests and to ensure our Co-op delivers value for you, our member-owners, and the things you care about.

We make your voice heard, influence plans and strategies with your views in mind, and hold the Board to account to ensure our Co-operative Values and Principles are at the heart of what we do. We are the independent voice of member-owners within Co-op, scrutinising the Board and championing your interests and the good governance of our Co-op.

In 2024, we have:

- Inspired our *Owned by You, Right by You* campaign to showcase our difference to members and future members. We are owned by our members, not a small group of shareholders, and because we're owned by our members, we can do the right thing by our members.
- Successfully called for Member Prices on healthy products on behalf of our members, leading to lower prices and offers on 54 fruit and veg items.
- Championed the importance of social value and how our Co-op empowers our members to make a difference on the things they care about for people and planet when they choose to trade with their Co-op.
- Continued to champion the importance of your voices being heard in how we do things, including our first Members' Survey, promoting our democratic difference and extending access to our Co-op's democracy to over a million more members.
- Increased participation in our democracy, with tens of thousands more members taking part in our Co-op's democracy in 2024 compared to the year before, with more to do.
- Empowered member-owners of retail co-operatives to successfully campaign for a change in the law to make violence against shopworkers a standalone offence.
- Influenced and shaped a new way to deliver membership to bring member-owners together with their Co-op locally.
- Provided constructive support and challenge to our Board and our leaders from all business areas to ensure your voices are heard in the products and services we provide and the value we receive as owners of our Co-op.
- Worked to hold the business to account and change things which we felt were wrong in the interests of scrutinising decisions and ensuring good governance.

This section gives an overview of our work in 2024 and although we are proud of the progress our Co-op has made over the past couple of years, we believe there is so much more to do.

In particular, we will continue in 2025 to champion the importance of delivering and communicating the value we create for members as the cost-of-living crisis continues. We will also continue to push for greater information for member-owners about how they can influence and find out more about our Co-op, and for more ways for member-owners to engage with each other and their elected representatives on Council and Board. Find out more about your Council [here](#).

Working for you

Council is made up of 100 Co-op member-owners from around the UK, including colleagues and people from other independent co-operatives.

We form one of the three interlocking wheels of good governance alongside the Board and Operating Board. We are elected by our fellow member-owners to speak for you, independently, to the Board and senior operational leaders.

We meet regularly with, and provide support and robust challenge to, our Board and Co-op Leaders to put your needs at the heart of the decisions we make and ensure our Co-op is successful.

Your Council has been focusing on what matters most to you, our member-owners, in 2024:

- Member value at the heart of Co-op.
- Meaningful membership and co-operative education.
- Communicating with, listening to, and engaging our member-owners.

MEMBER VALUE AT THE HEART OF CO-OP

What have we focused on and achieved?

Measuring member value	Reporting member value	Empowering member-owners
Ensuring our Co-op measures and reports how we create more value for you as a member-owner every day, and to show you the value you get as a Co-op member-owner.	Enabling member-owners to see and understand the personal value you get and give with Co-op – economic value, social value or the value of owning a stake in a successful co-operative business – and the value our Co-op members create overall.	Promoting clear and accessible ways for members to meet with leaders and have your voices heard.

Our vision is to build more value for our member-owners every day. Being a member of our Co-op is different – the more you trade with your Co-op, the more we can take action together on the things you care about. In 2024, we:

- Influenced how our Co-op measures and reports our success so that member value is central to what we identify to be a successful sustainable modern co-operative business, alongside important measures such as revenue and profit. Our new-look Annual Report celebrates everything our member owners have achieved together.
- Showcased to our members the value they get and create together with other members on the issues they care about for people and planet through personalised statements. Our new-look personalised statements went to member-owners in January.
- Tracked how Member Prices deliver more economic value for our members every day following the changes made last January compared to previous savings made, with members saving even more on the everyday products they buy. Members are able to save £10 a week based on a typical basket.
- Asked questions of our Board and business leaders about how our Food, Life Services and Business-to-business functions are delivering value for our members, supporting the growth of our Co-op and creating a sustainable successful co-operative for the future.
- Worked with our Board and leaders to develop our new strategy to bring together and showcase the difference our member-owners can create for the things you care about for people and planet locally, nationally and internationally – informed by members’ views.
- Provided greater opportunities for members to influence and ask questions of decision-makers about how their Co-op is performing and share their ideas with Co-op leaders and other members. This included consulting members about ways they want to be rewarded for being a member of their Co-op online.

MEANINGFUL MEMBERSHIP AND CO-OPERATIVE EDUCATION

What have we focused on and achieved?

Empowering members to understand why Co-op membership is different.	Connecting our 54,000 Co-op colleagues with our vision and Co-op difference.	Championing modern co-operative leadership and creating the next generation of co-operators.
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When you become a member of our Co-op, you join more than six million others who have a stake in the business and shape and influence not just what we do, but how we do it. In 2024, we:

- Championed and influenced celebrations for 30 years of Fairtrade and Fairtrade Fortnight, including how Co-op members make a difference when they choose our range of Fairtrade products.
- Promoted more opportunities for member-owners to find out more about their Co-op and co-operatives, with over 124,000 member-owners taking part in opportunities, including quizzes on our Co-op app about 180 years of Co-op, and what it means to be owned by you.
- Influenced our new approach to delivering membership locally, better connecting member-owners and their Co-op with other member-owners where they live through events and local forums.
- Continued to promote our Co-op’s campaigns on social mobility and climate justice and empowered 20,000 members of retail co-ops to successfully call for a change in the law to make violence against shopworkers a standalone offence, as well as continuing to ask questions about how our Co-op is doing everything possible to protect our store colleagues from the horrific rise in retail crime being experienced by all retailers nationally.
- Shaped plans for our 54,000 colleagues to connect with our Co-op difference, vision and strategy, helping them understand how these things create value for member-owners in their role.
- Started to develop plans to support and develop the next generation of modern co-operative leaders.

COMMUNICATING WITH, LISTENING TO, AND ENGAGING OUR MEMBER-OWNERS

What have we focused on and achieved?

Putting our Co-op difference at the heart of how we show up as a business.	Promoting ‘always on’ conversations between members, their Co-op and other members.	Knowing our members and what they care about.
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180 years after our Co-op was founded, we have never been more relevant. Co-ops are a better, fairer way of doing business, and as the biggest consumer co-op in the UK, we think we should shout about this loudly and proudly and show why being owned by our members ensures we can do right by them. In 2024, we:

- Shaped our plan to relaunch our Co-op to the nation through our *Owned by You, Right by You* campaign, showcasing what makes our Co-op a different way of doing business and why we can do right by our members because we are owned by you, not a wealthy few.
- Promoted the importance of our decisions being informed by insight on what our members care about, including our first Members’ Survey, to find out what was important to members, informing our first Members’ Discussion at our 2024 AGM and shaping our new social value strategy.
- Led a new programme of national, online and local events through the autumn to connect member-owners with decision-makers and empower them to shape how they want to be rewarded for being a member-owner in future.
- Represented our Co-op in New Delhi at the International Co-operative Alliance’s Global Congress and initiated plans for our Co-op to celebrate the second UN International Year of Co-operatives in 2025.
- Broadened access to our formal democracy and empowered more than one million members to take part by lowering the membership points required to vote or stand for election to our Board and Council.

REPORT OF THE SCRUTINY COMMITTEE

REPORT OF THE SCRUTINY COMMITTEE

OUR REVIEW OF BOARD APPOINTMENTS AND ELECTIONS

In 2024, Co-op Members elected a new Member Nominated Director, Christine Tacon, and re-elected Kate Allum as Member Nominated Director to serve a second term. No Independent Non-Executive Director or Executive Director appointments were approved by the Board in 2024 or scrutinised by the Committee in 2024.

After our Directors are appointed or elected, our Co-op has an extra level of checking so members can have confidence that processes have been administered fairly and openly in line with our Values and Principles.

This checking is done by the Scrutiny Committee of the National Members' Council and we're pleased to present our report to members for 2024.

More information about our Governance, including Board Members and the selection processes, is set out earlier in this report.

THE ROLE OF THE SCRUTINY COMMITTEE

The role of the Scrutiny Committee relates to the recruitment and selection processes for Independent Non-Executive Directors and Member Nominated Directors and checks:

- That the selection process for the ballot is fair, transparent and objective.
- That the background information gathered on the candidates is satisfactory.

In 2024, two Member Nominated Directors were elected by Co-op members.

OUR FINDINGS

The Member Nominated Director Joint Selection and Approval Committee has the primary responsibility for the selection process of Member Nominated Director candidates and is made up of both members of the National Members' Council and Board.

As well as receiving a detailed report from Co-op's search partner on the search and selection process, we interviewed the Chair of the Committee and posed questions on themes including the search methodology across the Co-op sector and how the Committee had satisfied itself that candidates would have the time commitment required to interact fully with Council and members.

As a result, the committee can confirm that the selection process leading to the shortlisting of Kate Allum, John Clarke, John Dalley, Michele 'Mitch' Oliver, John Steele and Christine Tacon to go forwards to a ballot of members was fair, transparent and objective and that all proper background checks were made. Kate Allum and Christine Tacon were subsequently elected by Co-op Members to the role of Member Nominated Director.

Whilst we are satisfied that there was a contested election of Member Nominated Directors, we hope that our Co-op continues to attract high-calibre candidates who meet the criteria to stand for election in future. In particular, we are keen to ensure that our members have the opportunity to vote for a set of candidates who reflect the diversity of our growing member base.

Finally, it was confirmed that all Directors met our Co-op's trading requirement of 1,000 points. We have also received assurances from the Group Secretary that all Independent Non-Executive Directors and Member Nominated Directors are 'independent' for the purposes of our Rules.

COMMITTEE MEMBERSHIP

The Committee Membership for the 2023/4 Council year was:

David Paterson (Chair)

Aimee Higgins

June Morrison

Janson Woodall

Sue Smith (substitute member)

PROMOTING THE SUCCESS OF OUR CO-OP

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT

REPORTING REQUIREMENT

Our Co-op prepares its Annual Report and Accounts substantially as though it were a company registered under the Companies Act 2006 ('the Act'). While it isn't a requirement for our report to contain a Section 172(1) statement, we're including one in line with best practice.

The Board has, in good faith, acted in a way that it considers would be most likely to promote the success of our Co-op for the benefit of members as a whole. In doing this, the Board has recognised the importance of considering all stakeholders and other matters (as set out in Section 172(1) (a) to (f) of the Act) when making decisions.

OUR APPROACH

We are conscious of the impacts that our business and decisions have on our direct stakeholders as well as our wider societal impact. We also understand the importance of developing strong and meaningful relationships. We know that we can't fix everything by ourselves, and that working with others is key.

For all key and principal decisions approved by the Board, a discussion takes place around the impact on our key stakeholders, including our member-owners, our colleagues and our customers. The relevance of each stakeholder group may vary by reference to the issue in question, so the Board seeks to understand the needs of each stakeholder group and any potential conflicts as part of its decision making.

We have provided below examples of our key stakeholder interests, their concerns and the ways in which the Board acted with regard to these groups when taking its key strategic decisions during the year.

OUR MEMBERS

Our Co-op is owned by more than six million active member-owners who have a say in how we're run and are at the heart of everything we do.

- Our Board uses an Ethical Decision-Making Tool when making material decisions to consider the impact on, and impact of, our member-owners (and their communities).
- We work together with our member-owners to take action to support our shared vision. Members can choose how we support local communities, stand with us on campaigns, help develop our products and services and shape our national partnerships.
- We encourage our member-owners to get involved in our Annual General Meeting (AGM) and elections, by voting on motions and on who gets to sit on our Board and Members' Council, as well as attending the AGM. We also encourage them to stand for election as leaders themselves.
- Our 2024 AGM offered members the chance to put their questions to the Board in real time. Members were also able to contribute to our first Members' Discussion on the issues that we should look to tackle as part of our new social value strategy.

Ahead of our AGM, members helped shape the topics addressed in our first Members' Discussion and they met live with Council Members online to debate how we could bring our motions to life together if approved. For the first time, following calls from members in a 2023 motion to make our democracy more accessible, we enabled voting via our Co-op app. This innovation combined with an improved voting journey and increased participation opportunities led to a 38% increase in voting turnout.

Each year we publish a [report](#) that outlines the actions our Board and leadership have taken in response to motions passed at our AGM.

We reviewed the way our local teams worked to support our connection between membership and local communities and deliver our Vision. After five years with some fantastic work delivered by our Member Pioneers, we evolved the role and in September 2024, our team of 90 full- and part-time **Member Activators** was launched. They're working closely with our member-owners, leading the charge in raising awareness of our membership value, whether it be economic, social or ownership value.

Since then, Member Activators have been hosting local forums with members, showcasing our sustainability commitments through Fairtrade Fortnight and promoting membership value through Community Celebrations with member-owners and local groups.

OUR NATIONAL MEMBERS' COUNCIL

This is a democratically elected body of 100 of our members, acting as our member-owners' representative holding our Board to account for how the business performs. It also acts as a guardian for our vision and co-operative Values and Principles. The Members' Council met with our Board and the business regularly during 2024.

In addition to formal routes, there are many informal ways our Board interacts with Council, its committees and working groups, as well as member-owners around the UK. Examples during 2024 include:

- Attendance at Council sessions to update on developments relating to our Co-op.
- Directors' Forums, where Board members answer questions from the Members' Council in relation to our priorities and how we're building a successful modern co-operative business.
- Council President attendance at Board meetings.
- Breakout sessions where Council and Board members work together to shape plans.
- Online video updates and communications focused on helping member-owners understand how their vote makes a difference to our Co-op.
- Our first ever interim results-focused events, including online question-and-answer sessions and pop-up events in capital cities, where we brought our difference and member-ownership to life.
- Board and Council report to each other on meetings and activity.

OUR CUSTOMERS

We have a continued focus on our member and customer needs, attitudes, and behaviours. Knowing what our members and customers want, and how we can improve, is intrinsic to our co-operative Principles. It is also important in delivering our growth plans, and foundational to a financially healthy and successful co-op.

In 2024 our Analytics and Insight teams conducted a wide range of projects to help us better understand our customers and member-owners. For example, we used trends, proprietary data and macro-economic analysis to identify the themes impacting consumers up to 2035, enabling us to predict and prepare for the future.

We have now digitised our customer experience research programmes across our businesses, making it easier and faster for members and customers to tell us how we did and what we could improve.

OUR COLLEAGUES

Our Board recognises the importance of listening to, and engaging with, our 54,000 colleagues. Our Directors strongly believe that they cannot fulfil their duties without understanding and considering the views of our colleagues when making decisions.

We have well-established and effective methods of two-way communication with our colleagues. This includes our Colleague Voice mechanism, which exists at both local and national levels.

In 2024, at least two of our Directors attended our National Colleague Voice listening sessions and this will continue throughout 2025. In addition, a Member Nominated Director attends our Member Council's People and Communities Committee. The members of our Remuneration Committee have oversight of all colleague rewards and benefits and passionately champion colleague wellbeing. All Directors continue to visit stores, funeral homes, depots and sites relevant to our delivery of social value.

With the launch of our new Co-op vision, it has never been more important to have engaged colleagues who feel connected to our Co-op, understand the part they play in it and feel valued for their contribution. It is fundamental to our Co-op's ongoing and future success. In 2024, we saw continued improvement in colleague engagement (as measured in our annual Talkback colleague survey). Despite another turbulent year, our engagement score improved from 72% to 73% (+1 percentage point improvement on 2023 and +5 percentage points on 2022).

For all the colleague engagement activities which contributed to this, [read our Social Value and Sustainability report](#).

OUR SUPPLIERS

A strong, trusted and transparent supply chain is integral to our success. Our co-operative Values and Principles underpin all of our supplier relationships as we continue to balance commerciality with shared value and communities.

Our Co-op has a range of suppliers, who provide goods and services to support our businesses and operations. We work closely with our suppliers to ensure that everyone involved in producing our products is treated fairly. Our Board monitors our relationship with our suppliers in a number of ways, including via the Risk and Audit Committee on areas such as our compliance with the Groceries Supply Code of Practice and our approach to sustainability issues.

We continue to work with our suppliers directly and as part of collaborative initiatives to build our understanding of issues and develop solutions and action plans in response to the many social and environmental challenges facing our supply chain, from human rights issues to climate change. Our participation in collaborative initiatives is a key part of our approach as we recognise that we will have a greater impact working together than on our own.

We have continued to focus on providing support for our suppliers, working collaboratively to protect those that are most vulnerable, protect workers and continue to champion resilient livelihoods for everyone in our supply chain.

You can read more about our approach to responsible sourcing in [our Social Value and Sustainability Report](#). The way we approach modern slavery is detailed in [our Modern Slavery Statement](#).

FAIRTRADE PARTNERS

In 2024 we were incredibly proud to be celebrating 30 years of Fairtrade; three decades of standing with farmers and workers for fairer terms of trade, supporting them to improve their livelihoods and invest in their communities.

Read more about [how we work with our suppliers](#) and the impact we have in Fairtrade communities.

RIGHT BY YOUR COMMUNITY

Our member-owners have a voice in how we spend a share of our profits to support local communities across the UK. Through member participation and co-operation and by bringing communities together we're delivering lasting change for people and the planet, delivering social value for our member-owners and their communities.

It's important that we hold true to our Values and Principles, so investing in our local communities remains at the heart of our membership. We do this through supporting local causes in our members' communities and our charity partnerships.

Co-op membership also means member-owners can get involved in opportunities such as supporting our community activities, campaigning on issues or helping to develop Co-op products.

For examples of how we have engaged with and supported our members' communities during 2024, read [our Social Value and Sustainability report](#).

OTHER CO-OPS

The sixth co-operative principle is that a co-op co-operates, works with and supports other co-ops – which is just one of the reasons that working closely with other co-ops is so important to us.

We are the major shareholder in Federal Retail and Trading Services Limited (FRTS), which is collectively owned by our Co-op and Independent Society Members (ISMs), which are all retail co-operatives. Through FRTS, our Co-op collaborates with ISMs on the management and operation of a centralised buying function.

ISMs are members of our Co-op and are also represented on our Members' Council.

We are passionate about proactively growing the co-operative economy by promoting, developing and uniting co-operatives. Throughout 2024, we have continued to share our thoughts, experiences and learnings with other co-operatives, as well as supporting and engaging with other co-operatives and co-operative movement bodies in the UK and overseas.

Finally, we were delighted that in her 2024 Mansion House speech the Chancellor of the Exchequer announced the creation of the Co-operatives and Mutual Sector Business Council, of which Co-op is one of four founding business members. This Council has been created to work across the sector to engage the UK Government in support of its manifesto commitment to double the size of the co-operative and mutual sector.

CO-OP ACADEMIES TRUST

We have continued to support the work of the Co-op Academies Trust (CAT), which has 38 academies operating across the North of England and the Midlands. Our Co-op Academies remain a key part of our vision.

As sponsor, the Co-op Group is a corporate member of CAT and also appoints all other trust members from its senior management team. CAT's members in turn appoint the trustees, who are responsible for the trust. The Chair of Trustees is a member of the Co-op's management team and is joined by other trustees drawn from Co-op, as well as from the educational and charity sector.

During 2024, individual Board Directors and senior leaders across all parts of our Co-op visited Co-op Academies. In February 2024, our Members' Council visited Co-op Academy Belle Vue in Manchester which was awarded Outstanding status by Ofsted.

SUSTAINABILITY

Our approach to sustainability is critical in our current and future plans and is embedded in our wider Vision. We will continue to drive forward our sustainability agenda and our ambitious approach to climate action, ensuring that we keep focused on protecting people and the planet.

We can't deliver our commitments alone, so we work with our member-owners, communities, customers, colleagues and suppliers. You can read more about our Climate Plan and progress in [our Social Value and Sustainability Report](#).

FINANCIAL STATEMENTS

Our Co-op's money is our member-owners' money.
Here, we share our accounting information for 2024 with you.



Consolidated income statement

for the 52 week period ended 4 January 2025

Continuing Operations	Notes	2024 £m	2023 £m
Revenue (excluding funeral plans)	2	11,188	11,176
Insurance revenue (funeral plans)	2, 20	91	86
Total Revenue	2	11,279	11,262
Operating expenses (excluding funeral plans)*	3	(11,108)	(11,139)
Insurance service expenses (funeral plans)	20	(81)	(80)
Other income*	5	61	23
Operating profit	1	151	66
Finance income	6	154	126
Finance costs (excluding funeral plans)	7	(126)	(148)
Insurance finance expenses (funeral plans)	7, 20	(18)	(16)
Profit before tax	1	161	28
Taxation	8	(63)	(27)
Profit from continuing operations		98	1
Profit on discontinued operation (after tax)		-	2
Profit for the period		98	3

The comparative figures in 2023 represent the 53 week period ended 6th January 2024.

The accompanying notes on pages 138 - 205 form an integral part of these financial statements.

* The prior period has been represented to show gains on property disposals and revaluations as other income for consistency with the current period where the amount is material.

Reconciliation to Underlying performance measures (APMs*)

for the 52 week period ended 4 January 2025

Continuing Operations	Notes	2024 £m	2023 £m
Operating profit - as above	1	151	66
Add back / (deduct):			
- Property disposals and closures	1	(19)	(9)
- Impairment of non-current assets	1	18	32
- Change in value of investment properties	23	(14)	(4)
- Other non-underlying items	1	(5)	12
Underlying operating profit*	1	131	97
Less underlying net interest on loans and deposits	6, 7	(22)	(31)
Less underlying net interest expense on leases	6, 7	(64)	(68)
Underlying profit / (loss) before tax*		45	(2)

The comparative figures in 2023 represent the 53 week period ended 6th January 2024.

*Refer to Note 1 for a definition of Underlying operating profit and Underlying profit / (loss) before tax. Further detail on the Group's alternative performance measures (APMs) is given in the Glossary section on page 226.

Consolidated statement of comprehensive income / (loss)

for the 52 week period ended 4 January 2025

	Notes	2024 £m	2023 £m
Profit for the period		98	3
Items that will never be reclassified to the income statement:			
Remeasurement gains / (losses) on employee pension schemes	24	8	(1,310)
Related tax on items above	8	(2)	328
		6	(982)
Items that are or may be reclassified to the income statement:			
Revaluation gain on properties prior to transfer to Investment properties	23	3	3
Insurance finance income / (expense) on funeral plans	20	94	(37)
Tax on funeral plan liabilities (insurance contracts)	8	(24)	9
		73	(25)
Other comprehensive income / (loss) for the period net of tax		79	(1,007)
Total comprehensive income / (loss) for the period		177	(1,004)

The comparative figures in 2023 represent the 53 week period ended 6th January 2024.

The accompanying notes on pages 138 - 205 form an integral part of these financial statements.

Consolidated balance sheet

as at 4 January 2025

	Notes	2024 £m	2023 £m
Property, plant and equipment	10	1,556	1,543
Right-of-use assets	11	805	827
Goodwill and intangible assets	12	924	917
Investment properties	23	51	40
Investments in associates and joint ventures		5	5
Funeral plan investments	13	1,414	1,346
Pension assets (net pension assets for schemes in surplus)	24	328	359
Trade and other receivables	16	6	7
Finance lease receivables	11	20	21
Deferred tax assets	14	-	52
Total non-current assets		5,109	5,117
Inventories	15	457	440
Trade and other receivables	16	602	595
Finance lease receivables	11	6	8
Short-term investments	17	100	200
Cash and cash equivalents	17	320	395
Total current assets		1,485	1,638
Total assets		6,594	6,755
Interest-bearing loans and borrowings	18	358	470
Lease liabilities	11	1,020	1,054
Trade and other payables	19	9	18
Insurance and re-insurance contract liabilities (funeral plans)	20	932	1,017
Derivatives	26	6	10
Provisions	21	47	55
Pension liabilities (net pension liabilities for schemes in deficit)	24	3	3
Deferred tax liabilities	14	38	-
Total non-current liabilities		2,413	2,627
Interest-bearing loans and borrowings	18	126	218
Lease liabilities	11	173	179
Trade and other payables	19	1,555	1,564
Insurance and re-insurance contract liabilities (funeral plans)	20	77	89
Derivatives	26	3	3
Provisions	21	49	55
Total current liabilities		1,983	2,108
Total liabilities		4,396	4,735
Members' share capital	22	77	76
Retained earnings	22	2,109	1,935
Other reserves	22	12	9
Total equity		2,198	2,020
Total equity and liabilities		6,594	6,755

The accompanying notes on pages 138 - 205 form an integral part of these financial statements.

Board's certification

The financial statements on pages 133 - 205 are hereby signed on behalf of the Board pursuant to Section 80 (1) (a) of the Co-operative and Community Benefit Societies Act.

Shirine Khoury-Haq - Chief Executive Officer
2 April 2025

Rachel Izzard - Chief Financial Officer

Dominic Kendal-Ward - Group Secretary

Consolidated statement of changes in equity

for the 52 week period ended 4 January 2025

For the 52 weeks ended 4 January 2025	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 6 January 2024		76	1,935	9	2,020
Profit for the period		-	98	-	98
Other comprehensive income / (loss):					
Remeasurement gain on employee pension schemes	24	-	8	-	8
Tax on remeasurement losses (pension schemes)	8	-	(2)	-	(2)
Insurance finance income (funeral plans)	20	-	94	-	94
Tax on funeral plan liabilities (insurance contracts)	8	-	(24)	-	(24)
Revaluation gain on properties prior to transfer to Investment properties	23	-	-	3	3
Total other comprehensive income		-	76	3	79
Shares issued less shares withdrawn	22	1	-	-	1
Total of items taken directly to retained earnings		1	-	-	1
Balance at 4 January 2025	22	77	2,109	12	2,198

The accompanying notes on pages 138 - 205 form an integral part of these financial statements.

For the 53 weeks ended 6 January 2024	Notes	Members' share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
Balance at 31 December 2022		75	2,942	6	3,023
Profit for the period		-	3	-	3
Other comprehensive income / (loss):					
Remeasurement loss on employee pension schemes	24	-	(1,310)	-	(1,310)
Tax on items taken directly to other comprehensive income	8	-	328	-	328
Insurance finance income (funeral plans)	20	-	(37)	-	(37)
Tax on funeral plan liabilities (insurance contracts)	8	-	9	-	9
Revaluation gain on properties prior to transfer to Investment properties	23	-	-	3	3
Total other comprehensive loss		-	(1,010)	3	(1,007)
Shares issued less shares withdrawn	22	1	-	-	1
Total of items taken directly to retained earnings		1	-	-	1
Balance at 6 January 2024	22	76	1,935	9	2,020

Consolidated cash flow statement

for the 52 week period ended 4 January 2025

Group cash flow	Notes	2024 £m	2023 £m
Net cash from operating activities	9	456	602
Cash flows from investing activities:			
Purchase of property, plant and equipment		(248)	(182)
Proceeds from sale of property, plant and equipment		24	23
Purchase of intangible assets		(25)	(23)
Disposal of businesses		5	10
Disposal of petrol forecourts		5	4
Purchase of investments for pre-paid funeral plan sales	13	(90)	(73)
Receipts from funds for pre-paid funeral plans performed or cancelled	13	110	113
Purchase of short-term investments	17	(100)	(200)
Proceeds from sale of short-term investments	17	200	-
Dividends received from investments		1	-
Interest received on subleases		2	2
Rent received on subleases *		8	10
Interest received on deposits		28	18
Net cash used in investing activities		(80)	(298)
Cash flows from financing activities:			
Interest paid on borrowings		(53)	(57)
Interest paid on lease liabilities	11	(67)	(70)
Repayment of borrowings	18	(204)	(101)
Increase in other borrowings	18	-	1
Payment of lease liabilities *	11	(126)	(133)
Derivative settlements		(2)	3
Share capital	22	1	1
Net cash used in financing activities		(451)	(356)
Net decrease in cash and cash equivalents		(75)	(52)
Cash and cash equivalents at beginning of period		395	447
Cash and cash equivalents at end of period (per balance sheet)	17	320	395

*The comparative figures have been represented to show rent received on subleases gross (and in a new separate line in the table above) whereas previously they netted off within payment of lease liabilities.

The accompanying notes on pages 138 - 205 form an integral part of these financial statements.

Group net debt (APM*)	Notes	2024 £m	2023 £m
Interest-bearing loans and borrowings	18	(484)	(688)
Lease liabilities	18	(1,193)	(1,233)
Total debt		(1,677)	(1,921)
- Group cash	17	320	395
- Short-term investments	17	100	200
Group net debt		(1,257)	(1,326)
Add back: accrued interest on amortised debt		9	11
Group net debt (excluding accrued interest on amortised debt)*	18	(1,248)	(1,315)
Group net debt (excluding lease liabilities and accrued interest on amortised debt)*	18	(55)	(82)

* Further detail on the Group's net debt APMs (alternative performance measures) is given in the Glossary section on page 226.

Notes to the financial statements

1 Operating segments

The Group identifies its operating segments based on its divisions, which are organised according to the different products and services it offers its customers. The operating segments (and the captions) reported below are based on the periodic results reported into the Chief Operating Decision Maker which is the Board and where the respective division's results meet the minimum reporting thresholds set out in IFRS 8 (Operating Segments). Our other holding and support companies are included within costs from supporting functions.

2024	Food £m	Federal (e) £m	Wholesale £m	Funeral £m	Legal £m	Insurance £m	Support functions £m	Total £m
Revenue from external customers	7,403	2,076	1,399	289	84	28	-	11,279
Cost of goods and services (j)	(5,056)	(2,076)	(1,220)	(35)	(8)	-	-	(8,395)
Employee benefits expense (j)	(1,181)	-	(18)	(106)	(35)	(5)	(174)	(1,519)
Distribution and other costs and income (j)	(965)	-	(162)	(149)	(14)	(8)	64	(1,234)
Underlying operating profit / (loss) (c)	201	-	(1)	(1)	27	15	(110)	131
Property disposals and closures (c) (i)	7	-	1	-	-	-	11	19
Impairment of non-current assets (c) (ii)	(17)	-	(1)	-	-	-	-	(18)
Change in value of investment properties	-	-	-	-	-	-	14	14
Other non-underlying items (c) (iii)	19	-	(1)	(8)	-	-	(5)	5
Operating profit / (loss) (a)	210	-	(2)	(9)	27	15	(90)	151
Profit before tax (Funerals only) (g)	103							
Depreciation and amortisation	293	-	6	29	1	-	21	350
EBITDA (f)	503	-	4	20	28	15	(69)	501
Underlying EBITDA (f)	494	-	5	28	28	15	(89)	481
Additions to non-current assets (d)	194	-	6	31	-	-	42	273

Funeral revenue comprises £91m (2023: £86m) in relation to our pre-need funeral plan business and £198m (2023: £195m) for at-need funerals.

Food provides a wholesale service to other independent co-operative societies on a cost recovery basis. The cost of this service amounting to £158m (2023: £134m) is shown in Cost of goods and services in the Federal segment, with the corresponding income in Food presented in Distribution and other costs and income line. In addition, group central cost recharges to other business segments amounting to £208m (2023: £208m) are included within the Distribution and other costs and income line.

2023	Food (h) £m	Federal (e) £m	Wholesale £m	Funeral £m	Legal £m	Insurance £m	Support functions (h) £m	Total £m
Revenue from external customers	7,262	2,142	1,480	281	68	29	-	11,262
Cost of goods and services (j)	(5,000)	(2,142)	(1,290)	(32)	(7)	-	-	(8,471)
Employee benefits expense (j)	(1,116)	-	(17)	(106)	(30)	(4)	(159)	(1,432)
Distribution and other costs and income (j)	(973)	-	(159)	(154)	(10)	(11)	45	(1,262)
Underlying operating profit / (loss) (c)	173	-	14	(11)	21	14	(114)	97
Property disposals and closures (c) (i)	9	-	(1)	-	-	-	1	9
Impairment of non-current assets (c) (ii)	(20)	-	(1)	-	-	-	(11)	(32)
Change in value of investment properties	-	-	-	-	-	-	4	4
Other non-underlying items (c) (iii)	9	-	-	-	-	-	(21)	(12)
Operating profit / (loss) (a)	171	-	12	(11)	21	14	(141)	66
Profit before tax (Funerals only) (g)	13							
Depreciation and amortisation	314	-	8	27	1	-	21	371
EBITDA (f)	485	-	20	16	22	14	(120)	437
Underlying EBITDA (f)	487	-	22	16	22	14	(93)	468
Additions to non-current assets (d)	151	-	5	19	-	-	30	205

The 2024 figures represent the 52 week period ended 4th January 2025 with the comparative figures in 2023 representing the 53 week period ended 6th January 2024. See overleaf for explanatory footnotes (a) - (j) including (h) detailing the re-representation of Community reward in 2023 from the Food segment to Costs from supporting functions and (j) detailing the introduction of additional cost lines in-line with recent IFRIC guidance (July 2024).

Notes to the financial statements continued

1 Operating segments continued

a) Each segment earns its revenue and profits from the sale of goods and provision of services, mainly from retail activities. Transactions between operating segments excluded in the analysis are £125m (2023: £272m) of sales of goods by Food to Wholesale net of supplier income and £136m (2023: £149m) of pass through recharges (e.g. payroll and transport costs) made by Food to Wholesale.

b) The Group's external revenue and non-current assets arise primarily within the United Kingdom. The Group does not have any major customers who account for 10% or more of revenue. In-line with how information is presented to the Board then underlying segment operating profit includes an appropriate allocation of central support centre costs which are re-charged to the operating segments.

c) Underlying operating profit / (loss) is an Alternative performance measure (APM) as defined in the Glossary section on page 226. The difference between underlying operating profit / (loss) and operating profit / (loss) includes the following items:

(i) Gains from property and business disposals of £19m (2023: £9m) comprise of a £7m gain (2023: £9m gain) on Food stores and £1m gain (2023: £1m gain) in Wholesale disposals, and a £11m gain (2023: £1m loss) on non-trading properties sold during the year.

(ii) Net impairment charges of £18m (2023: £32m) relate to £17m of Food stores net impairment charge (2023: £20m) and £1m for Wholesale (2023: £1m), with £nil impairment relating to supporting functions (2023: £11m). The impairment charge relates to £8m (2023: £11m) in respect of Property, plant and equipment and £10m (2023: £21m) of Right-of-use assets (refer to notes 10 and 11).

(iii) Other non-underlying items totalling a £5m gain (2023: £12m charge) comprising; a £17m gain relating to a one off adjustment to eliminate an historic fair value adjustment to certain Property, plant and equipment assets, a £5m charge in relation to legal costs incurred in respect of ongoing legal claims and a £7m charge in relation to the recognition of funeral plan liabilities for plans waiting redemption (omitted on adoption of IFRS 17).

d) Additions to non-current assets are shown on a cash flow basis (and exclude funeral plan investments).

e) Federal relates to the activities of a joint buying group that is operated by the Group for itself and other independent co-operative societies. The Group acts as a wholesaler to the other independent co-operatives and generates sales from this. This is run on a cost recovery basis and therefore no profit is derived from its activities. In the current period revenue in the Federal segment includes £2m (2023: £207m) of sales at nil margin for goods supplied to AFS (Arthur Foodstores Limited - the entity that was sold to Asda as part of the disposal of our petrol forecourt estate in October 2022).

f) Details of the Group's APMs (alternative performance measures) including EBITDA can be found in the Glossary on page 226.

g) The Funeral segment includes the results of our pre-need funeral plan business recorded under IFRS 17 (Insurance Contracts). Underlying operating profit remains an important performance measure and basis of our segmental reporting, however for the Funeral segment we consider that this should be reviewed alongside other metrics to understand the performance of the Funeralcare business. As such we have included profit before tax as an additional metric in the segmental tables for the Funeral business to aid a reader's understanding of the performance of that business

Funerals segment (£m)	2024	2023
Operating loss	(9)	(11)
Finance income (funeral plans)	102	17
Finance cost (funeral plans)	(18)	(16)
Finance income (other)	30	25
Finance costs (other)	(2)	(2)
Profit before tax	103	13
Net cash from operating activities	20	36

h) Following a change to our membership proposition, Community rewards are now included within Costs from supporting functions whereas previously they were included within the Food segment. The comparative tables above have been represented to reflect this change seeing £19m (2023) of costs moved from Food to Costs from supporting functions.

j) The tables on the previous page include three new lines in both the current and prior periods for individually material operating expense line items. This is In-line with the recent IFRIC guidance (July 2024) issued in relation to IFRS 8 (Operating Segments). There are no individual cost or income categories within the 'Distribution and other costs and income' aggregated balance that are assessed as being material for individual disclosure.

Notes to the financial statements continued

1 Operating segments continued

k) A reconciliation between Underlying operating profit, Underlying profit / (loss) before tax and Profit before tax (continuing operations) is provided below:

Continuing Operations	Notes	2024 £m	2023 £m
Underlying operating profit		131	97
Underlying net interest on loans and deposits	6, 7	(22)	(31)
Underlying net interest expense on leases	6, 7	(64)	(68)
Underlying profit / (loss) before tax		45	(2)
Property disposals and closures	1	19	9
Impairment of non-current assets	1	(18)	(32)
Change in value of investment properties	23	14	4
Other non-underlying items	1	5	(12)
Finance income (net pension income)	6	17	77
Fair value movement on foreign exchange contracts and commodity derivatives (net)	7	(1)	(6)
Fair value movement on interest rate swaps	6	3	4
Fair value movement on quoted Group debt	7	(3)	(10)
Finance income (funeral plans)	6	102	17
Finance costs (funeral plans)	7	(18)	(16)
Other non-underlying finance income	6	5	1
Other non-underlying finance interest	7	(9)	(6)
Profit before tax (continuing operations)		161	28

2 Revenue

	2024 £m	2023 £m
Retail sales	7,398	7,284
Member reward on sale of goods	5	(22)
Provision of services	312	295
Insurance revenue (funeral plans)	91	86
Member reward earned on provision of services	(2)	(3)
Wholesale sales	1,399	1,480
Federal sales	2,076	2,142
Total Revenue	11,279	11,262

The 2024 figures represent the 52 week period ended 4th January 2025 with the 2023 comparatives representing 53 weeks to 6 January 2024.

Historically, member rewards were earned at 2% of member spend on selected Co-op products and services. Member rewards earned were recognised as a reduction in sales at the point they were earned. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024 with any unused reward being recognised within revenue in the income statement based on an assessment of future redemption rates. Please also refer to Note 30 (Membership and community reward).

Notes to the financial statements continued

2 Revenue continued

Accounting policies

Unless stated otherwise, Revenue is recognised in line with IFRS 15 (Revenue from Contracts with Customers). IFRS 15 defines performance obligations as a 'promise to provide a distinct good or service or a series of distinct goods or services'. Revenue is recognised when a performance obligation has been delivered which reflects the point when control over a product or service transfers to a customer. Revenue is measured based on the consideration set out in the contract with the customer and excludes amounts collected on behalf of third parties. As noted below; Revenue on funeral plans (our pre-need business) is recognised in line with IFRS 17 (Insurance Contracts).

Sale of goods

The Group recognises revenue when it transfers control over a product to a customer. For goods sold in store, revenue is recognised at the point of sale. For online or wholesale sales of goods, revenue is recognised on collection by, or delivery to, the customer. Any rebates, VAT and other sales tax or duty items are deducted from revenue. Included within the Wholesale segment are sales to our franchise stores (where franchisees operate a food store using the Co-op brand and Co-op supplied products). Co-op act as principal in the arrangement and recognise income gross in respect of goods supplied by Co-op to the franchisees as well as a franchise fee based on turnover for provision of the Co-op brand and additional support services.

Provision of services

Provision of services relates to activities in our Funerals (at-need business only), Legal services and Insurance businesses. Revenue is recognised when separate performance obligations are delivered to the customer.

i) Funerals (at-need); the only separable performance obligation is the funeral itself and therefore revenue is only recognised when the funeral is performed (or the funeral plan is redeemed and the funeral is performed). Revenue comprises the amount recoverable from clients for the provision of funerals and income from crematoria and other services, once those services have been performed or the goods supplied. Co-op pays certain disbursements (such as burial plots, cremation fees, doctors' fees or ministers' fees) on behalf of its customers, which are recovered as part of the invoicing process. The charges are passed through to customers at cost with Co-op acting as an agent in the transaction (as we do not control the goods or services) and therefore no revenue is recognised. Income from memorial sales is recognised at the point of sale, to the extent that the goods have been supplied. In the supply of monumental masonry, revenue is recognised at the point the masonry is fitted into place.

ii) Legal Services; revenue within personal injury and probate is recognised using a fixed milestone methodology which represents the progression and fulfilment of a case. Milestones have been derived by using the output method, which means consideration on performance and value transfer to the client. This approach and timing of milestones is reviewed on a regular basis to ensure revenue is recognised within the appropriate accounting period. Revenue includes income generated on assets (client monies) under management in respect of the delivery of regulated services.

iii) Insurance; revenue relates to brokerage commission receivable for products not underwritten by Co-op and the recognition of income received in advance of services performed under a distribution agreement. Revenue is recognised when performance obligations are met being the later of the policy inception date and the date on which policy placement is complete, net of expected commission claw back. Co-op receives commission for the brokerage service it provides on products underwritten by third party insurer partners. Performance obligations are satisfied at the date on which policy placement is complete and the policy is inception. The transaction price recognised as revenue is calculated based on the contracted commission rates payable by the third party insurer which underwrites each policy and the policy premium.

Funerals (pre-need) Insurance revenue (funeral plans)

The Group adopted IFRS 17 (Insurance Contracts) from 1 January 2023 which specifically applies to the Group's pre-need funeral plans (including the re-insurance of the payment waiver risk where Group waives the remaining payments if a customer dies during the payment term subject to conditions). Under IFRS 17 the Group recognises revenue over the contract coverage period (being the duration of the funeral plan). Further detail as to the accounting policies used to record revenue, recognise profit and value the insurance contract liability are given in Note 20.

Member rewards

In the comparative periods Member and Community rewards were earned at 2% of member spend on selected Co-op products and services. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024. Members have been able to redeem their rewards throughout 2024 with any unused reward recognised within revenue in the income statement based on an assessment of future redemption rates. Member rewards earned as part of our membership offer were recognised as a reduction in sales at the point they were earned with a corresponding liability being held on the balance sheet. The liability was then reduced when the rewards were redeemed. The Community reward on member's spend was recognised as an operating expense in the income statement when it was earned. Member pricing deals are treated as a reduction in the transaction price of the product and hence a reduction in revenue.

Federal sales - principal versus agent presentation

The Group operates a joint buying group for itself and other independent co-operative societies. The Group acts as a wholesaler to the other independent co-operatives and generates sales from this. This is run on a cost recovery basis and therefore no profit is derived from its activities. The Group controls the goods prior to the transfer to the independent co-operatives, and in accordance with IFRS 15, the Group is acting as the principal in these transactions (as opposed to an agent) and records revenue on that basis.

Notes to the financial statements continued

3 Operating expenses

Operating profit is stated after (charging) / crediting the following:

	2024 £m	2023 £m
Cost of goods and services recognised as an expense*	(8,395)	(8,471)
Employee benefits expense (see below)*	(1,519)	(1,432)
Impairment of plant, property and equipment and goodwill	(8)	(11)
Impairment of right-of-use assets	(10)	(21)
Depreciation of plant, property and equipment	(208)	(225)
Depreciation of right-of-use assets	(110)	(106)
Amortisation of intangible assets	(32)	(40)
Charge on allowance for expected credit losses on trade receivables	(8)	(10)
Credit on allowance for expected credit losses on trade receivables	9	8
Subscriptions and donations	(9)	(7)
Community reward earned**	(1)	(20)

* As part of our response to the recent IFRIC guidance (July 2024) issued in relation to IFRS 8 (Operating Segments); certain costs in these line items have been represented in the prior year between categories to better reflect their nature for segmental reporting. See also Note 1 footnote (j). Furthermore, certain income categories have been represented within Other Income (Note 5) rather than Operating expenses.

** Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024.

Employee benefits expense

	2024 £m	2023 £m
Wages and salaries*	(1,355)	(1,280)
Social security costs	(97)	(87)
Pension costs - defined benefit schemes	(6)	(6)
Pension costs - defined contribution schemes	(61)	(59)
Total employee benefits expense	(1,519)	(1,432)

* As part of our response to the recent IFRIC guidance (July 2024) issued in relation to IFRS 8 (Operating Segments); certain costs in these line items have been represented in the prior year between categories to better reflect their nature for segmental reporting. See also Note 1 footnote (j).

Employee benefits expense includes executive directors.

Employee numbers

The average number of people employed by the Group in the UK (including executive directors) during the year 52 week period ended 4th January 2025 (2023: 53 week period ended 6th January 2024) was:

	2024 Number	2023 Number
Full-time	17,373	17,899
Part-time	37,482	39,205
Total average employees	54,855	57,104

As at the balance sheet date (4th January 2025) there were 54,030 employees; comprising 17,195 (full-time) and 36,835 (part-time).

Remuneration of key management

We regard the Board and Executive as our key management personnel and details of their remuneration can be found on pages 70 - 89.

Notes to the financial statements continued

3 Operating expenses continued

Auditor remuneration	2024 £m	2023 £m
Audit of these financial statements	3.0	4.2
Audit of financial statements of subsidiaries	0.8	0.8
Non-audit services	0.1	0.1
Total fees	3.9	5.1

Accounting policies

Operating expenses are analysed by nature, as defined by IAS 1 (Presentation of Financial Statements). Payments to charitable organisations or colleague members are treated as charges in the income statement.

4 Supplier income

Supplier income	2024 £m	2023 £m
Food - Long-term agreements	166	162
Food - Bonus income	130	74
Food - Promotional income	258	260
Total Food supplier income	554	496
Wholesale - Long-term agreements	26	32
Wholesale - Bonus income	10	12
Wholesale - Promotional income	69	72
Wholesale supplier income	105	116
Total supplier income	659	612

Percentage of Cost of Sales before deducting Supplier income	%	%
Food - Long-term agreements	3.0%	3.0%
Food - Bonus income	2.4%	1.4%
Food - Promotional income	4.7%	4.8%
Total Food supplier income percentage	10.1%	9.2%
Wholesale - Long-term agreements	2.1%	2.4%
Wholesale - Bonus income	0.8%	0.9%
Wholesale - Promotional income	5.5%	5.3%
Total Wholesale supplier income percentage	8.4%	8.6%

All figures exclude any income or purchases made as part of the Federal joint buying group (as supplier income is passed on to Federal (FRTS) members in the same proportion as the ratio to their cost of sales).

Notes to the financial statements continued

4 Supplier Income continued

Accounting policies

Supplier income

Supplier income is recognised as a deduction from cost of sales on an accruals basis, based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. Where amounts received are in the expectation of future business, these are recognised in the income statement in line with that future business.

The Group has a mixture of contractual terms with its suppliers. Where our trading terms state that the supplier income is netted against amounts owing to that supplier and it is our intention to settle the balances on a net basis then any outstanding invoiced supplier income at the reporting date is included within trade payables (Note 19). Any amounts received in advance of income being recognised are included in accruals and deferred income (Note 19). When we do not have the right of offset (or we do not intend to settle on a net basis) then the Group classifies outstanding supplier income within trade receivables (Note 15). Where the supplier income is earned but not yet invoiced to the supplier at the reporting date, this is classified within accrued income (Note 15).

There are three main types of income:

1. Long-term agreements: These refer to supplier income rebates based on the value of purchases Co-op places with its suppliers. Typically, these are annual % rebate agreements applied to the purchases Co-op makes from its suppliers. Income is only recognised once the rebate agreement is in place with the supplier.

2. Bonus income: These are typically unique payments made by the supplier and are not based on volume. They include payments for marketing support, range promotion and product development. These amounts are recognised when the income is earned and confirmed by suppliers. An element of the income is deferred if it relates to a future period.

3. Promotional income: Rebates based on sales volumes relating to agreed promotional activity. These are retrospective rebates based on sales volumes.

The inventory balance is stated net of any supplier income value on goods not sold at year-end.

5 Other income

	2024 £m	2023 £m
Rental income from non-investment properties	7	6
Rental income from investment properties	2	3
Gain on property, business disposals and closures (before impairments) *	19	9
Change in value of investment properties *	14	4
Net gain on other plant and equipment disposals *	2	1
Gain on one-off fair value adjustment **	17	-
Total other income	61	23

* We have assessed the presentation of certain classes of similar items, and represented these amounts into the Other income category (previously they were presented in Operating expenses (Note 3)).

** Relates to a one-off adjustment to eliminate an historic fair value adjustment to certain Property, plant and equipment assets.

Accounting policies

Rental income from investment and non-investment properties

Rental income arising from operating leases on both investment and non-investment properties is accounted for on a straight-line basis over the lease term. Rental income arising on these non-trading properties is shown as Other Income (rather than as Revenue) as the income does not form an integral part of our core business strategy and operating model. For accounting policies relating to investment properties, refer to Note 23.

Notes to the financial statements continued

6 Finance income

	2024	2023
	£m	£m
<i>Underlying finance income:</i>		
Interest income from finance lease receivables	2	2
Interest receivable on deposits	25	25
Total underlying finance income	27	27
<i>Non-underlying finance income:</i>		
Net pension finance income	17	77
Fair value movement on interest rate swaps	3	4
Unrealised fair value movement on funeral plan investments	102	17
Other non-underlying finance income*	5	1
Total non-underlying finance income	127	99
Total finance income	154	126

* Following adoption of IFRS 17 in the previous year; we have further refined our actuarial model during the year resulting in a one-off adjustment to plan liabilities of £19m (see Note 20). Furthermore, £14m of investments relating to fixed monthly payment plans (FMPs) have been de-recognised during the year (see Note 13).

7 Finance costs

	2024	2023
	£m	£m
<i>Underlying finance costs:</i>		
Interest on loans (all repayable within five years)	(47)	(56)
Interest expense on lease liabilities	(66)	(70)
Total underlying finance cost	(113)	(126)
<i>Non-underlying finance costs:</i>		
Fair value movement on foreign exchange contracts and commodity derivatives	(1)	(6)
Fair value movement on quoted Group debt	(3)	(10)
Other non-underlying finance interest	(9)	(6)
Insurance finance expenses (funeral plans)	(18)	(16)
Total non-underlying finance cost	(31)	(38)
Total finance costs	(144)	(164)

Total interest expense on financial liabilities (including lease liabilities) that are not at fair value through the income statement was £104m (2023: £117m).

Notes to the financial statements continued

8 Taxation

	Footnote	2024 £m	2023 £m
Current tax credit - current period	(i)	-	1
Current tax credit - adjustment in respect of prior periods		-	-
Net current tax credit - in respect of continuing operations		-	1
Net current tax charge - in respect of discontinued operations		-	(1)
Total current tax charge		-	-
Deferred tax charge - current period	(ii)	(74)	(29)
Deferred tax credit - adjustments in respect of prior periods	(iii)	11	3
Deferred tax charge - impact of rate change (see note below)	(ii)	-	(2)
Total deferred tax charge		(63)	(28)
Total tax charge reported in the income statement		(63)	(27)
Total tax charge attributable to a discontinued operation		-	(1)
Total tax charge		(63)	(28)

The tax on the Group's net profit before tax differs from the theoretical amount that would arise using the standard applicable rate of corporation tax of 25.0% (2023: 23.5%) as follows:

	Footnote	2024 £m	2023 £m
Profit before tax from continuing operations		161	28
Profit before tax from discontinued operation		-	3
Total profit before tax		161	31
Tax charge at 25.0% (2023: 23.5%)		(40)	(7)
Current tax reconciliation:			
Expenses not deductible for tax (including one-off costs)	(iv)	(20)	(9)
Depreciation and amortisation on non-qualifying assets	(v)	(12)	(10)
Capital gains arising on property disposals	(vi)	(2)	(1)
Impact on current tax for movement in temporary tax differences (see below)		74	27
Total current tax charge		-	-
Deferred tax reconciliation: (Utilisation) / increase of temporary tax differences - see Note 14 footnote (vii)			
Utilisation of capital allowances in excess of depreciation on qualifying assets		(78)	(10)
Utilisation of brought forward tax losses		(1)	(1)
Pension timing differences		10	(20)
Unwind of restatement adjustment on adoption of IFRS 16		(5)	(4)
IFRS 17 Funeral plan liabilities		-	5
Unrealised gains on investment properties, rolled-over gains and historic business combinations		-	1
Subtotal of deferred tax reconciling items		(74)	(29)
Other deferred tax items:			
Adjustment in respect of previous periods	(iii)	11	3
Impact of restatement of deferred tax to enacted rate	(vii)	-	(2)
Total deferred tax charge		(63)	(28)
Total tax charge		(63)	(28)

Notes to the financial statements continued

8 Taxation continued

Tax expense on items taken directly to consolidated statement of comprehensive income:

	2024 £m	2023 £m
Actuarial gains and losses on employee pension scheme	(2)	328
IFRS 17 Funeral plan liabilities	(24)	9
Tax on items taken directly to consolidated statement of comprehensive income	(26)	337

Of the £26m tax taken directly to the consolidated statement of comprehensive income, £2m debit (2023: £328m credit) arises on the actuarial movement on employee pension schemes with the main movement through OCI being the £24m debit in relation to IFRS 17. There was no movement this year directly to the consolidated statement of comprehensive income in respect of investment properties revaluations.

Based on legislation previously passed, the corporation tax rate increased from 19% to 25% with effect from 1 April 2023. To the extent the above deferred tax assets and liabilities are expected to crystallise after this date they should be valued using 25%. The bulk of the deferred tax assets and liabilities, as shown in Note 14, are expected to crystallise over a much longer time frame, being mainly the retirement benefit obligations, capital allowances on fixed assets and unrealised gains on investment properties, rolled-over gains and historic business combinations. As the rate of corporation tax will be 25% for all periods after the period end, it is appropriate to recognise deferred tax at that rate.

Tax policy

We publish our tax policy on our website (<https://www.co-operative.coop/ethics/tax-policy>) and have complied with the commitments set out in that policy.

Pillar 2

The OECD has promoted Pillar 2 reform and this has now been introduced into the UK tax system. The new rules are designed to promote the international actions put forward by the OECD to impose a minimum tax rate of 15%. The Co-op have considered the new rules and concluded that its prevailing Effective Tax Rate is above 15% and that therefore the Pillar 2 rules have no application in terms of affecting the Group's tax cost. This is mainly due to prevailing and integral permanent differences in the Group's tax calculations which will have the impact of increasing the accounting Profit Before Tax for the foreseeable future.

Footnotes to Taxation note 8:

i) The Group is not tax-paying in the UK in respect of 2024 due to the fact it has offset its current year profits by utilising some of its brought forward tax attributes. The tax attributes used have mainly been brought forward capital allowances (£373m gross claimed in 2024) and tax losses (£5m gross utilised in 2024) that offset its taxable profits for the period. These allowances and losses are explained in more detail in Note 14. The current tax charge nets to £nil.

Outside of the UK, our Isle of Man resident subsidiary, Manx Co-operative Society, a convenience retailing business in the Isle of Man showed a small profit in 2024, giving rise to a small current tax liability of £0.2m (2023: £0.1m). This is the Group's only non-UK resident entity for tax purposes, which employs 89 part-time and 147 full-time colleagues out of our total Group headcount figure. All other income in the consolidated income statement is generated by UK activities and all other colleagues are employed in the UK.

The 2024 revenue of Manx Co-operative Society is £42m and all other revenue reflected in the consolidated income statement is generated by UK trading activities. The net assets of Manx Co-operative Society at 4 January 2025 were £16m, compared to net assets of the consolidated Group of £2,198m. The Manx assets represent the only overseas trading assets within the Group. A full copy of the most recent accounts is available here <https://www.co-operative.coop/investors/rules>. The presence of this Isle of Man resident subsidiary has not resulted in any additional tax charge in 2024 over and above that payable to the Isle of Man authorities stated above. If these activities had been carried out in the UK, these profits would have been included within the Group's taxable profit prior to the availability of capital allowances and tax losses.

ii) Deferred tax is an accounting concept that reflects how some income and expenses can affect the tax charge in different periods to when they are reflected for accounting purposes. These differences are a result of tax legislation which require us to make these adjustments in our annual tax returns. The £73m deferred tax charge mainly relates to the net use of temporary differences in respect of the movements on pension assets and capital allowances not yet claimed. Note 14 gives further detail on how each deferred tax balance has moved in the year.

iii) The deferred tax adjustments in respect of prior years is a common adjustment. It reflects the difference between what is known at the time and reflected in the notes to these accounts and when the final tax returns are submitted to HMRC. In this year, we have made an £11m credit adjustment in respect of prior years.

iv) Some expenses incurred by the Group may be entirely appropriate charges for inclusion in its financial statements but are not allowed as a deduction against taxable income when calculating the Group's tax liability. Examples of this include some repairs, entertaining costs and certain legal costs.

v) During the year the Group incurred expenditure on depreciating fixed assets which do not qualify for capital allowances. As this expenditure will never attract tax relief, this has led to an adjusting difference on the reconciliation.

vi) During the year a number of properties were sold, where the net taxable profit was more than the accounting profit.

vii) It is a requirement to measure deferred tax balances at the substantively enacted corporation tax rate at which they are expected to unwind. As the enacted deferred tax rate is the same as the current tax rate of 25%, there has been no difference to record this year.

Accounting policies

Income tax on the profit or loss for the period is made up of current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in reserves, in which case it is recognised in other comprehensive income. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements continued

9 Reconciliation of operating profit to net cash flow from operating activities

	2024	2023
	£m	£m
Operating profit	151	66
Depreciation and amortisation charges	350	371
Non-current asset impairments	25	37
Non-current asset impairment reversals	(7)	(5)
Profit on closure and disposal of businesses and non-current assets	(19)	(10)
Change in value of investment properties	(14)	(4)
Other non-underlying items *	(17)	-
Retirement benefit obligations	56	(9)
Increase in inventories	(17)	(7)
(Increase) / Decrease in receivables	(12)	13
Increase / (Decrease) in expected credit losses on trade receivables	(3)	1
Increase in insurance contract liabilities (funeral plans)	(2)	(28)
(Decrease) / Increase in payables and provisions	(35)	174
Net cash flow from operating activities before net cash flow from discontinued operations	456	599
Net cash flow from operating activities relating to discontinued operations	-	3
Net cash flow from operating activities	456	602

* Other non-underlying items reflect a £17m non-cash gain relating to a one off adjustment to eliminate an historic fair value adjustment to certain Property, plant and equipment assets which had not been amortised. This gain has been treated as a non-underlying item in the Income statement. See also Note 1 c) (iii).

Accounting policies

Refer to note 17 for details of the accounting policy for Cash and cash equivalents.

Notes to the financial statements continued

10 Property, plant and equipment

For the period ended 4 January 2025	Property £m	Plant and equipment £m	Total £m
<u>Cost or valuation:</u>			
At 6 January 2024	1,362	2,719	4,081
Additions	49	188	237
Disposals *	(81)	(125)	(206)
Transfer to Investment properties (Note 23)	(4)	-	(4)
At 4 January 2025	1,326	2,782	4,108
<u>Depreciation:</u>			
At 6 January 2024	634	1,904	2,538
Charge for the period	27	181	208
Impairment	6	2	8
Disposals *	(74)	(128)	(202)
At 4 January 2025	593	1,959	2,552
<u>Net book value:</u>			
At 4 January 2025	733	823	1,556
At 6 January 2024	728	815	1,543
Capital work in progress included above	-	23	23

* The disposal values for both Cost and Accumulated depreciation noted in the table above include £135m of fully written down assets that are no longer in use (these were identified as part of a cleanse of the fixed asset register with a nil impact on net book value). Furthermore, the disposal of accumulated depreciation line includes a £17m gain relating to a one off adjustment to eliminate a historic fair value adjustment to certain Property, plant and equipment assets. This gain has been treated as a non-underlying item in the Income statement. See also Note 1 c) (iii).

The net impairment charge of £8m (2023: £11m) primarily reflects fluctuation in the performance of our Food stores, also impacted by an increase in the pre-tax discount rate (see also Critical accounting estimates and judgements section of this note).

For the period ended 6 January 2024	Property £m	Plant and equipment £m	Total £m
<u>Cost or valuation:</u>			
At 31 December 2022	1,359	2,619	3,978
Additions	19	143	162
Disposals	(11)	(43)	(54)
Transfer to Investment properties (Note 23)	(5)	-	(5)
At 6 January 2024	1,362	2,719	4,081
<u>Depreciation:</u>			
At 31 December 2022	609	1,738	2,347
Charge for the period	26	199	225
Impairment	5	6	11
Disposals	(6)	(39)	(45)
At 6 January 2024	634	1,904	2,538
<u>Net book value:</u>			
At 6 January 2024	728	815	1,543
At 31 December 2022	750	881	1,631
Capital work in progress included above	-	26	26

Notes to the financial statements continued

10 Property, plant and equipment continued

Critical accounting estimates and judgements

Impairment

An impairment review as at 4 January 2025 has been performed over our Food and Funeralcare estate with a total net impairment charge amounting to £18m (2023: £32m), relating to £8m for Property, plant and equipment (2023: £11m) and £10m for Right of use assets (2023: £21m). Gross impairment recognised in respect of Property, plant and equipment amounted to £12m (2023: £14m), offset by impairment reversals of £3m (2023: £3m), whilst the gross impairment relating to right of use assets was £13m (2023: £23m) offset by impairment reversals of £4m (2023: £2m). The key assumptions in the value in use calculations are:

Assumption	Food Segment	Funeral Segment
Structure of a CGU	Each individual food store is deemed to be an individual CGU.	A CGU is deemed to be a local network of interdependent branches, known as a Funeralcare Hub.
Cash flow assumptions	<p>Future cash flows for FY25 and FY26 are derived from Board approved four-year plan cash flow assumptions.</p> <p>These forecasts are based on the approved forecasts for FY25 - FY26 and then subject to a long term growth rate of 0% for the remainder of the lease period. Growth rate of 1.9% (2023: 1.9%) is applied into perpetuity (adjusted for rent expense given the impact of IFRS 16 leases), after the lease period, reflecting the UK's long-term growth rate. Where we have known lease exit dates then the remaining lease terms have been used. For freehold stores, the assumed time frame aligns with the average store refit cycle of 10 years, with cash flows taken to perpetuity at 1.9% growth (2023: 1.9%) where stores are expected to be operated beyond the average store refit cycle. Cash flows include estimated periodic store capital maintenance costs based on the square footage of the store.</p>	<p>Future cash flows for FY25 and FY26 are derived from Board approved four-year plan cash flow projections.</p> <p>These forecasts are based on budget for FY25, four-year plan for FY26 and then subject to a long term growth rate of 1.07% (2023: 1.9%) reflecting the UK's long-term death rate (2023: reflecting the UK's long-term growth rate) for the period of the lease and into perpetuity. Where we have known lease exit dates then the remaining lease terms have been used. For freehold branches, the assumed time frame aligns with the average branch refit cycle.</p>
	<p>New stores in their first two years of operations are considered to be on a maturity curve and therefore excluded from our impairment assessment. Similarly, impairment reversals are considered after a store has completed a two year recovery period.</p>	<p>Perpetuities are included in cash flows with 1.07% growth (2023: 1.9%) where branches are expected to be operational beyond their current lease terms (adjusted for rent expense given the impact of IFRS 16 leases), or for freeholds, beyond the average branch refit cycle.</p> <p>Cash flows include an appropriate estimate of periodic capital maintenance costs.</p>
	<p>The Group is working through the potential impact of the climate related risks and opportunities as identified and disclosed in our Climate-Related Financial Disclosures (CRFD) report on pages 110 - 118. Our risk assessment and scenario analysis identified that the most material climate related risks are on technology and consumer sentiment. We have considered these risks in our assessment of whether any indicators of impairment existed at the balance sheet date, however it was concluded that the expected climate related risks did not have a material impact on the Group's impairment considerations at the reporting date.</p> <p>The board-approved four year plan underpinning our goodwill impairment assessment, takes into consideration any incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.</p>	

Notes to the financial statements continued

10 Property, plant and equipment continued

Impairment - continued

Assumption	Food Segment	Funeral Segment
Discount rate and Sensitivity analysis	A post tax discount rate has been calculated for impairment purposes, with the Food segment's weighted average cost of capital (WACC) deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 10.3% (2023: 9.6%). The post tax discount rate has been calculated using the capital asset pricing model.	A post tax discount rate has been calculated for impairment purposes, with the Funeralcare segment's weighted average cost of capital (WACC) deemed to be an appropriate rate, subsequently grossed up to a pre-tax rate of 9.7% (2023: 11.6%). The post tax discount rate has been calculated using the capital asset pricing model.
	Certain inputs into the capital asset pricing model are not readily available for non-listed entities. As such, certain inputs have been obtained from industry benchmarks which carries a measure of estimation uncertainty.	Certain inputs into the capital asset pricing model are not readily available for non-listed entities. As such, certain inputs have been obtained from industry benchmarks which carries a measure of estimation uncertainty.
	Sensitivity analysis has been performed against the key assumptions used in our store impairment testing as follows: a) a 1% increase or decrease to the discount rate and b) a 1% increase or decrease in the long term growth rate. The sensitivities have not resulted in a material movement in the impairment calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions.	Sensitivity analysis has been performed against the key assumptions used in our Funeralcare Hub impairment testing as follows: a) a 1% increase or decrease to the discount rate and b) a 1% increase or decrease in the long term growth rate. The sensitivities have not resulted in a material movement in the impairment calculated. The sensitivity analysis performed considers reasonably possible changes in the discount rate and growth rate assumptions.
	Sensitivity analysis has also been performed on our goodwill impairment testing, see note 12.	Sensitivity analysis has also been performed on our goodwill impairment testing, see note 12.

Accounting policies

Where parts of an item of property, plant and equipment have materially different useful economic lives, they are accounted for as separate items of property, plant and equipment. Cost includes purchase price plus any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is provided on the cost or valuation less estimated residual value (excluding freehold land) on a straight-line basis over the anticipated working lives of the assets. The estimated useful lives are as follows and where appropriate would also include our assessment of the expected impact on asset lives of our plan to move to net zero by 2040:

Property

Freehold buildings - 50 years

All properties are measured at cost less accumulated depreciation and impairment losses.

Land is not depreciated

Plant & equipment

Plant and machinery - 3 to 13 years

Vehicles - 3 to 9 years

We no longer include property, plant and equipment in our balance sheet when the Group loses the right to the future economic benefits associated with the asset. For property, this usually happens when we have exchanged contracts on an unconditional basis to sell it.

Impairment

For the Food segment, the Group treats each store as a separate cash-generating unit for impairment testing of property, plant and equipment and right-of-use assets. The Group allocates goodwill to groups of cash-generating units, where appropriate. Whilst the individual food stores represent the cash generating units, the lowest level at which internal management monitor the performance of the business is at a total Food segment level. To meet the requirements of IAS 36 CGUs are grouped together for goodwill impairment testing as described in note 12.

For the Funerals segment, the Group treats a local network of interdependent branches, known as a Funeralcare Hub, as a separate cash-generating unit for impairment testing of property, plant and equipment, right-of-use assets and goodwill. Where an individual branch within a local network is to be closed, the individual branch is defined as the CGU, rather than being included with the network of interdependent branches. This is because the branch is no longer expected to contribute to the business through cash generated through its operating activities but instead through any proceeds on disposal.

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, is estimated in order to determine the extent of the impairment loss. The recoverable amount for Food and Funeral cash generating units (CGUs) is the greater of the fair value of the CGU (less costs to sell) and the value in use (VIU) of the CGU. For freehold stores the fair value of the CGUs (less costs to sell) is estimated using internal valuations based on rateable values or recent market values where known. Where the VIU estimates are higher than the fair value estimates the VIU estimates have been used in the impairment assessments. The VIU for Food and Funeral CGUs has been determined using discounted cash flow calculations. Impairment losses are recognised in the income statement.

Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount is returned to what it would have been, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements continued

11 Leases

A. As a lessee

Right-of-use assets	Property £m	Plant and equipment £m	Total £m
Balance at 6th January 2024	774	53	827
Depreciation charge for the year	(89)	(21)	(110)
Additions	87	33	120
Disposals	(20)	-	(20)
Transfer to Investment Properties (Note 23)	(2)	-	(2)
Impairment	(10)	-	(10)
Balance at 4th January 2025	740	65	805
Balance at 1st January 2023	821	61	882
Depreciation charge for the year	(93)	(13)	(106)
Additions	79	5	84
Disposals	(12)	-	(12)
Impairment	(21)	-	(21)
Balance at 6th January 2024	774	53	827

The Group leases many assets, principally it leases properties for its food retail stores and funeral branches as well as some vehicles and other equipment. The leases of retail stores are typically between 1 and 20 years in length (2023: 1 and 20 years), and leases of funeral branches are typically between 1 and 10 years in length (2023: 1 and 10 years). Vehicle and equipment leases are typically between 1 and 4 years in length (2023: 1 and 4 years) and in some cases the Group has options to purchase the assets at the end of the contract term. Additions to right-of-use assets may vary to the lease liability additions figure noted in the table below due to the accounting treatment of lease incentives and dilapidation provisions under IFRS 16.

In the context of potential impairment, the critical accounting estimates and judgments set out in Note 10 (Property, plant and equipment) are also applicable for right-of-use assets. Impairment of £10m (2023: £21m) comprises £10m (2023: £11m) against food stores where future cashflow forecasts do not support the carrying value of the right-of-use assets. The prior year includes a £10m charge in the Corporate centre primarily against the value of the right-of-use asset held for our Support Centre at Angel Square.

Lease liabilities	2024 £m	2023 £m
Current	(173)	(179)
Non-current	(1,020)	(1,054)
Lease liabilities included in the Consolidated balance sheet	(1,193)	(1,233)

Lease liabilities	2024 £m	2023 £m
At the start of the period	(1,233)	(1,306)
Additions	(121)	(90)
Disposals	35	30
Interest expense	(67)	(70)
Payments	193	203
Total lease liabilities	(1,193)	(1,233)

Notes to the financial statements continued

11 Leases continued

Extension and termination options

Some leases of retail stores contain extension or termination options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension and termination options in new leases to provide operational flexibility. The extension and termination options held are typically exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The Group reassesses whether it is reasonably certain to exercise the options if there is a material event or material change in circumstances within its control. As at 4 January 2025, potential discounted future cash outflows of £179m (2023: £165m) have not been included in the lease liability because it is not reasonably certain that the Group will exercise the extension option. Included within the lease liability are discounted future cash outflows of £102m (2023: £96m) where the group holds termination options but it is not reasonably certain to execute those termination options. In addition, an estimated £56m of potential discounted future cash outflows is not included in the lease liability relating to contracts currently under review for renewal.

Short term leases

The Group recognised rent expense from short-term leases of £2m (2023: £2m).

B. As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2024 £m	2023 £m
Operating lease (i)		
Lease income	8	9
Finance lease (ii)		
Finance income on the net investment in the lease	2	2

i. Operating lease

The Group leases out its investment properties. The Group classifies these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2024 £m	2023 £m
Less than one year	5	5
One to two years	4	4
Two to three years	4	4
Three to four years	4	3
Four to five years	4	2
More than five years	26	31
Total undiscounted lease payments receivable	47	49

ii. Finance lease

The Group also subleases some of its non-occupied leased properties. The Group classifies the sublease as a finance lease, where the period of the sublease is for substantially the remaining term of the head lease. The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Notes to the financial statements continued

11 Leases continued

B. As a lessor - continued

ii. Finance lease - continued

	2024 £m	2023 £m
Less than one year	6	8
One to two years	6	8
Two to three years	6	7
Three to four years	5	6
Four to five years	4	5
More than five years	22	22
Total undiscounted lease payments receivable	49	56
Less: Unearned finance income	(11)	(14)
Present value of minimum lease payments receivable	38	42
Impairment loss allowance	(12)	(13)
Finance lease receivable (net of impairment allowance)	26	29

	2024 £m	2023 £m
Current	6	8
Non-current	20	21
Total finance lease receivable	26	29

The average term of finance leases entered into is 10 years (2023: 9 years).

Impairment of finance lease receivables

The Group estimates the loss allowance on finance lease receivables at an amount equal to lifetime expected credit losses. The lifetime expected credit losses are estimated based upon historical defaults on subleases, the credit quality of current tenants and forward-looking factors.

Accounting policies

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Notes to the financial statements continued

12 Goodwill and intangible assets

For period ended 4 January 2025	Goodwill £m	Computer software £m	Other intangibles £m	Total £m
<u>Cost:</u>				
At 6 January 2024	1,126	387	43	1,556
Additions	-	40	-	40
Disposals	(3)	(40)	-	(43)
At 4 January 2025	1,123	387	43	1,553
<u>Accumulated amortisation and impairment:</u>				
At 6 January 2024	385	215	39	639
Charge for the period	-	31	1	32
Disposals	(2)	(40)	-	(42)
At 4 January 2025	383	206	40	629
Net book value:				
At 4 January 2025	740	181	3	924

Computer software includes £25m (2023: £18m) of intangible work in progress. Disposals (both Cost and Accumulated depreciation) in Computer software includes £40m of fully written down asset value disposed in relation to certain legacy group entities which were wound down during the year.

For period ended 6 January 2024	Goodwill £m	Computer software £m	Other intangibles £m	Total £m
<u>Cost:</u>				
At 31 December 2022	1,131	361	43	1,535
Additions	-	26	-	26
Disposals	(5)	-	-	(5)
At 6 January 2024	1,126	387	43	1,556
<u>Accumulated amortisation and impairment:</u>				
At 31 December 2022	387	176	38	601
Charge for the period	-	39	1	40
Impairment	(2)	-	-	(2)
At 6 January 2024	385	215	39	639
Net book value:				
At 6 January 2024	741	172	4	917

Notes to the financial statements continued

12 Goodwill and intangible assets continued

Goodwill

The components of goodwill are as follows:

	2024	2023
	£m	£m
Food	720	721
Other businesses	20	20
Total goodwill	740	741

The goodwill within other businesses principally relates to the goodwill recognised in the Funeral and Legal Services businesses.

Critical accounting estimates and judgements

Goodwill impairment and sensitivity testing

For the Food goodwill impairment review, the Food segment's future cash flow projections have been taken from the Board-approved plan, taken into perpetuity and discounted to present value at a pre-tax rate of 10.3% (2023: 9.6%). A long-term growth rate of 1.9% has been applied beyond the board-approved plan period FY25 - FY28 (2023: 1.9%). Sensitivity analysis has been performed on these assumptions, testing for a 1% increase in discount rate and a 1% decrease in long term growth rate, with resulting cash flows remaining well in excess of the current carrying value.

For the Funerals goodwill impairment review, average selling price increases, wage and cost inflation have been applied in line with the assumptions in the Board-approved plan. Although inherently uncertain this also includes our best estimate of future death rates. Cash flows have been projected based on the Board-approved plan and into perpetuity from year four and discounted back to present value using a pre-tax discount rate of 9.7% (2023: 11.6%). A long term growth rate of 1.07% has been applied beyond the board-approved period, reflecting the UK's long term death rate (2023: 1.9%). Sensitivity analysis has been performed with the discount rate increased by 1% and a 1% decrease in long term growth rate, with resulting cash flows remaining well in excess of the current carrying value.

The Group is working through the potential impact of the climate related risks and opportunities as identified and disclosed in our Climate-Related Financial Disclosures (CRFD) report on pages 110 - 118. Our risk assessment and scenario analysis identified that the most material climate related risks are on technology and consumer sentiment. We have considered these risks in our assessment of whether any indicators of impairment existed at the balance sheet date, however it was concluded that the expected climate related risks did not have a material impact on the Group's impairment considerations at the reporting date. The Board-approved plan underpinning our goodwill impairment assessment, takes into consideration incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.

Notes to the financial statements continued

12 Goodwill and intangible assets continued

Accounting policies

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Assets and liabilities accepted under a transfer of engagements are restated at fair value, including any adjustments necessary to comply with the accounting policies of the Group.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of associates, the carrying value of goodwill is included in the carrying amount of the investment in the associate. Where impairment is required the amount is recognised in the income statement and cannot be written back.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Acquisition costs are expensed to the income statement when incurred.

Computer software

Computer software is stated at cost less accumulated amortisation and impairment. Costs directly attributable to the development of computer software for internal use are capitalised and classified as intangible assets where they are not an integral part of the related hardware and amortised over their useful life up to a maximum of seven years. We have considered the impact of guidance issued in March 2021 by the IFRS Interpretations Committee, which clarified IAS 38 guidance around what costs should and should not be capitalised specifically in relation to Software as a Service ('SaaS') contracts, and concluded that our policy continues to be compliant with the standard.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is charged to the income statement as incurred.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Goodwill with an indefinite useful life is tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software development costs: 3 - 10 years
- Other intangible assets: 1 - 10 years

Impairment

Goodwill is tested for impairment at least annually by assessing the recoverable amount of each cash-generating unit (CGU), or group of cash-generating units, to which the goodwill relates.

Food:

In the Food business, the CGUs to which goodwill has been allocated and the level at which it is monitored is deemed to be the Food segment as a whole as goodwill arising on acquisitions reflects synergies (principally buying benefits) that benefit the whole business. Accordingly, impairment testing for all store goodwill balances is carried out using all the food stores as the group of CGUs.

Other businesses:

The majority of goodwill within other businesses is allocated to the Funerals business.

In the Funerals business, a CGU to which goodwill has been allocated is determined as a local network of interdependent branches, known as a Funeralcare Hub.

Where an individual branch within a local network is to be closed, the CGU attributable to that branch is redefined as being solely that individual branch on the basis that the branch is no longer expected to contribute to the business through cash generated through its operating activities but instead through any proceeds on disposal.

Notes to the financial statements continued

13 Funeral plan investments

Funeral plan investments as per the balance sheet:	2024 £m	2023 £m
Non-current assets	1,414	1,346
Total Funeral plan investments	1,414	1,346

Funeral plan investments held by the Group are as follows:	2024 £m	2023 £m
Fair value through the income statement:		
Funeral plan investments	1,414	1,346
Total Funeral plan investments	1,414	1,346

Funeral plan investments:	2024 £m	2023 £m
At start of period	1,346	1,369
Net plan investments (including ongoing instalments)	90	73
Plans redeemed	(96)	(95)
Plans cancelled	(14)	(18)
De-recognition of fixed monthly payment plans (FMPs)*	(14)	-
Unrealised fair value movement on funeral plan investments (Note 6)	102	17
At end of period	1,414	1,346

* £14m of investments relating to fixed monthly payment plans (FMPs), previously included in the funeral plan investment value, have been de-recognised during the year. In refining the IFRS 17 Insurance Contract cashflows the sum assured for these contracts has been incorporated in the calculation of the Reinsurance Liability cashflows so these balances are now recognised within the Reinsurance Contract Liabilities. See also note 20.

The funeral plan investments are financial assets which are recorded at fair value each period using valuations provided to Co-op by the policy provider. The plan values reflect the amount the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying investment performance. The investment strategy is targeted to deliver appropriate returns on the plan investments over the medium term to match expected inflationary increases in the cost to deliver a funeral. Assets include UK and overseas equities, gilts, corporate bonds, property and cash. The majority of these investments are held in whole of life insurance policies issued by The Royal London Mutual Insurance Society Limited. Whilst the main driver of their value is underlying investment performance, some policies also feature security of initial investment value at death and reduced investment volatility.

See Note 26 for further detail on the accounting policy for funeral plans.

Notes to the financial statements continued

14 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 25.0% (2023: 25.0%). Temporary differences arise because sometimes accounting and tax requirements mean that transactions are treated as happening at a different time for accounting purposes than they are for tax purposes.

Net deferred tax in the balance sheet:		2024	2023
		£m	£m
Deferred tax asset - continuing operations		324	395
Deferred tax liability - continuing operations		(362)	(343)
Net deferred tax (liability) / asset		(38)	52
Comprised of:	Footnote:		
Other temporary differences	(i)	(3)	(5)
Retirement benefit obligations	(ii)	(81)	(89)
Capital allowances on fixed assets	(iii)	250	315
Unrealised gains on investment properties, rolled-over gains and historic business combinations	(iv)	(148)	(145)
Tax losses	(v)	19	21
IFRS 16 adjustment	(vi)	38	43
IFRS 17 Funeral plan liabilities	(vii)	(113)	(88)
Net deferred tax (liability) / asset		(38)	52

The movements in the net deferred tax (liability) / asset during the period are set out below:

Movement in deferred tax:		2024	2023
		£m	£m
At beginning of the period		52	(258)
Income statement charge (see Note 8)		(63)	(28)
Additions / disposals		(1)	1
<u>Reported in other comprehensive income:</u>			
Retirement benefit obligations (see Note 8)	(ii)	(2)	328
<u>Items taken directly to Retained earnings:</u>			
IFRS 17 Funeral plan liabilities	(vii)	(24)	9
At end of the period		(38)	52

Finance Act 2021 enacted an increase in the main rate of corporation tax to 25% to take effect from 1 April 2023. As the temporary differences which would give rise to a corporation tax charge at the point they unwind, will fall after the increase in rate to 25%, the appropriate rate at which to charge deferred tax, is also 25%. Due to the Group's improved performance during the year, the Group has utilised deferred tax assets to the extent that the net deferred tax balance is now a net deferred tax liability of £38m (2023 net deferred tax asset was £52m).

Notes to the financial statements continued

14 Deferred taxation - continued

Footnotes:

i) This amount includes deferred tax liabilities that arose on the acquisition of Nisa Retail Limited in 2018 and the adoption of IFRS 9, also in 2018. These are partially offset by a deferred tax asset in respect of provisions. Expenses that have not yet been incurred are able to be recorded in the accounts as provisions. However, of these certain expenses don't receive tax relief until they have been paid for and so the related tax relief is delayed to a future period. During 2024 the amount of expense provisions deferred for tax purposes increased leading to a slightly smaller net liability being shown.

ii) During the period, the Group's pension scheme surplus decreased by £32m resulting in a decrease in the corresponding deferred tax liability of £8m. This amount represents the theoretical future tax cost to the Group in respect of the current pension scheme surplus.

iii) A deferred tax asset arises on capital allowances where the tax value of assets is higher than the accounts value of the same fixed assets. The reason the Group has a higher tax value for these fixed assets is due to the fact the Group has not made a claim to its maximum entitlement to capital allowances since 2013 due to reduced levels of trading profits in the intervening years. However, impairment, disposals and depreciation have continued to reduce the accounts value for our assets. The Group expects to use these allowances to reduce future trading profits.

iv) This amount represents the theoretical amount of tax that would be payable by the Group on (a) the sale of all investment properties, (b) the sale of properties that have been restated at their fair value on historic mergers and transfers of engagements and (c) the sale of any property that has had an historic capital gain 'rolled into' its base cost (which is an election available by statute designed to encourage businesses to reinvest proceeds from the sale of trading properties into new trading properties and ventures). The £4m increase in the liability over the year is mainly due to disposal of properties under class (c) above.

v) The Group has incurred trading losses and interest losses that were in excess of taxable profits in the past. These losses can be used to reduce future trading profits and capital gains which are included in future tax forecasts for the Group. The restriction on the amount of losses that can be used in any one year post 1 April 2017, being £5m plus 50% of any surplus taxable profits above this amount, is not expected to limit the use of these losses other than extend the time over which they will be claimed.

The decrease in asset of £1m is in respect of amounts offset against taxable profits this year.

vi) Deferred tax that arose on the adoption of IFRS 16 in 2019 will unwind over a number of years and reduce taxable profits in those future years. The decrease in asset of £5m is mainly in respect of the unwind during the year.

(vii) These movements relate to the application of IFRS 17 which require us to recognise gains and losses through our Profit Before Tax as well as through our Other Comprehensive Income. Both of these amounts are treated as taxable and have led to an £24m deferred tax charge in Other Comprehensive Income.

Accounting policies

Deferred tax is provided for, with no discounting, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profits, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available to use the asset against. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements continued

15 Inventories

Inventories include the following:	2024	2023
	£m	£m
Raw materials, consumables and work in progress	4	4
Finished goods and goods for resale	453	436
Total inventory	457	440

The period end inventory provision is £26m (2023: £27m) and a net credit of £1m (2023: net charge of £17m) has been made within operating expenses in the income statement. There was no inventory pledged as security for liabilities in the current or prior period.

Accounting policies

Inventories are stated at the lower of cost, including attributable overheads, and net realisable value. The inventory balance is stated net of any supplier income value on goods not sold at year-end.

16 Trade and other receivables

	2024	2023
	£m	£m
Non-current	6	7
Current	602	595
Total trade and other receivables	608	602

	2024	2023
	£m	£m
Trade receivables	344	351
Prepayments	42	43
Accrued income	152	118
Other receivables	79	102
	617	614
Allowance for expected credit losses	(9)	(12)
Total trade and other receivables	608	602

Trade receivables are non-interest bearing and the Group's standard payment terms are between 7 and 60 days.

Within trade receivables is £48m (2023: £84m) of supplier income that is due from Food and Wholesale suppliers. Accrued income includes £131m (2023: £96m) in relation to supplier income that has been recognised but not yet billed. As at 1st March 2025 (reflecting the close of Period 2 for the Group), £44m (2023: £77m) of the trade receivables balance had been invoiced and settled and £108m (2023: £87m) of the accrued income balance has been invoiced and settled.

The table below shows the movement in the allowance for expected credit losses for trade and other receivables:

	2024	2023
	£m	£m
Opening allowance for expected credit losses	12	11
Charge to the income statement	8	10
Payments	(2)	(1)
Credit to the income statement	(9)	(8)
Closing allowance for expected credit losses	9	12

The Group has applied the expected losses model as defined under IFRS 9 (Financial Instruments) which focuses on the risk that a trade receivable (including receivables relating to supplier income) will default rather than whether a loss has been incurred. The Group has applied a simplified approach as allowed under IFRS 9 to use a provision matrix for calculating expected losses for trade receivables. More information on credit risk and the use of a provision matrix is provided in Note 25 which outlines our approach to financial risk management.

Accounting policies

Refer to Note 26 Financial Instruments for the accounting policies relating to trade receivables and allowances for expected credit losses.

Notes to the financial statements continued

17 Cash and cash equivalents and short-term investments

Cash and cash equivalents	2024 £m	2023 £m
Cash in hand	47	53
Cash at banks	273	342
Cash and cash equivalents	320	395

The Group has a right of set-off across our bank accounts as part of a pooling arrangement with our principal bank. The Cash at banks figures include amounts receivable from customers or banks for debit or credit card payment transactions made by customers of £36m (2023: £37m) in the two days before year-end which don't clear the bank (and show on our bank statement) until the first working day of the new year.

Short-term investments	2024 £m	2023 £m
Cash deposits with banks (> 3 months)	100	200
Total Short-term investments	100	200

Accounting policies

Cash and cash equivalents; in the consolidated balance sheet comprise cash in hand, cash in transit and cash at bank and short-term deposits with banks with a maturity of three months or less, which are subject to an immaterial risk of changes in value. Cash and cash equivalents includes debit and credit card payments made by customers which are receivable from banks and clear the bank within three days of the transaction date.

In the statement of consolidated cash flows, cash and cash equivalents includes bank overdrafts as they are repayable on demand and deemed to form an integral part of the Group's cash management.

Amounts held in trustee-administered bank accounts of the Group of £9m (2023: £8m), which can only be utilised to meet liabilities in respect of funeral plans, are classed as Funeral plan investments (see Note 13) and not Cash and cash equivalents.

Short-term investments; represent surplus cash placed on deposit with banks or other financial institutions for periods of less than twelve months but more than three months. Balances are held at amortised cost and are included within our net debt calculation as short term investments.

Notes to the financial statements continued

18 Interest-bearing loans and borrowings

Non-current liabilities:	2024 £m	2023 £m
£109m 11% Final repayment subordinated notes due 2025**	-	109
£20m 11% Instalment repayment notes (final payment 2025)**	-	3
£105m 7.5% Bond Notes due 2026 (fair value)	108	105
£245m 7.5% Bond Notes due 2026 (amortised cost)	250	253
Total (excluding lease liabilities)	358	470
Lease liabilities	1,020	1,054
Total Group interest-bearing loans and borrowings	1,378	1,524

Current liabilities:	2024 £m	2023 £m
£200m 5.125% Sustainability Bond due 2024 (amortised cost) *	-	202
£109m 11% Final repayment subordinated notes due 2025**	109	-
£20m 11% Instalment repayment notes (final payment 2025)**	3	2
£245m 7.5% Bond Notes due 2026 (amortised cost) ***	9	9
Other borrowings	2	2
Corporate investor shares	3	3
Total (excluding lease liabilities)	126	218
Lease liabilities	173	179
Total Group interest-bearing loans and borrowings	299	397

* The remaining £200m principal on the Sustainability bond noted in the comparative period matured on 17 May 2024 and was repaid in full with cash.

** The £109m 11% Final repayment subordinated notes and the £20m 11% Instalment notes are both due in December 2025 and as such any remaining principal or interest has been classified within current liabilities in 2024 in the tables above (whereas in 2023 the majority of the liabilities were classified within non-current liabilities with only any interest or capital repayments due <1 year classified within current liabilities). Interest on the £109m (11% Final repayment subordinated notes 2025) is settled annually in December such that any interest accrual as at the current and comparative balance sheet dates is not material for disclosure in the table above. The £2m balance noted in the prior year represents the repayment of capital instalment due < 1 year on the £20m 11% Instalment repayment notes.

*** The amortised cost balances in current liabilities includes £9m on the 2026 bonds of accruals for interest payments that will be made within 1 year of the balance sheet date. These balances are excluded from our net debt metric as defined in the Glossary on page 226.

See Note 25 for more information about the Group's exposure to interest rate and foreign currency risk, and Note 26 for a breakdown of the Group's borrowings by the three-level fair value hierarchy (which reflects different valuation techniques) as defined within IFRS 13 (Fair Value Measurement).

Notes to the financial statements continued

18 Interest-bearing loans and borrowings - continued

Reconciliation of movement in net debt

Net debt is a measure that shows the amount we owe to banks and other external financial institutions less the cash that we have, any short-term deposits and any short-term investments that we hold. Some of our bond borrowings are held as financial liabilities at fair value through the income statement. The fair value movement on these liabilities is shown under non-cash movements in the tables below.

For period ended 4 January 2025	Start of period £m	Non cash movements		Cash flow £m	End of period £m
		New leases £m	Other £m		
<u>Interest-bearing loans and borrowings:</u>					
- current	(218)	-	(112)	204	(126)
- non-current	(470)	-	112	-	(358)
<u>Lease liabilities:</u>					
- current	(179)	(18)	(169)	193	(173)
- non-current	(1,054)	(103)	137	-	(1,020)
Total debt	(1,921)	(121)	(32)	397	(1,677)
<u>Group cash and short term investments:</u>					
- cash	395	-	-	(75)	320
- short-term investments	200	-	-	(100)	100
Group net debt	(1,326)	(121)	(32)	222	(1,257)
<u>Less: interest accrued on amortised debt</u>	<u>11</u>	<u>-</u>	<u>34</u>	<u>(36)</u>	<u>9</u>
Group net debt (excluding accrued interest)	(1,315)	(121)	2	186	(1,248)

See the Glossary on page 226 for further details of the Group's net debt APM metric. The £9m of interest accruals will be paid within 1 year (and is shown in the Current liabilities table on the previous page).

The main movements in Other non cash movements include: (i) Loans and borrowings; reclassification from non-current to current for instruments falling due <1 year and non-cash fair value and amortised cost movements (ii) Leases; the annual accrual of interest and reclassification from non-current to current for that portion of the lease liability falling due <1 year as the leases unwind / mature.

For period ended 6 January 2024	Start of period £m	Non cash movements		Cash flow £m	End of period £m
		New leases £m	Other £m		
<u>Interest-bearing loans and borrowings:</u>					
- current	(17)	-	(203)	2	(218)
- non-current	(763)	-	194	99	(470)
<u>Lease liabilities:</u>					
- current	(182)	(12)	(178)	193	(179)
- non-current	(1,124)	(68)	138	-	(1,054)
Total debt	(2,086)	(80)	(49)	294	(1,921)
<u>Group cash:</u>					
- cash	447	-	-	(52)	395
- short-term investments	-	-	-	200	200
Group net debt	(1,639)	(80)	(49)	442	(1,326)
<u>Less: interest accrued on amortised debt</u>	<u>11</u>	<u>-</u>	<u>43</u>	<u>(43)</u>	<u>11</u>
Group net debt (excluding accrued interest)	(1,628)	(80)	(6)	399	(1,315)

Details of the Group's bank facilities are shown in Note 26.

Notes to the financial statements continued

18 Interest-bearing loans and borrowings - continued

Terms and repayment schedule

The Group has a £350m Bond issued in May 2011, repayable in May 2026. This bond currently has an interest rate of 7.5%.

The Group also has two subordinated debt instruments in issue: £109m 11% final repayments notes due December 2025 and £20m 11% instalment repayment notes, with final repayment in December 2025. The value of the remaining instalments outstanding on the £20m 11% instalment repayment notes was £3m as at 4 January 2025.

On the 29 November 2024, the Group concluded an amendment and extension exercise on its Revolving Credit Facility, with a facility size of £400m and a 5 year term maturing in November 2029. The facility was undrawn as at 4 January 2025.

We have two key covenants under the amended RCF facility as follows:

Interest cover covenant – the ratio tests Co-op's ability to cover its financing costs from its earnings, and represents the ratio of adjusted EBITDA over adjusted net underlying finance costs.

Leverage covenant – the ratio compares our borrowings to our earnings, and represents the ratio of Group Net Debt, excluding lease liabilities, over adjusted EBITDA.

Both covenants had sufficient headroom at 2024 year end.

Further details of the Group's remaining banking facilities are given in Note 25.

Corporate investor shares

Corporate investor shares represent borrowings the Group has with other co-operative societies. The borrowings are split into Variable Corporate Investor Shares (VCIS) and Fixed Corporate Investor Shares (FCIS). The VCIS are repayable on demand and the FCIS are fixed term borrowings. As at 4 January 2025, Corporate Investor Shares borrowings were £3m (2023: £3m).

Accounting policies

The Group measures its interest-bearing loans and borrowings in two main ways:

1) Fair value through the income statement. Debt is restated as its fair value each period with the fair value movement going through the income statement. The hedged portion of the quoted Bond debt is accounted for in this way. This is because the Group has used interest rate swaps to hedge the impact of movements in the interest rate and the movement in the fair value of the quoted debt is partially offset by the fair value movement in the interest rate swaps (notes 6, 7 and 26). The unhedged portion of the quoted Bond debt is accounted for at amortised cost in accordance with IFRS 9. This approach applies to those borrowings taken out prior to the adoption of IFRS 9 in 2018. Any subsequent borrowings are measured at amortised cost as noted below.

2) Amortised cost. Borrowings are recognised initially at fair value, which equates to issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. The effective interest rate is calculated when borrowings are first taken out and is the rate that exactly discounts the estimated future cash payments associated with the borrowings to the value when they are initially recognised.

For more general information on accounting policies on financial instruments, refer to Note 26.

Notes to the financial statements continued

19 Trade and other payables

	2024 £m	2023 £m
Current	1,555	1,564
Non-current	9	18
Total trade and other payables	1,564	1,582

	2024 £m	2023 £m
Trade payables	1,083	1,050
Value Added Tax, PAYE and social security	12	33
Accruals	364	360
Deferred income	29	36
Other payables	76	103
Total trade and other payables	1,564	1,582

Further details on the maturity profile of trade and other payables can be found in Note 25.

Deferred income includes £15m (2023: £27m) in relation to the marketing and distribution arrangement entered into with Markerstudy Insurance Services Ltd (remaining term of 2 years and 4 months) following the sale of our Insurance underwriting business (CISGIL). Accruals includes capital expenditure accruals of £30m (2023: £36m), payroll accruals of £149m (2023: £142m) as well as standard cost accruals of £185m (2023: £182m).

Where our trading terms state that the supplier income is netted against amounts owing to that supplier and it is our intention to settle the balances on a net basis then any outstanding invoiced supplier income at the reporting date is included within trade payables. Trade payables includes £33m (2023: £29m) of supplier income receivable that has been offset against amounts owed to those suppliers.

The Group operates a supplier financing arrangement with Prime Revenue, under which suppliers can obtain accelerated settlement on invoices from the finance providers signed up to the programme. The Group settles these amounts in accordance with each supplier's agreed payment terms (which typically range between 30 to 60 days) and the payment terms of the suppliers participating in the scheme are similar to those that are not participating. At the balance sheet date; the Group's trade creditors balance includes £53m (2023: £56m) relating to payments due to Co-op suppliers under these arrangements and the suppliers have already taken payments of £42m (2023: £44m) in respect of those balances from the third-party finance provider. During the year ended 4 January 2025, the maximum facility was £108m (2023: £108m).

Access to the supplier finance scheme is by mutual agreement between the bank and supplier, where the supplier wishes to be paid faster than standard Group payment terms. The Group is not party to this contract. The scheme has no cost to the Group as the fees are paid by the supplier directly to the bank. The bank has no special seniority of claim to the Group upon liquidation and would be treated the same as any other trade payable. As the scheme does not change the characteristics of the trade payable, and the Group's obligation is not legally extinguished until the bank is repaid, the Group continues to recognise these liabilities within trade payables and all cash flows associated with the arrangements are included within operating cash flow as they continue to be part of the normal operating cycle of the Group.

Accounting policies

Refer to Note 26 Financial instruments for the accounting policies relating to trade payables.

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities)

Insurance contract liabilities (by nature) 2024	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m	£m	£m	£m
Insurance contract liability as at 6 January 2024	1,097	1	-	1,098
Insurance revenue	(91)	-	-	(91)
<i>Insurance service expenses:</i>				
Incurred claims and other expenses*	(13)	-	89	76
Amortisation of insurance acquisition cashflows	3	-	-	3
Losses on onerous contracts and reversals of those losses	-	2	-	2
Insurance service result	(101)	2	89	(10)
Insurance finance expenses (Income statement)	18	-	-	18
Insurance finance income (Other comprehensive income)	(95)	-	-	(95)
Total changes in Statement of comprehensive income	(178)	2	89	(87)
<i>Cashflows:</i>				
Premiums received less premiums refunded	91	-	-	91
Claims and other expenses paid	-	-	(85)	(85)
Insurance acquisition flows	(9)	-	-	(9)
Total cashflows	82	-	(85)	(3)
Insurance contract liability as at 4 January 2025	1,001	3	4	1,008

* Following adoption of IFRS 17 in the previous year we have further refined our actuarial model during the year resulting in a one-off adjustment to plan liabilities. The corresponding gain has been recognised in Finance Income (Note 6).

Insurance contract liabilities (by nature) 2023	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m	£m	£m	£m
Insurance contract liability as at 31 December 2022	1,073	-	-	1,073
Insurance revenue	(86)	-	-	(86)
<i>Insurance service expenses:</i>				
Incurred claims and other expenses	-	-	77	77
Amortisation of insurance acquisition cashflows	2	-	-	2
Losses on onerous contracts and reversals of those losses	-	1	-	1
Insurance service result	(84)	1	77	(6)
Insurance finance expenses (Income statement)	16	-	-	16
Insurance finance expense (Other comprehensive income)	36	-	-	36
Total changes in Statement of comprehensive income	(32)	1	77	46
<i>Cashflows:</i>				
Premiums received less premiums refunded	63	-	-	63
Claims and other expenses paid	-	-	(77)	(77)
Insurance acquisition flows	(7)	-	-	(7)
Total cashflows	56	-	(77)	(21)
Insurance contract liability as at 6 January 2024	1,097	1	-	1,098

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Insurance contract liabilities (by component) 2024	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin (CSM) £m	Total £m
Insurance contract liability as at 6 January 2024	934	55	109	1,098
<i>Changes that relate to current services:</i>				
CSM recognised for service provided	-	-	(3)	(3)
Risk adjustment for the risk expired	-	(4)	-	(4)
Experience adjustments	8	-	-	8
<i>Changes that relate to future services:</i>				
Contracts initially recognised in the period	(9)	1	8	-
Changes in estimates that adjust the CSM	37	13	(65)	(15)
Changes in estimates that do not adjust the CSM	2	-	-	2
Insurance service result	38	10	(60)	(12)
Insurance finance expenses (Income statement)	15	1	2	18
Insurance finance income (Other comprehensive income)	(73)	(21)	-	(94)
Total changes in Statement of comprehensive income	(20)	(10)	(58)	(88)
<i>Cashflows:</i>				
Premiums received less premiums refunded	91	-	-	91
Claims and other expenses paid	(85)	-	-	(85)
Insurance acquisition flows	(8)	-	-	(8)
Total cashflows	(2)	-	-	(2)
Insurance contract liability as at 4 January 2025	912	45	51	1,008

Insurance contract liabilities (by component) 2023	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin (CSM) £m	Total £m
Insurance contract liability as at 31 December 2022	896	55	122	1,073
<i>Changes that relate to current services:</i>				
CSM recognised for service provided	-	-	(6)	(6)
Risk adjustment for the risk expired	-	(4)	-	(4)
Experience adjustments	3	-	-	3
<i>Changes that relate to future services:</i>				
Contracts initially recognised in the period	(12)	1	11	-
Changes in estimates that adjust the CSM	21	(1)	(20)	-
Changes in estimates that do not adjust the CSM	1	-	-	1
Insurance service result	13	(4)	(15)	(6)
Insurance finance expenses (Income statement)	13	1	2	16
Insurance finance expense (Other comprehensive income)	33	3	-	36
Total changes in Statement of comprehensive income	59	-	(13)	46
<i>Cashflows:</i>				
Premiums received less premiums refunded	63	-	-	63
Claims and other expenses paid	(77)	-	-	(77)
Insurance acquisition flows	(7)	-	-	(7)
Total cashflows	(21)	-	-	(21)
Insurance contract liability as at 6 January 2024	934	55	109	1,098

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Re-insurance contract liabilities (by nature) 2024	Assets for remaining coverage		Amounts recoverable on insured claims £m	Total £m
	Excluding loss recovery component £m	Loss recovery component £m		
Net re-insurance contract liability as at 6 January 2024	8	-	-	8
An allocation of re-insurance premium	2	-	-	2
Amounts recoverable from re-insurers for incurred claims:				
Amounts recoverable for incurred claims and other expenses*	(6)	-	(2)	(8)
Net income from re-insurance contract held	(4)	-	(2)	(6)
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance income (Other comprehensive income)	1	-	-	1
Total changes in Statement of comprehensive income	(3)	-	(2)	(5)
Cashflows:				
Premiums paid (net of commission)	(4)	-	-	(4)
Amounts received	-	-	2	2
Total cashflows	(4)	-	2	(2)
Net re-insurance contract liability as at 4 January 2025	1	-	-	1

* Following adoption of IFRS 17 in the previous year we have further refined our actuarial model during the year resulting in a one-off adjustment to plan liabilities. The corresponding gain has been recognised in Finance Income (Note 6).

LCIPs can be paid for by instalments over between 2 and 25 years or they can be paid off in full at any time during this period without any penalties. If the plan holder dies before the instalments have been made in full (and provided that the plan has been in place for at least 12 months or the cause of death was as a result of an accident) then the funeral will still be provided by the Group and the customer will not have to settle the outstanding balance on any instalments and the balance of any monies owed will be waived. Any outstanding amounts owed to the Group (the difference between the full value of the plan and the amount paid up to death by the customer) are covered by an assured benefit from a third party insurer. The assured benefit is between the Group and the third party insurer and has nothing to do with the customer. The Society continues to apply instalment monies received against customers' individual funeral plans until such time as a plan is redeemed and or cancelled. The assured benefit between the Group and the 3rd party is judged to represent an insurance contract and as such falls under the scope of IFRS 17 (Insurance Contracts).

Re-insurance contract liabilities (by nature) 2023	Liabilities for remaining coverage		Amounts recoverable on insured claims £m	Total £m
	Excluding loss recovery component	Loss recovery component		
	£m	£m		
Net re-insurance contract liability as at 31 December 2022	8	-	-	8
An allocation of re-insurance premium	1	-	-	1
Amounts recoverable from re-insurers for incurred claims:				-
Amounts recoverable for incurred claims and other expenses	-	-	(1)	(1)
Net income from re-insurance contract held	1	-	(1)	-
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance income (Other comprehensive income)	1	-	-	1
Total changes in Statement of comprehensive income	2	-	(1)	1
Cashflows:				
Premiums paid (net of commission)	(2)	-	-	(2)
Amounts received	-	-	1	1
Total cashflows	(2)	-	1	(1)
Net re-insurance contract liability as at 6 January 2024	8	-	-	8

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Re-insurance contract liabilities (by component) 2024	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Net re-insurance contract liability as at 6 January 2024	7	-	1	8
<i>Changes that relate to current services:</i>				
Contractual service margin recognised for service provided	-	-	-	-
Risk adjustment for the risk expired	-	-	-	-
Experience adjustments	-	-	-	-
<i>Changes that relate to future services:</i>				
Contracts initially recognised in the period	-	-	-	-
Changes in estimates that adjust the contractual service margin	(4)	(1)	(1)	(6)
Re-insurance service result	(4)	(1)	(1)	(6)
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance expense (other comprehensive income)	-	1	-	1
Total changes in Statement of comprehensive Income	(4)	-	(1)	(5)
<i>Cashflows:</i>				
Premiums and similar expenses paid	(4)	-	-	(4)
Amounts received	2	-	-	2
Total cashflows	(2)	-	-	(2)
Net re-insurance contract liability as at 4 January 2025	1	-	-	1

Re-insurance contract liabilities (by component) 2023	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
Net re-insurance contract liability as at 31 December 2022	8	-	-	8
<i>Changes that relate to current services:</i>				
Contractual service margin recognised for service provided	-	-	-	-
Risk adjustment for the risk expired	-	-	-	-
Experience adjustments	-	-	-	-
<i>Changes that relate to future services:</i>				
Contracts initially recognised in the period	-	-	-	-
Changes in estimates that adjust the contractual service margin	(1)	-	1	-
Re-insurance service result	(1)	-	1	-
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance expense (other comprehensive income)	1	-	-	1
Total changes in Statement of comprehensive Income	-	-	1	1
<i>Cashflows:</i>				
Premiums and similar expenses paid	(2)	-	-	(2)
Amounts received	1	-	-	1
Total cashflows	(1)	-	-	(1)
Net re-insurance contract liability as at 6 January 2024	7	-	1	8

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Contractual service margin (2024)	Contracts using the fair value approach £m	All other contracts £m	Total £m
Contractual service margin as at 6 January 2024	85	24	109
<i>Changes that relate to current services:</i>			
Contractual service margin recognised for service provided	(2)	(1)	(3)
<i>Changes that relate to future services:</i>			
Contracts initially recognised in the period	-	8	8
Changes in estimates that adjust the contractual service margin	(49)	(16)	(65)
Sub-total	(51)	(9)	(60)
Insurance finance expenses	1	1	2
Contractual service margin as at 4 January 2025	35	16	51

Plans sold prior to 2020 were fair valued at transition.

Contractual service margin (2023)	Contracts using the fair value approach £m	All other contracts £m	Total £m
Contractual service margin as at 31 December 2022	105	17	122
<i>Changes that relate to current services:</i>			
Contractual service margin recognised for service provided	(5)	(1)	(6)
<i>Changes that relate to future services:</i>			
Contracts initially recognised in the period	-	11	11
Changes in estimates that adjust the contractual service margin	(16)	(4)	(20)
Sub-total	(21)	6	(15)
Insurance finance expenses	1	1	2
Contractual service margin as at 6 January 2024	85	24	109

New business (2024)	Profitable contracts issued £m	Onerous contracts issued £m	Total £m
<i>Insurance contracts:</i>			
Estimate of present value of future cashflows, excluding insurance acquisition costs	65	-	65
Estimate of insurance acquisition cashflows	9	-	9
Estimate of present value of future cash outflows	74	-	74
Estimate of present value of future cash inflows	(84)	-	(84)
Risk adjustment	1	-	1
Contractual service margin	9	-	9
Profit / (loss) on contracts at initial recognition	-	-	-

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

New business (2023)	Profitable contracts issued £m	Onerous contracts issued £m	Total £m
<i>Insurance contracts:</i>			
Estimate of present value of future cashflows, excluding insurance acquisition costs	39	-	39
Estimate of insurance acquisition cashflows	6	-	6
Estimate of present value of future cash outflows	45	-	45
Estimate of present value of future cash inflows	(56)	-	(56)
Risk adjustment	1	-	1
Contractual service margin	11	-	11
Profit on contracts at initial recognition	1	-	1

Insurance revenue	2024 £m	2023 £m
<i>Amounts relating to changes in liabilities for remaining coverage:</i>		
Contractual service margin recognised for services provided	3	6
Change in risk adjustment for non financial risk for risk expired	4	4
Expected incurred claims and other insurance service	81	73
Recovery of insurance acquisition cash flows	3	3
Total insurance revenue	91	86

Insurance revenue	2024 £m	2023 £m
Contracts using the fair value approach	75	74
All other contracts	16	12
Total insurance revenue	91	86

Plans sold prior to 2020 were fair valued at transition.

Contractual service margin maturity	2024 £m	2023 £m
- Less than 1 year	3	6
- 1 to 2 years	3	5
- 2 to 3 years	3	5
- 3 to 4 years	3	5
- more than 4 years	39	88
Total	51	109

Fulfilment cashflows	2024 £m	2023 £m
- Less than 1 year	64	59
- 1 to 2 years	67	61
- 2 to 3 years	67	62
- 3 to 4 years	67	62
- 4 to 5 years	67	61
- more than 5 years	1,454	1,402
Total	1,786	1,707

The figures in the table above are undiscounted and exclude cashflows relating to re-insurance as these are not material.

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Critical accounting estimates

Under IFRS 17 (Insurance Contracts) the Group's funeral plan liabilities reflect the current estimate of the present value of the future cashflows to provide the funeral. These are calculated using actuarial advice and are based on a range of assumptions and estimates. The assumptions used are management's best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

The main actuarial assumptions include estimates in relation to discount rates, future costs to deliver a funeral including inflation and expense assumptions, mortality rates, risk adjustments and plan cancellation rates. The insurance contract liability calculation is most sensitive to changes in the discount rate and inflation assumptions and further detail on these items is noted below.

Discount rates - the Group applies a bottom-up approach to derive the discount rate such that our insurance contract liabilities (funeral plans) are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium (credit spread). The risk free rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the funeral plans at that date (UK Gilt curve at the valuation date converted from continuous to annual rates). The illiquidity premium is determined by reference to observable market rates (assessed as 20% of the average credit spread on 10-15 year A rated and 10-15 year AA rated bonds at the valuation date (allowing for the part of the credit spread that relates to default risk and that the liabilities are not perfectly illiquid).

Inflation - the rate of inflation is set based on the Bank of England Forward Inflation Curve at the valuation date converted from continuous to annual. From 2022 onwards a reduction of 25 basis points has been applied to allow for high levels of demand for inflation linked gilts increasing inflation expectations. Years 2023 to 2026 have been adjusted to reflect managements' view based on experience of funeral cost inflation.

Financial assumptions			2024	2023
Discount rate	Risk free rate - UK Gilt curve	Year 1	4.14%	3.55%
		Year 2	4.21%	3.02%
		Year 3	4.25%	2.99%
		Year 4	4.37%	3.10%
		Year 5	4.54%	3.29%
		Year 10	5.65%	4.76%
		Year 15	5.97%	5.04%
	Illiquidity premium (credit spread)		0.13%	0.16%
Inflation rate	Bank of England curve less 25 bps plus management view	Year 1	4.46%	3.22%
		Year 2	3.42%	3.33%
		Year 3	3.23%	3.30%
		Year 4	3.12%	3.18%
		Year 5	3.08%	3.09%
		Year 10	3.17%	3.25%
		Year 15	3.16%	3.20%

Further details of the Group's approach to financial risk management are noted in Note 25 (Financial risk management) covering: credit risk, interest rate risk, foreign currency risk and liquidity risk.

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Sensitivities

The following sensitivity analysis shows the impact on insurance contract liabilities and profit before tax for reasonably possible movements in the key financial assumptions noted on the previous page with all other assumptions held constant.

The combination of assumptions will have a material effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The discount rate sensitivity noted below covers the risk free rate plus the illiquidity premium (see discount rate derivation noted overleaf).

Change in Insurance contract liability - £m	2024	2023
Discount rate - decrease of 1.0%	105	126
Inflation rate - increase of 1.0%	109	130
Fulfilment costs - increase of 5%	51	55
Mortality stress +20%	24	16

Change in Profit before tax - £m	2024	2023
Discount rate - decrease of 1.0%	-	-
Inflation rate - increase of 1.0%	(58)	(6)
Fulfilment costs - increase of 5%	(3)	(3)
Mortality stress +20%	(1)	(1)

Discount rate - the impact of a change in discount rate flows through other comprehensive income (OCI) rather than the Income statement and so doesn't impact Profit before tax (PBT) in either 2024 or 2023.

Inflation - changes to our inflation assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to financial market indices, and to the extent that they can be covered are first charged to the contractual service margin (CSM) buffer rather than direct to the Income statement. As the modelled sensitivity increase in insurance liability of £109m is larger than the CSM of £51m, the CSM would initially be extinguished and the remaining £58m would be taken as an onerous charge to the Income statement. Our assessment is that this is likely to be only a 1 in 20 year likelihood event.

Fulfilment costs - changes to our fulfilment cost assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to financial market indices, and to the extent that they can be covered are first charged to the contractual service margin (CSM) buffer rather than direct to the Income statement. As the CSM would be reduced by the modelled sensitivities, the impact to PBT noted in the table above, reflects 1 year's impact across the 20 year CSM period.

Mortality - changes to our mortality assumptions are deemed to be non-financial, as the ultimate mortality cost risk does not relate to financial market indices, and to the extent that they can be covered are first charged to the contractual service margin (CSM) buffer rather than direct to the Income statement. As the CSM would be reduced by the modelled sensitivities, the impact to PBT noted in the table above, reflects 1 year's impact across the 20 year CSM period.

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Accounting Policies

Summary of material accounting policies:

In applying the insurance standard and the requirements of IFRS 17 the Group has adopted a variety of accounting policies in relation to the accounting for funeral plans and the waiver insurance on instalment plans. The Group has elected to use the General Measurement Model (GMM) under IFRS 17 to measure the liability for remaining coverage. A summary of the material accounting policies is noted below:

Initial recognition - an insurance contract is defined as a contract under which the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. The new standard applies to all of the Group's funeral plans and also covers the re-insurance of the payment waiver risk on instalment plans.

Level of aggregation and onerous contracts - the aggregation of insurance contracts determines the 'unit of account' to be used when applying IFRS 17 which affects the allocation of the contractual service margin (CSM) to insurance revenue and the level at which onerous contracts are identified. IFRS 17 specifically requires that portfolios of re-insurance contracts are separately held from portfolios of insurance contracts issued. The aggregation requirements of IFRS 17 arrange insurance and re-insurance contract cash flows into buckets based on two stages or levels:

- **Portfolio level:** (1) by primary risk type and (2) whether contracts are managed together.
- **Group level:** (1) by time of issuance (one-year issuing period); and (2) by degree of expected profitability at initial recognition.

Application by Co-op:

Portfolio level:

The following IFRS 17 portfolios were identified for the Group's consolidated financial statements:

- Pre-need funeral plans - (insurance contracts issued)
- Premium waiver on underlying Instalment plans - (re-insurance contracts held)

Group level: Time of issuance - Cohort year. IFRS 17 requires a portfolio of contracts to be divided into annual 'cohorts' or shorter time buckets. A group of contracts may not include contracts issued more than one year apart. Co-op allocates cohorts by annual periods based on the financial year of issue.

Group level: Degree of profitability at initial recognition. IFRS 17 requires portfolios of contracts issued in a given cohort year to be assessed by 'sets' for the purpose of determining whether contracts are onerous or have no significant possibility of becoming onerous. The Group determines the sets based on assessed similarities in pricing and margin and expected sensitivity to future changes in financial and non-financial assumptions over the coverage period. Losses on onerous contracts are taken to the Income statement as incurred.

Fulfilment Cashflows:

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value. Fulfilment cashflows cover:

- (A) best estimates of future cashflows;
- (B) an adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows; and
- (C) a risk adjustment for non-financial risk.

(A) Best estimate of future cashflows - IFRS 17 requires an explicit, unbiased and probability weighted estimate (i.e. expected value) of the present value of the future cash outflows less the present value of the future cash inflows that will arise as the entity fulfils insurance contracts, including a risk adjustment for non-financial risk.

For the Group these cashflows mainly comprise; premiums received from customers for pre-paid plans and LCIPs, premiums paid or repayable to re-insurers, internal and external direct fulfilment costs of delivering funerals on behalf of the policy holder, amounts recoverable from re-insurers and insurance acquisition cash flows attributable to the portfolio of contracts.

(B) An adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows; - a key component of IFRS 17 is the need to reflect the time value of money when estimating insurance cash flows, and the financial risks related to those cash flows. The Group applies a bottom-up approach to derive the discount rate based on a risk free rate plus an illiquidity premium. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities (UK Gilts). The illiquidity premium is determined by reference to observable market rates. The discount rate used to determine the finance costs relating to funeral plans, uses the discount rate at initial recognition of the funeral plan cohort.

(C) A risk adjustment (RA) for non-financial risk - this reflects the compensation Co-op requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Group fulfils insurance contracts. The risk adjustment reflects an amount that Co-op would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. IFRS 17 does not prescribe any methodologies for calculating the RA but instead outlines principles that the technique used to quantify the RA will need to adhere to. The RA is important because it is a component of the fulfilment cash flows and therefore impacts the profitability classification of funeral plans. The release of the RA over time is a key component of revenue, along with the contractual service margin. Co-op estimate the RA using a confidence level (probability of sufficiency) approach at 70%.

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Accounting Policies - continued

Insurance acquisition cashflows - IFRS 17 requires expenses that are "directly attributable" to issuing and fulfilling insurance contracts to be included in the measurement of insurance contracts. This includes insurance acquisition cash flows, which are defined as cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. The classification and reporting of expenses under IFRS 17 involves the following 3 steps:

1) Classification of all expenses into one of the following categories:

- Directly attributable acquisition (direct costs of acquiring new funeral plans such as internal salaries or external commission paid);
- Directly attributable maintenance (direct costs of servicing already acquired funeral plans such as costs of handling claims or policy changes);
- Non-directly attributable expenses.

2) Allocation of directly attributable expenses into IFRS 17 Portfolios and then to current and future cohort groups of contracts.

3) Amortisation of each group of directly attributable acquisition costs in a manner consistent with the revenue earning pattern of the related contracts in the group. Directly attributable maintenance and non-directly attributable expenses are fully expensed when incurred.

When estimating fulfilment cash flows, the Group allocates fixed and variable overheads directly attributable to the fulfilment of insurance contracts. This requires management judgement and is undertaken in-line with our normal internal processes for allocating central overheads to cost centres. We also make an assessment as to the amount of maintenance costs such as claims handling, policy administration and associated overheads.

Contractual Service Margin (CSM) and Coverage units - the CSM for a group of insurance contracts at the end of each reporting period represents the unearned profit relating to future service to be provided under the contracts in the group and is calculated using a roll-forward approach. The five items that are included in the CSM roll forward are:

- the effect of new contracts added to the group;
- interest accretion on the carrying amount of the CSM;
- the change in fulfilment cash flows relating to future service (limited by the amount of CSM);
- the effect of any currency exchange differences on the CSM; and
- the amounts recognized as insurance revenue because of the transfer of services in the period ("amortization of CSM").

The concept of "coverage units" was introduced in IFRS 17 as a means of reflecting the pattern of services provided under a group of contracts and recognizing revenue from CSM (effectively "amortization" of CSM) according to that pattern. The number of coverage units in a group is based on the quantity of service provided by the contracts in the group. For each group of contracts, we are required to consider the quantity of service and its expected coverage period.

Co-op have determined that it is appropriate to measure coverage units based on the maximum expected funeral benefit per period of all the contracts in the IFRS 17 group. The maximum expected pay-out represents the total funeral benefit per period of all contracts expected to be in force in the group for that period. For portfolios of Premium waiver reinsurance contracts, the coverage units will be based on the maximum expected recoverable per period.

Experience adjustments:

Experience variances represents the expected expenses, claims and amortisation of acquisition cash flows which are reported as part of the insurance service revenue. This is offset with the actual expenses and claims incurred in the period and recovery of acquisition cash flows.

Low Cost Investment Plans (LCIPs):

LCIPs can be paid for by instalments over between 2 and 25 years or they can be paid off in full at any time during this period without any penalties. If the plan holder dies before the instalments have been made in full (and provided that the plan has been in place for at least 12 months or the cause of death was as a result of an accident) then the funeral will still be provided by the Group and the customer will not have to settle the outstanding balance on any instalments and the balance of any monies owed will be waived. Any shortfall (the difference between the full value of the plan and the amount paid up to death by the customer) are covered by an assured benefit from a third party insurer. The assured benefit is between the Group and the third party insurer and has nothing to do with the customer. The Society continues to apply instalment monies received against customers' individual funeral plans until such time as a plan is redeemed and or cancelled.

The assured benefit between the Group and the 3rd party is judged to represent an insurance contract and as such falls under the scope of IFRS 17 (Insurance Contracts).

Notes to the financial statements continued

20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Accounting Policies - continued

Presentation and Disclosures:

The Group has elected to apply certain disclosure policies as permitted under IFRS 17:

- 1) The change in the risk adjustment (RA) for non-financial risk is disaggregated between insurance service result and insurance finance expense in the Income statement;
- 2) Income and expenses from a group of reinsurance contracts is presented as a single amount;
- 3) The Group has elected to disaggregate that element of finance income / expense that arise due to changes in the discount rate and record the impact of those changes in other comprehensive income (OCI) rather than in the Income statement. The discount rate used to determine the finance costs relating to funeral plans, uses the discount rate at initial recognition of the funeral plan cohort.
- 4) Changes to our inflation assumptions are deemed to be non-financial, as the ultimate inflationary cost risk does not relate to a financial market indices, and to the extent that they can be covered are first charged to the CSM buffer rather than direct to the Income statement.

The table below summarises where the financial impact of a change in the assumptions used in the actuarial calculations would be reflected in our financial statements:

Assumption	Financial Statement Impact
Discount rate	Consolidated statement of comprehensive income
Fulfilment costs	Consolidated income statement
Inflation rate	Consolidated income statement
Risk adjustment	Consolidated income statement
Maintenance costs	Consolidated income statement
Mortality rates	Consolidated income statement
Cancellation rates	Consolidated income statement

Notes to the financial statements continued

21 Provisions

	2024 £m	2023 £m
Non-current	47	55
Current	49	55
Total provisions	96	110

2024	Uninsured claims £m	Property provisions £m	Regulatory & Legal £m	Total £m
At beginning of the period	38	29	43	110
Credit to income statement	(3)	(11)	-	(14)
Charge to income statement	17	6	-	23
Payments	(17)	(5)	(1)	(23)
At end of the period	35	19	42	96

2023	Uninsured claims £m	Property provisions £m	Regulatory & Legal £m	Total £m
At beginning of the period	38	41	14	93
Credit to income statement	(1)	(6)	(1)	(8)
Charge to income statement	18	4	33	55
Payments	(17)	(10)	(3)	(30)
At end of the period	38	29	43	110

Uninsured claims

This provision relates to potential liabilities arising from past events which are not covered by insurance. It includes a wide variety of known claims and potential claims from accidents in our depots and stores. The provision includes an assessment, based on historical experience, of claims incurred but not reported at the period end. The claims are expected to be settled substantially over the next three years.

Property provisions

Property provisions are held for onerous contractual obligations for leasehold properties that are vacant or not planned to be used for ongoing operations. The provisions represent the least net cost of exiting from the contracts. Provisions include an assessment of dilapidation and return of lease obligations, and other service costs that are explicitly excluded from the measurement of lease liabilities in accordance with IFRS 16. The Group considers that where it has entitlement to possession of a property, even if vacant, it retains a statutory obligation to pay the related business rates that have been determined to be levies as defined in IFRIC 21. Accordingly, the estimate of the least net costs of exiting from the contracts excludes future business rates which instead under IFRIC 21 are recognised when the event that triggers the payment of the levy arises (as a periodic cost).

Property provisions are expected to be utilised over the remaining periods of the leases which range from 1 to 97 years. In each of the current and comparative years, sensitivity analysis has been performed in relation to the provision, testing for a 2% increase in inflation related to costs expected to be incurred; this sensitivity does not lead to a material additional provision being calculated. The sensitivity analysis performed considers reasonably possible changes in the inflation assumption.

Critical accounting estimate and judgement

Regulatory & Legal

These provisions relate to costs from a number of past events that are expected to be incurred within the next one to five years. Typically, these cover potential or on-going legal or regulatory claims and represent management's best estimate of expected future cashflows.

The likely outcome in a legal or regulatory claim may be uncertain and difficult to predict based on the evidence and circumstances involved. This means there may be considerable inherent uncertainty with an assessment as to whether a present obligation as a result of a past event has arisen at the balance sheet date. No separate disclosure is made of the detail of such claims, the assumptions used to calculate the amount provided or the uncertainties relating to the range of possible outcomes considered, because in management's view, to do so could seriously prejudice our position.

Notes to the financial statements continued

21 Provisions continued

Accounting policies

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Note: The Producer Responsibility Obligations (Packaging and Packaging Waste) Regulations 2024, passed into law on 11 December 2024, which may affect UK organisations that supply or import packaging. The Regulations require certain "producers" to pay disposal and administration fees (pEPR fees) to cover a proportion of the cost of recovery and recycling of their packaging. The clarification issued by the Department for Environment, Food and Rural Affairs (DEFRA) confirms that an obligation for pEPR fees does not arise until an entity has been a producer in the year beginning 1 April 2025. Therefore, no obligation arises before this date. Our preliminary interpretation of the Regulations is that Co-op meets the definition of 'producer' in the context of the regulations. Thus, the full liability for the assessment year ending 31 March 2026 would be recognised as of 1 April 2025, as the obligation would be met at that point in time.

22 Members' share capital and reserves

	2024	2023
	£m	£m
Individual shares of £1 each	69	67
Corporate shares of £5 each	8	9
Share capital	77	76
Other reserves	12	9
Retained earnings	2,109	1,935
Total Retained earnings and Other reserves	2,121	1,944
Total Capital resources	2,198	2,020

Members' share capital (Issued and paid-up value)

Members' share capital is made up of corporate and individual shares. The rights attached to shares are set out in the Society's rules. Shares held by Independent Society Members (corporate shares) are not withdrawable and are transferable only between Independent Society Members with the consent of the Society's Board. Shares held by individual members (individual shares) are withdrawable on such period of notice as the Society's Board may from time to time specify. IFRIC 2 (Members' Shares in Co-operative Entities and Similar Instruments) determines the features that allow shares to be classified as equity capital. As the Board has an unconditional right to refuse redemption of both classes of shares, both corporate and individual shares are treated as equity shares.

Both classes of share maintain a fixed nominal value with corporate shares attracting a limited rate of interest. Under the Society's current rules, voting for Independent Society Members is in proportion to trade with the Society, with Independent Society Members totalling 21.9% (2023: 21.9%) of the vote at the Annual General Meeting. Each individual member has one vote with individual members totalling 78.1% (2023: 78.1%) of the vote at the Annual General Meeting.

For individual shares, new members are required to contribute a minimum of £1 when they join the Society. Each member has 1 individual share although contributions of up to £100,000 per member are allowed. No interest is earned on member capital. Members can withdraw money from their share account upon request (to a minimum of £1) or they can withdraw their £1 when they leave the Society. Individual member share capital increased by £1.6m in the period being the net of new member contributions of £1.6m and withdrawals of £nil. We have 6.2m (2023: 5.0m) active members (see also Note 30 Membership and community reward).

Notes to the financial statements continued

22 Members' share capital and reserves - continued

Other reserves (2024)	Revaluation Reserve £m	Total £m
Balance at 6 January 2024	9	9
Balance at 4 January 2025	12	12

Revaluation reserve - property, plant and equipment

This reserve relates to the surplus created following the revaluation of certain assets in previous periods. Any surplus relating to a revalued asset is transferred to retained earnings at the point the asset is disposed of.

Distribution of reserves in the event of a winding-up

The Society's rules state that any surplus in the event of a winding-up shall be transferred to one or more societies registered under the Co-operative and Communities Benefit Act 2014. Such societies must be a member of Co-operatives UK Limited and have the same or similar rule provisions in relation to surplus distribution on a dissolution or winding-up as we have. If not transferred to another society in this way, the surplus shall be paid or transferred to Co-operatives UK Limited to be used and applied in accordance with co-operative principles.

Capital management

The Group defines capital as its share capital and reserves. The Group's policy is to maintain a strong base and to be more prudent than industry 'normal' levels as it is not able to raise equity externally. The Group still recognises the need to maintain a balance between the potential higher returns that might be achieved with greater borrowing levels and the advantages and security coming from a sound capital position.

The Group manages capital to make sure we have the right balance between investing in the future growth of the Group and making member and community payments. The Group has invested in future growth through cash capital expenditure additions of £273m (2023: £205m) and still kept within its net debt limits. Total member funds increased during the period by £178m (2023: decreased £1,003m). The decrease in the prior year primarily related to the accounting impact of the buy-in transaction undertaken by the pension Trustee with Rothesay Life Plc, a specialist UK Insurer, to insure scheme benefits through a bulk annuity insurance policy helping to insure the Group against the primary investment and longevity risks it is exposed to.

Notes to the financial statements continued

23 Investment properties

	2024 £m	2023 £m
Valuation at beginning of period	40	40
Disposals	(12)	(12)
Transfer from Property, plant and equipment (Note 10)	4	5
Transfer from Right of use assets (Note 11)	2	-
Revaluation gain recognised in the Consolidated income statement	14	4
Revaluation gain recognised in the Consolidated statement of other comprehensive income	3	3
Valuation at end of period	51	40

Accounting policies

Properties held for long-term rental yields that are not occupied by the Group or properties held for capital growth are classified as investment properties. Investment properties are freehold land and buildings and right-of-use assets. These are carried at fair value which is determined by either independent valuers or internally each year on a three-year cyclical basis in accordance with the RICS Appraisal and Valuation Manual. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in the income statement.

If we start to occupy or trade from one of our investment properties, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for subsequent accounting purposes. Other disclosures required by IAS 40 (Investment Properties) are not considered to be material.

Notes to the financial statements continued

24 Pensions

	2024 £m	2023 £m
Pension schemes in surplus	328	359
Pension schemes in deficit	(3)	(3)
Closing net retirement benefit surplus	325	356

Defined benefit (DB) plans

The Group operates three funded DB pension schemes all of which are closed to future accrual. This means that colleagues can no longer join or earn future benefits from these schemes. The assets of these schemes are held in separate trustee-administered funds to meet future benefit payments.

The Group's largest pension scheme is the Co-operative Group Pension Scheme ('Pace') which accounts for approximately 81% of the Group's pension assets. The DB section of Pace ('Pace Complete') closed to future service accrual on 28 October 2015. As of November 2023, the vast majority of PACE's liabilities are covered by insurance policies. Further information is provided below.

Defined contribution (DC) plans

Since the closure of the DB schemes, the Group provides all colleagues with DC pension benefits through the DC section of Pace. Colleagues are able to select the level of contributions that they wish to pay. The contribution paid by the Group varies between 1% and 10% of pensionable salary depending on the contribution tier that the scheme member has selected. Contributions are based on the scheme member's basic pay plus any earnings in respect of overtime, commission and shift allowance.

The Pace DC section provides benefits based on the value of the individual colleague's fund built up through contributions and investment returns. The Group has no legal or constructive obligation to pay contributions beyond those set out above. There is therefore no balance sheet items for DC pension benefits except for any accrued contributions.

Balance sheet position for DB plans

The table below summarises the net surplus in the balance sheet by scheme. Following an insurance "buy-in" transaction in Pace in the prior year the vast majority of Pace's liabilities are now covered by insurance policies.

Buy-in transactions

In November 2023, the Pace Trustee completed a "buy-in" transaction with Rothesay Life Plc, a specialist UK insurer, to insure scheme benefits through a bulk annuity insurance policy. Through this transaction, and in conjunction with pre-existing partial "buy-ins" with Aviva (completed in January 2020 and May 2020), and Pension Insurance Corporation (PIC, completed in February 2020), this means that the Group Section of Pace, and by extension the Group as Principal Employer, is insured against the primary investment and longevity risks it is exposed to. As a result of these four separate insurance transactions, the Pace scheme will receive regular payments from Rothesay, Aviva and PIC to fund all future pension payments. The insurance contracts are assets of the Pace scheme, and the Pace scheme has retained all responsibility to meet future pension payments to pensioners. The salary increase link that remains, as applied to pre 2006 benefits since April 2022, is excluded from the Insurance transactions, as are some costs related to GMP equalisation. This ongoing exposure means that the buy-ins don't cover all the Pace liabilities, but the Group's remaining exposure is very small and, at the year-end, there is a surplus remaining in Pace of £229m (2023: £283m). The size of the ongoing liability exposure from the salary link and the uninsured GMP equalisation costs is small relative to this surplus.

	2024 £m	2023 £m
<u>Schemes in surplus:</u>		
The Co-operative Group Pension Scheme (Pace)	229	283
Somerfield Pension Scheme	71	68
United Norwest Co-operatives Employees' Pension Fund	28	8
Total schemes in surplus	328	359
<u>Schemes in deficit:</u>		
Other unfunded obligations	(3)	(3)
Total schemes in deficit	(3)	(3)
Total schemes (net)	325	356

Notes to the financial statements continued

24 Pensions continued

Non-Pace schemes

The United and Somerfield schemes use segregated liability driven investment (LDI) mandates which hold government and corporate bonds, along with derivatives. These investments increase (decrease) in value when yields on government bonds fall (rise), and are designed to have similar interest rate and inflation sensitivities to the schemes' liabilities so that the funding position is protected against movements in interest rate and inflation expectations. The schemes' liabilities are in aggregate broadly fully hedged against movements in yields on government bonds. Against a backdrop of market uncertainty, AA corporate bonds, used to discount the liabilities increased over the year, whilst inflation expectations also increased but by a lesser extent.

Recognition of accounting surplus

Any net pension asset disclosed represents the maximum economic benefit available to the Group in respect of its pension obligations. The Group has carried out a review of the provisions for the recovery of surplus in its pension schemes. This review concluded that the Group can recoup the benefits of the surplus via a right to refunds and this is reflected in the balance sheet position.

Pace - nature of scheme

As Pace represents around 81% of the Group's pension assets, further information has been included on Pace below. Benefits accrued in Pace between 6 April 2006 and 28 October 2015 are calculated based on an individual's average career salary. Benefits accrued prior to 6 April 2006 are linked to final salary until scheme members end their pensionable service. The Somerfield and United schemes are exposed to additional risks from Pace, predominantly investment, inflation and longevity. More detail is set out below.

Pace - multi-employer provisions following sectionalisation

Pace is a multi-employer scheme but following sectionalisation of the scheme in 2018, the Group accounts only for the Co-op section of Pace. CFSMS, a subsidiary of the Group, participates in the Group's section with a material share of accrued DB obligations. There are other participating employers in the Group section which include Group subsidiaries, non-associated and associated entities, but these do not have a material share. Non-associated entities account for pension contributions in respect of the scheme on a DC basis.

Legislative framework for DB schemes - pension scheme governance

As required by UK legislation, the Group's three DB schemes are run by Trustee boards which operate independently from the Group. The Trustees are responsible for the development and implementation of appropriate policies for the investment of the scheme assets and for negotiating scheme funding with the Group. The Trustees consult with the Group in developing investment strategy and delegates the responsibility for implementing and monitoring the strategy to Investment Committees.

Each trustee board has professional independent trustee representation, and some boards require pension scheme member representation. The Pace trustee board comprises Independent Trustee Services Limited (part of Independent Governance Group, a professional trustee firm) and the chair of Independent Trustee Services Limited (appointed as an individual), with this appointment having been agreed by the Co-op and Co-operative Bank. The other two trustee boards each comprise independent, professional trustee directors via representatives from Independent Trustee Services Limited, as well as Co-op appointed trustee directors, and member-nominated trustee directors. The chair of each board is appointed by the trustee directors.

Legislative framework for DB schemes - scheme funding regime

Under the scheme specific funding regime established by the Pensions Act 2004, trustees of DB pension schemes have to undertake a full actuarial valuation at least every three years. The purpose of the valuation is to determine if the scheme has sufficient assets to pay the benefits when these fall due. The valuation targets full funding (scheme assets equal to the value of pension liabilities) against a basis that prudently reflects the scheme's risk exposure. The basis on which DB pension liabilities are valued for funding purposes differs to the basis required under IAS19. The Group may therefore be required to pay contributions to eliminate a funding shortfall even when a surplus is reported in the IAS19 disclosure. Any shortfall in the assets directly held by the Group's DB schemes, relative to their funding target, is financed over a period that ensures the contributions are reasonably affordable to the Group.

Contributions of £1.5m were paid over in the 2024 financial year in respect of the United Norwest scheme expenses (total 2023 contributions: £15m). Deficit contributions to all schemes have now ceased due to the fact that recent actuarial funding valuations showed all the schemes were in surplus at the relevant valuation date. All scheme funding valuations target a more prudent level of funding than the target stipulated under IAS19 which is included in these financial statements. Therefore the funding levels are not comparable and it is possible to have a surplus under IAS19 and yet still be required to pay deficit contributions. We also cannot use a surplus in one scheme to offset the requirement to pay cash contributions to fund a deficit in another scheme under a different trust. The contribution risk has also fallen following the buy-in transaction.

The average duration of the liabilities at 4 Jan 2025 on an IAS19 basis is approximately 14 years. The benefits expected to be paid from the schemes take the form of a cash lump sum paid at retirement followed by a stream of pension payments.

The effective date of the last full valuations of the schemes are shown below:

The Co-operative Pension Scheme ('Pace')	5 April 2022
Somerfield Pension Scheme ('Somerfield Scheme')	31 March 2022
United Norwest Co-operatives Employees' Pension Fund ('United Fund')	31 January 2023

Notes to the financial statements continued

24 Pensions continued

Legislative framework for DB schemes - scheme funding regime continued

On 16 June 2023, the High Court issued a ruling in respect of Virgin Media v NTL Pension Trustees II Limited. Whilst this case could have application to other schemes, based on our current understanding the decision reached was based on specific circumstances and related to an amendment which was worsening benefits and so it is unclear as to its wider application in many instances for our schemes. There was a Court of Appeal hearing that took place in the Summer of 2024 and the appeal was overturned. This area of law is subject to a high degree of uncertainty and the Virgin Media case only addressed the specific question and circumstances that were put to the Court. Further legal cases are to be heard in 2025 and we note the possibility of amending legislation to clarify matters.

In the meantime, with support from our legal advisors, the Co-op Group have carried out a high-level desktop review of deeds across our 3 legacy DB Pension Schemes; Pace, United & Somerfield, to consider potential exposure from the Virgin Media case. Our legal advisors have considered 54 separate deeds between 1997 and 2016 and from this identified 2 deeds where a change was made where they expect actuarial confirmation (or similar assurance) would have been required but was not appended to the deed or immediately obvious from the content of the deed that it had been obtained. However, given there was no single prescribed format, appropriate assurance may well have been obtained. This could give rise to some further analysis but, given the ongoing uncertainty regarding the application of the Virgin Media case, no further work has been undertaken at this time. As such, the Co-op acknowledges that some potential uncertainties remain, and future developments will be kept under review by the Co-op. While uncertainties remain, management's analysis supports the view that the possible exposure would not be material.

Our pension scheme Trustee Boards & the Co-op have always had in place comprehensive procedures and practices to ensure compliance with all legal and regulatory requirements, including taking appropriate external advice whenever any changes have been made.

Risks associated with DB pension schemes

The liability associated with the pension schemes is material to the Group. Following the buy-in transaction the cash funding risk is now considered to be relatively low. The Group and Trustees work together to address the associated pension risk - in particular, steps have been taken to materially reduce the investment risk in the schemes. The Group has removed its exposure to these risk in the Pace Scheme via the four separate insurance buy-in contracts. The key risks in relation to the DB schemes are set out below, alongside a summary of the steps taken to mitigate the risk:

Risk description	Mitigation
Risk of changes in contribution requirements - When setting the contributions that are paid to a scheme, the Group and Trustee are required to consider the funding level at a specified valuation date. The funding level at future valuation dates is uncertain and this leads to uncertainty in future cash requirements for the Group.	The closure of the DB schemes has reduced the exposure of the Group to changes in future contributions, as did the subsequent Pace Insurance buy-in contracts. In addition, the Group and Trustee have taken steps to reduce the volatility of the funding level (as set out below). The Group monitors the funding level of the schemes in order to understand the likely outcome of valuations and the Trustee is required to obtain agreement from the Group to funding assumptions and deficit recovery contributions.
Interest rate risk - Pension liabilities are measured with reference to yields on bonds, with lower yields increasing the liabilities. The schemes are therefore exposed to the risk of falls in interest rates.	Through its insurance buy-in contracts Pace has minimal further exposure. The Somerfield and United schemes invest in liability-driven investment (LDI) products which increase (decrease) in value when yields on government bonds fall (rise), providing protection against interest rate risk. Across all schemes, approximately 98% of the liability is currently protected from movements in yields on government bonds. LDI involves investing in assets which are expected to generate cashflows that broadly mirror expected benefit payments from the scheme.
Risk associated with volatility in asset value - The market value of the assets held by the pension schemes, particularly the assets held in return-seeking assets such as equity, can be volatile (and, for example, may be affected by environmental, social or corporate governance ("ESG") failures at investee companies and/or sovereign states - including the physical and transition risks of climate change). This creates a risk of short-term fluctuations in funding level.	Given Pace's liabilities are almost fully insured, assets are expected to move in line with liabilities meaning Pace has minimal further exposure. For the Somerfield and United schemes this risk has been mitigated by reducing the exposure of the pension schemes to those asset classes which have the most volatile market values. In particular, the schemes have limited allocation to return-seeking assets such as equity. In addition, the Trustees of the Co-op's pension schemes have responsible investment policies in place, and aligned with those policies exclude specific investments (where appropriate and viable). Management of ESG risks is considered when appointing investment managers and in their ongoing monitoring, and the schemes' equity assets are explicitly managed with a consideration of such risks, including climate change.
Inflation risk - Many of the benefits paid by the schemes are linked to inflation. Therefore, the pension liabilities reflect expectations of future inflation with higher inflation leading to higher liabilities.	Through its insurance buy-in contracts Pace has minimal further exposure. The Somerfield and United schemes invest in liability driven investment products which increase (decrease) in value when expectations of future inflation rates increase (fall), thus providing protection against inflation risk. Across all schemes, approximately 97% of the liability is currently protected from movements in inflation.
Risk associated with changes in life expectancy - Pensions paid by the schemes are guaranteed for life, and therefore if members are expected to live longer, the liabilities increase.	Through its insurance buy-in contracts Pace has minimal further exposure, and risk has substantially passed to the buy-in insurance providers. The remaining risk is now mainly in respect of the credit risk associated with those buy-in insurance providers (with the mitigation that the buy-in insurance providers have strong credit ratings). The Somerfield and United schemes' funding targets incorporate a margin for prudence to reflect uncertainty in future life expectancy.

Notes to the financial statements continued

24 Pensions continued

Critical accounting estimates

For IAS 19 disclosure purposes, DB obligations are determined following actuarial advice and are calculated using the projected unit method. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice. For the insurance buy-ins under Pace, we apply the assumptions to derive the liability and then set the asset value to match this liability, with separate calculations to derive the salary link and GMP equalisation liabilities.

Financial assumptions	2024	2023
Discount rate	5.54%	4.76%
RPI inflation rate	3.39%	3.32%
Pension increases in payment (RPI capped at 5% p.a.)	3.17%	3.12%
Future salary increases	3.64%	3.57%

The discount rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the schemes at that date.

Demographic assumptions

The Group has used best estimate base mortality tables which reflect the membership of each scheme. Allowance has been made for future improvements in line with the Continuous Mortality Investigation (CMI) 2022 projections and a long-term future improvement rate of 1.25% p.a. (2022: CMI 1.25% p.a.).

For illustration, the average life expectancy (in years) for mortality tables used to determine scheme liabilities for Pace is as follows. These are broadly similar to the life expectancies used for other schemes.

Life expectancy from age 65	2024	2023
Male currently aged 65 years	20.5	20.7
Female currently aged 65 years	22.3	22.5
Male currently aged 45 years	21.3	21.8
Female currently aged 45 years	23.4	23.8

Sensitivities

The measurement of the Group's DB liability is particularly sensitive to changes in certain key assumptions, which are described below. The methods used to carry out the sensitivity analysis presented below for the material assumptions are the same as those the Group has used previously. The calculations alter the relevant assumption by the amount specified, whilst assuming that all other variables remained the same. This approach is not necessarily realistic, since some assumptions are related: for example, if the scenario is to show the effect if inflation is higher than expected, it might be reasonable to expect that nominal yields on corporate bonds will also increase. However, it enables the reader to isolate one effect from another. It should also be noted that because of the interest rate and inflation hedges, changes in the liability arising from a change in the discount rate or price inflation would be expected to be largely mitigated by a change in assets. It's impossible to predict future discount rates or inflation with any real certainty and so the sensitivities shown are for illustration purposes only and in reality more material movements could be experienced.

Sensitivities	2024 £m	2023 £m
Change in liability from a 0.5% decrease in discount rate	366	428
Change in liability from a 0.5% increase in RPI inflation	227	264
Change in liability from a 0.25% increase in long-term rate of longevity improvements	34	42

Changes in the present value of the defined benefit obligation (DBO)	2024 £m	2023 £m
Opening defined benefit obligation	5,857	5,543
Interest expense on DBO	270	261
Remeasurements:		
a. Effect of changes in demographic assumptions	(37)	(95)
b. Effect of changes in financial assumptions	(558)	(51)
c. Effect of experience adjustments	(11)	491
Benefit payments from plan	(298)	(292)
Closing defined benefit obligation	5,223	5,857

Notes to the financial statements continued

24 Pensions continued

Changes in the fair value of the plan assets	2024 £m	2023 £m
Opening fair value of plan assets	6,213	7,124
Interest income	287	338
Return on plan assets (excluding interest income)	(598)	(966)
Administrative expenses paid from plan assets	(6)	(6)
Employer contributions	2	15
Pace DC contributions*	(52)	-
Benefit payments from plan	(298)	(292)
Closing fair value of plan assets	5,548	6,213

* From March 2024, following the completion of the final Insurance transaction in 2023, the Trustee of the Pace DB Scheme have agreed to use part of the surplus to partially fund employer contributions to the Pace DC Scheme. This is made possible because the Pace DB and DC Schemes form the same Trust. These payments do not affect the obligations made in respect of defined benefit payments.

The fair value of the plan assets at the period end were as follows. The assets have been split to show those which have a quoted market price in an active market and those which are unquoted.

Fair value of plan assets	2024 Quoted £m	2024 Unquoted £m	2024 Total £m	2023 Quoted £m	2023 Unquoted £m	2023 Total £m
Equity instruments	25	-	25	40	-	40
Liability driven investments	370	-	370	434	-	434
Investment grade credit assets	345	-	345	329	-	329
Illiquid / other credit assets	-	89	89	-	95	95
Cash and cash equivalents	266	-	266	310	-	310
Insurance buy-in contracts	-	4,453	4,453	-	5,005	5,005
Fair value of plan assets	1,006	4,542	5,548	1,113	5,100	6,213

Amounts recognised in the balance sheet	2024 £m	2023 £m
Present value of funded obligations	(5,220)	(5,854)
Present value of unfunded liabilities	(3)	(3)
Fair value of plan assets	5,548	6,213
Net retirement benefit asset	325	356

Amounts recognised in the income statement and other comprehensive income	2024 £m	2023 £m
Interest expense on defined benefit obligations	(270)	(261)
Interest income on plan assets	287	338
Administrative expenses and taxes	(6)	(6)
Total recognised in the income statement	11	71
Remeasurement gains / (losses) on employee pension schemes	8	(1,310)
Total recognised in other comprehensive income	8	(1,310)
Total	19	(1,239)

Notes to the financial statements continued

24 Pensions continued

Accounting policies

The Group operates various defined contribution and defined benefit pension schemes for its colleagues as stated above. A defined contribution scheme is a pension plan under which the Group pays pre-specified contributions into a separate entity and has no legal or constructive obligation to pay any further contributions. A defined benefit scheme is a pension plan that defines an amount of pension benefit that a colleague will receive on retirement. In respect of the defined benefit pension scheme, the pension scheme surplus or deficit recognised in the balance sheet represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. The calculation of the defined benefit obligations is performed annually by qualified actuaries (and half-yearly for Pace) using the projected unit credit method. Plan assets are recorded at fair value. When the calculation results in a potential asset for the Group, the recognised asset reflects the present value of the economic benefits that will arise from the surplus in the form of any future refunds from the plan or reductions in future contributions to the plan. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Remeasurements of the surplus / liability of each scheme (which comprise actuarial gains and losses and asset returns excluding interest income) are included within other comprehensive income. Net interest expense and other items of expense relating to the defined benefit plans are recognised in the income statement. Administrative costs of the plans are recognised in operating profit. Net interest expense is determined by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined asset / liability at that point in time taking into account contributions within the period.

The Insurance transactions entered into by the Co-op, in respect of its pension arrangements, are assets of the Co-op pension schemes and the schemes have retained all responsibility to meet future pension payments to pensioners. Insurance annuities are recorded at the same value as the liabilities to which they relate and movements in liabilities will be offset by an equivalent movement in the insurance annuity asset. These movements are recorded through items in other comprehensive income.

The premium cost of the Rothesay transaction (in the prior period) was greater than the value of the liabilities secured. As with previous insurance contracts entered into, this was a buy-in transaction where the scheme retains the responsibility for paying pensions and therefore the loss was recorded through other comprehensive income.

Notes to the financial statements continued

25 Financial risk management

The main financial risks facing the Group are set out below. Overall Group risks and the strategy used to manage these risks are discussed in the Principal Risks and Uncertainties section on pages 47 - 51.

Credit risk

Credit risk arises from the possibility of customers and counterparties failing to meet their obligations. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require security in respect of financial assets. The majority of businesses in the Group have cash-based rather than credit-based sales and so customer credit risk is relatively small.

The Group will ensure that it earns an appropriate return on its invested cash, whilst ensuring that there is minimal risk over the security of that cash. Investments are only allowed with the Group's syndicate banks or counterparties that have a credit rating of Investment Grade. Transactions involving derivative financial instruments are with counterparties with whom the Group has signed an ISDA agreement (a standard contract used to govern all over-the-counter derivatives transactions). Management has no current reason to expect that any counterparty the Group has invested with will fail to meet its obligations.

Funeral Plan funds are invested in whole-of-life insurance policies which pay out a lump sum when the insured person dies. Any provider of these policies to the Group must be authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. There are also some funds relating to plans taken out prior to 2002 that are held in interest-bearing trustee-administered bank accounts which can only be utilised to meet liabilities in respect of funeral plans.

At the balance sheet date there were no material concentrations of credit risk. Information regarding the age profile of trade receivables is shown in Note 16. The carrying value of all balances that attract a credit risk, which represents the maximum exposure, is set out below:

	Carrying amount 2024 £m	Carrying amount 2023 £m
Trade and other receivables (excluding prepayments and accrued income)	414	434
Interest rate swaps	(6)	(9)
Foreign exchange contracts and commodity swaps (net)	(3)	(4)
Funeral plan investments	1,414	1,346
Finance lease receivables	26	29
Cash	320	395
Short-term investments	100	200

Interest rate risk and hedging

Interest rate risk arises from movements in interest rates that impact the fair value of assets and liabilities and related finance flows. The Group adopts a policy of ensuring that 50-100% of its exposure to changes in interest rates on borrowings is on a fixed rate basis. The fixed proportion as at 4 January 2025 was 77% (at 6 January 2024: 84%). Interest rate swaps, denominated exclusively in Sterling, have been entered into to achieve an appropriate mix of fixed and floating rate exposure within the Group's policy. At 4 January 2025, the Group had interest rate swaps with a notional contract amount of £105m (at 6 January 2024: £105m).

The Group does not designate interest rate swaps, forward foreign exchange contracts, and commodity swaps as hedging instruments. Derivative financial instruments that are not hedging instruments are classified as held for trading by default and so fall into the category of financial assets at fair value through the income statement. Derivatives are subsequently stated at fair value, with any gains and losses being recognised in the income statement. See Note 26.

The net fair value of swaps at 4 January 2025 was a net liability of £6m (2023: net liability of £9m) comprising assets of £nil (2023: £nil) and liabilities of £6m (2023: £9m). These amounts are recognised as fair value derivatives on the face of the Consolidated balance sheet.

Notes to the financial statements continued

25 Financial risk management continued

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than sterling. The key currencies giving rise to this risk are Euros and US Dollars.

The Group manages the impact of market fluctuations on its currency exposures and future cash flows by undertaking rolling foreign exchange hedges. These are executed on a monthly basis in a layered approach based on forecast requirements.

At 4 January 2025, the Group had forward currency transactions in Euros and US Dollars with a notional contract amount of £73m (2023: £64m).

Liquidity risk

This is the risk that the Group will not have sufficient monies to fund its future operations and meet its borrowing obligations. The Group has diverse sources of financing through its cash, short-term investments, credit facilities and bonds. These are managed to ensure appropriate flexibility and headroom over the short, medium and long term.

As at 4 January 2025, the Group had available cash and cash equivalents and short-term investments of £420m (2023: £595m) together with committed borrowing facilities totalling £862m (2023: £1,107m). These are detailed below:

Bank facilities as at 4 January 2025	2024			2023		
	Expiry	Facility £m	Undrawn £m	Expiry	Facility £m	Undrawn £m
Cash and cash equivalents			320			395
Short-term investments			100			200
Cash and cash equivalents and short-term investments			420			595
Revolving Credit Facility *	Nov 2029	400	400	Mar 2026	443	443
£300m 5.125% Sustainability Bond **	May 2024	-	-	May 2024	200	
£109m 11% Final repayment subordinated notes	Dec 2025	109	-	Dec 2025	109	
£20m Instalment repayment notes	Dec 2025	3	-	Dec 2025	5	
£350m 7.5% Bond notes	July 2026	350	-	July 2026	350	
Total debt facilities		862	400		1,107	443
Total cash and cash equivalents, short-term investments and debt liquidity			820			1,038

*On the 29 November 2024, the Group concluded an amendment and extension exercise on its Revolving Credit Facility. The facility size is £400m and matures on 29 November 2029. The facility was undrawn as at 4 January 2025.

** The remaining £200m principal on the Sustainability bond matured on 17 May 2024 and was repaid in full from the Group's surplus cash.

Notes to the financial statements continued

25 Financial risk management continued

The following are the maturities of financial liabilities as at 4 January 2025. The contractual cashflows noted include payments of interest and principal:

2024	Carrying amount £m	Contractual cash flows £m	<1 year £m	1 - 2 years £m	2 - 5 years £m	More than 5 years £m
Non-derivative financial liabilities						
£109m 11% Final repayment subordinated notes 2025	(109)	(121)	(121)	-	-	-
£20m Instalment repayment notes (final payment 2025)	(3)	(3)	(3)	-	-	-
£105m 7.5% Bond 2026 (fair value)	(108)	(121)	(8)	(113)	-	-
£245m 7.5% Bond 2026 (amortised cost)	(259)	(281)	(18)	(263)	-	-
Lease liabilities	(1,193)	(1,509)	(194)	(179)	(438)	(698)
Trade and other payables	(1,564)	(1,564)	(1,532)	(21)	(7)	(4)

The following are the maturities of financial liabilities as at 6 January 2024. The contractual cashflows noted include payments of interest and principal:

2023	Carrying amount £m	Contractual cash flows £m	< 1 year £m	1 - 2 years £m	2 - 5 years £m	More than 5 years £m
Non-derivative financial liabilities						
£300m Sustainability Bond 2024 (amortised cost)*	(202)	(205)	(205)	-	-	-
£109m 11% Final repayment subordinated notes 2025	(109)	(133)	(12)	(121)	-	-
£20m Instalment repayment notes (final payment 2025)	(5)	(6)	(3)	(3)	-	-
£105m 7.5% Bond 2026 (fair value)	(105)	(129)	(8)	(8)	(113)	-
£245m 7.5% Bond 2026 (amortised cost)	(262)	(299)	(18)	(18)	(263)	-
Lease liabilities	(1,233)	(1,666)	(192)	(180)	(437)	(857)
Trade and other payables	(1,582)	(1,582)	(1,544)	(20)	(14)	(4)

* The remaining £200m principal on the Sustainability bond noted in the comparative period matured on 17 May 2024 and was repaid in full with cash.

Sensitivity analysis

Interest rate risk

The valuations of the Group's quoted debt and interest rate swaps have been determined by discounting expected future cash flows associated with these instruments at the market interest rate yields as at the Group's year end. This is then adjusted by a +1% increase to the interest rate yield curve and a 1% reduction in the interest rate yield curve to show the impact of changes in interest rates on the value of our debt and swaps. At 4 January 2025 and 6th January 2024, if Sterling (GBP) market interest rates had been 1% higher / lower with all other variables held constant, there would have been no material impact to post-tax profit. Profit is generally less sensitive to movements in GBP interest rates due to the level of borrowings held at fixed rates as described in the Interest rate risk and hedging section.

Foreign exchange risk

At 4 January 2025 and 6 January 2024, if both the Euro and US dollar had strengthened or weakened by 10% against sterling (GBP) with all variables held constant, there would have been no material impact to post-tax profit.

Guarantees

In the course of conducting its operations, the Group is required to issue bank guarantees and bonds in favour of various counterparties. These facilities are provided by the Group's banking syndicate and as at 4 January 2025 the total amount of guarantees / bonds outstanding was £24m (2023: £17m).

Notes to the financial statements continued

26 Financial instruments, derivatives and valuation of financial assets and liabilities

Derivatives

Derivatives held for non-trading purposes for which hedge accounting has not been applied are as follows:

	Contractual/ notional amount £m	2024 Fair value assets £m	Fair value liabilities £m	Contractual / notional amount £m	2023 Fair value assets £m	Fair value liabilities £m
Interest rate swaps	105	-	(6)	105	-	(9)
Foreign exchange contracts	73	-	(2)	64	-	(2)
Commodity swaps (diesel)	20	-	(1)	20	-	(2)
Total recognised derivative liabilities)	198	-	(9)	189	-	(13)

The interest rate swaps mature in 2026 and as such are held in non-current liabilities. The majority of the foreign exchange contracts and diesel swaps mature within 1 year so are shown in current liabilities.

The following summarises the major methods and assumptions used in estimating the value of financial instruments reflected in the annual report and accounts:

a) Financial instruments at fair value through the income statement

Investments in funeral plans

Where there is no active market or the investments are unlisted, the fair values are based on commonly used valuation techniques (refer to accounting policy (section iv) of this note for further details).

Derivatives

Forward exchange contracts, such as the Group's interest rate swaps have been determined by discounting expected future cash flows associated with these instruments at the market interest rate yields as at the Group's year end. The Group's derivatives are not formally designated as hedging instruments but under IFRS 9 (Financial Instruments) they are used to match against a proportion of the 2026 Bond liabilities carried at fair value through the income statement, showing as a gain of £3m in 2024 (2023: £4m gain) see Note 6.

The Group enters into forward contracts for the purchase of energy from third party suppliers for use by the Group. Energy contracts for own use are not required to be accounted for as derivatives. We adopt a layered hedging procurement policy for energy contracts over a period of 3 years to a maximum of 80% of Group forecast demand. At the 2024 year end we had 78% electricity (2023: 68%) and 64% gas (2023: 54%) coverage of our forecast demand for 2025.

Fixed rate sterling bonds

The fixed rate sterling bond values are determined in whole by using quoted market prices.

b) Interest-bearing loans and borrowings - amortised cost

These are shown at amortised cost which presently equate to fair value or are determined in whole by using quoted market prices. Fair value measurement is calculated on a discounted cash flow basis using prevailing market interest rates.

c) Receivables and payables

For receivables and payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value, where the effect of discounting is immaterial. For further details see the Accounting Policy section at the end of this note.

Notes to the financial statements continued

26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

The table below shows a comparison of the carrying value and fair values of financial instruments for those liabilities not carried at fair value.

Financial liabilities	Carrying value 2024 £m	Fair value 2024 £m	Carrying value 2023 £m	Fair value 2023 £m
Interest-bearing loans and borrowings (held at amortised cost)	376	384	583	581

The table below analyses financial instruments by measurement basis:

2024	Fair value through income statement £m	Amortised cost £m	Total £m
Assets			
Other investments (funeral plans)	1,414	-	1,414
Trade and other receivables	-	414	414
Cash and cash equivalents	-	320	320
Short-term investments	-	100	100
Total financial assets	1,414	834	2,248
Liabilities			
Interest-bearing loans and borrowings	108	376	484
Derivative financial instruments	9	-	9
Trade and other payables	-	1,171	1,171
Total financial liabilities	117	1,547	1,664

2023	Fair value through income statement £m	Amortised cost £m	Total £m
Assets			
Other investments (funeral plans)	1,346	-	1,346
Trade and other receivables	-	434	434
Cash and cash equivalents	-	395	395
Short-term investments	-	200	200
Total financial assets	1,346	1,029	2,375
Liabilities			
Interest-bearing loans and borrowings	105	583	688
Derivative financial instruments	13	-	13
Trade and other payables	-	1,186	1,186
Total financial liabilities	118	1,769	1,887

The following table provides an analysis of financial assets and liabilities that are valued or disclosed at fair value, by the three-level fair value hierarchy as defined within IFRS 13 (Fair Value Measurement):

• Level 1	Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2	Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3	Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As pricing providers cannot guarantee that the prices they provide are based on actual trades in the market then all of the corporate bonds are classified as Level 2.

Notes to the financial statements continued

26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

Valuation of financial instruments

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,414	1,414
- Derivative financial instruments	-	-	-	-
Total financial assets at fair value	-	-	1,414	1,414
Liabilities				
Financial liabilities at fair value through the income statement				
- Fixed rate sterling 2026 bond	-	108	-	108
- Derivative financial instruments	-	9	-	9
Total financial liabilities at fair value	-	117	-	117

Funeral plan investments are classified as level 3 under the IFRS 13 hierarchy. Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs). The vast majority of our funeral plan investments are held in Whole of Life (WoL) insurance policies. The plan investments are financial assets which are recorded at fair value each period using valuations provided to Co-op by the policy provider. The plan values reflect the amount the policy provider would pay out on redemption of the policy at the valuation date with the main driver being underlying market and investment performance.

The value of the 2026 bonds carried at amortised cost is disclosed in Note 18. The equivalent fair value for the unhedged proportion of the 2026 bonds that are now carried at amortised cost would be £252m (2023: £245m).

There were no transfers between Levels 1 and 2 during the period and no transfers into and out of Level 3 fair value measurements. For other financial assets and liabilities of the Group including cash, trade and other receivables / payables then the notional amount is deemed to reflect the fair value.

2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,346	1,346
Total financial assets at fair value	-	-	1,346	1,346
Liabilities				
Financial liabilities at fair value through the income statement				
- Fixed rate sterling 2026 bond	-	105	-	105
- Derivative financial instruments	-	13	-	13
Total financial liabilities at fair value	-	118	-	118

Interest rates used for determining fair value

Third-party valuations are used to fair value the Group's bond and interest rate derivatives. The valuation techniques use inputs such as interest rate yield curves with an adequate credit spread adjustment.

Notes to the financial statements continued

26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

Accounting policies

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The Group classifies its financial assets and liabilities as either:

- fair value through the income statement; or
- at amortised cost.

A) General Recognition

i) Recognition of financial assets

Financial assets are recognised on the trade date which is the date it commits to purchase the instruments. Loans are recognised when the funds are advanced. All other financial instruments are recognised on the date that they are originated. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value, with the exception of trade receivables that don't contain a material financing component or where the customer will pay for the related goods or services within one year of receiving them. For financial assets which are not held at fair value through the income statement, transaction costs are also added to the initial fair value. Trade receivables that don't contain a material financing component or where the customer will pay for the related goods or services within one year of receiving them are measured at the transaction price determined under IFRS 15 (Revenue from Contracts with Customers). See accounting policies for revenue and IFRS 15 in Note 2.

ii) Recognition of financial liabilities

The Group recognises all of its financial liabilities at amortised cost and all derivative financial liabilities are classified as FVTPL. Financial liabilities costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Group's non-derivative financial liabilities comprise:

- Borrowings
- Trade and other payables
- Lease liabilities

ii) Derecognition of financial assets and financial liabilities

Financial assets and liabilities are derecognised (removed from the balance sheet) when:

- the rights to receive cash flows from the assets have ceased; or
- the Group has transferred substantially all the risks and rewards of ownership of the assets.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing liability is replaced by the same counterparty on substantially different terms or the terms of an existing liability are substantially modified, the original liability is derecognised and a new liability is recognised, with any difference in carrying amounts recognised in the income statement.

B) Financial Assets

i) Loans and receivables (amortised cost)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market which we do not intend to sell immediately or in the near term. These are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently these are measured at amortised cost. The amortised cost is the initial amount at recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, less impairment provisions for incurred losses.

ii) Funeral plans (fair value through the income statement)

Funeral plans

When a customer takes out a funeral plan the initial plan value is recognised as an investment asset in the balance sheet. The investments are held in insurance policies or cash-based trusts and attract interest and bonus payments throughout the year dependent upon market conditions. The plan investment is a financial asset, which is recorded at fair value each period through the income statement using valuations provided by the insurance policy provider or reflecting the trust cash balances.

The obligation to deliver the funeral is treated as an insurance contract liability under accounting standard IFRS 17 (Insurance Contracts) and held separately on our balance sheet. The standard applies to all of the Group's funeral plans (including the re-insurance of the payment waiver on instalment plans) and is effective from 1 January 2023. See Note 20 for details of the Group's Insurance contract and Re-insurance contract liabilities and associated accounting policies.

Notes to the financial statements continued

26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

B) Financial Assets - continued

iii) Funeral benefit options (FBOs) - (amortised cost)

FBOs are attached to Guaranteed Over 50's life insurance plans (GOFs) sold by the Group's third party insurance partners. An FBO is the assignment of the sum-assured proceeds of a GOF policy to Funeralcare for the purposes of undertaking their funeral. In exchange the GOF customer is awarded a discount on the price of the funeral.

No revenue is recognised by the Group at the point of assignment and instead an element of the costs that have been incurred in obtaining the FBO are deferred onto the balance sheet. These are then expensed at the point of redemption when the revenue is recognised. Any plans that are cancelled are written off at the point at which Funeralcare are made aware of the cancellation. A separate provision is also made to cover the expected cancellations of FBOs. No investment or liability is recognised for FBOs as the option does not guarantee a funeral and the liability for which remains with the insurance partner. Any difference between the funeral price and the sum assured at the point of redemption is the liability of the deceased estate or whoever takes responsibility for arranging the funeral.

iv) Trade receivables - (amortised cost)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (for example, by business division, customer, coverage by letters of credit or other forms of credit insurance).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not insured or subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in trade and other receivables (Note 16).

v) Lease receivables - (amortised cost) - refer to Accounting Policy section of Note 11 (Leases).

vi) Financial Assets - Credit risk, liquidity risk and impairment of financial assets

a) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk from balances with banks and financial institutions is managed by the Group's Treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are monitored regularly based on Board approved Treasury Policy, with changes to the credit limits being reported monthly to the Treasury Committee. The limits are set to minimise the concentration of credit risk. Financial assets held at fair value through the income statement are primarily held in low-risk investments.

b) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, bonds and leases.

c) Impairment of financial assets carried at amortised cost

The amount of the impairment loss on assets carried at amortised cost is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of an allowance account. A write-off is made when all or part of an asset is deemed uncollectable or forgiven after all the possible collection procedures have been completed and the amount of loss has been determined. Write-offs are charged against previously established provisions for impairment or directly to the income statement. Any additional recoveries from borrowers, counterparties or other third parties made in future periods are offset against the write-off charge in the income statement once they are received. Provisions are released at the point when it is deemed that following a subsequent event the risk of loss has reduced to the extent that a provision is no longer required.

Notes to the financial statements continued

26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

C) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

i) Trade and Other Payables - (amortised cost)

Trade and other payables are recognised initially at fair value, are not interest bearing and are subsequently measured at amortised cost.

ii) Fixed rate Sterling bonds - (fair value through the Income Statement)

The fixed rate sterling bond values are determined in whole by using quoted market prices.

iii) Interest-bearing loans and borrowings - (amortised cost)

Interest-bearing bank loans and overdrafts are recorded initially at fair value, which is generally the proceeds received, net of direct issue costs. Subsequently, these liabilities are held at amortised cost using the effective interest rate method. Transaction costs are amortised on a straight-line basis over the life of the facility they relate to.

iv) Lease liabilities - (amortised cost) - refer to Accounting Policy section of Note 11 (Leases).

v) Derivatives - (fair value through the income statement)

The Group uses derivative financial instruments to provide an economic hedge to its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivatives entered into include interest rate swaps, foreign exchange contracts, commodity (diesel) swaps and energy contracts. Derivative financial instruments are measured at fair value and any gains or losses are included in the income statement. Fair values are based on quoted prices and where these are not available, valuation techniques such as discounted cash flow models are used.

Interest payments or receipts arising from interest rate swaps are recognised within finance income or finance costs in the period in which the interest is incurred or earned.

Notes to the financial statements continued

27 Commitments and contingencies

Commitments:

a) Capital expenditure that the Group is committed to but which has not been accrued for at the period end was £10m (2023: £22m).

Contingent liabilities:

b) i) In common with other retailers, the Group has received Employment Tribunal claims from current and former food store colleagues alleging their work is of equal value to that of distribution centre colleagues and differences in pay and other terms are not objectively justifiable. The claimants are seeking the differential in pay (and other terms) together with equalisation going forward. There are currently circa 5,200 claims (2023: circa 4,700 claims) and it is anticipated that this number will rise, though it is not possible to predict the point to which this may increase or the rate of increase.

These equal pay claims are initiated in the Employment Tribunal and claimants will need to succeed in three stages to succeed. The first stage concerns whether the roles of store colleagues can be compared with those of warehouse colleagues. In light of European and Supreme Court decisions, Co-op Group has conceded that it will not contest this point. The second and third stages are concerned with an equal value assessment between comparator roles and if this is shown to be the case, a subsequent consideration of Co-op Group's material factor defences (which are the non-discriminatory reasons for any pay differential). It is expected this litigation will take a number of years to reach final resolution.

The claims are still at an early stage; the number of claims, merit, outcome and impact are all highly uncertain. No provision has been made as it is not possible to assess the likelihood nor quantum of any outcome. There are substantial factual and legal defences to the claims and the Group intends to defend them robustly.

The Group closely monitors the progress of other group claims made by store workers against large grocery and other retailers where the basis of the claims are similar to those made against us.

b) ii) In early February 2023 a claim was issued against Co-operative Group Limited and certain of its subsidiaries (Co-operative Group Food Limited, Co-operative Foodstores Limited and Rochpion Properties (4) LLP) by the liquidators of The Food Retailer Operations Limited in connection with transactions which took place in 2015 and 2016 relating to the Somerfield supermarket business acquired by Co-op in 2009.

The amount claimed is approximately £450m plus further unquantified amounts of interest and costs. Co-op strongly disputes both liability and the quantum of the claim.

28 Related party transactions and balances

	Relationship	2024 £m	2023 £m
Subscription to Co-operatives UK Limited	(i)	0.8	0.7

i) The Group is a member of Co-operatives UK Limited.

The Group's Independent Society Members (ISMs) include consumer co-operative societies which, in aggregate, own the majority of the corporate shares with rights attaching as described in Note 22. The Co-operative Group has a 76% shareholding in Federal Retail and Trading Services Limited which is operated as a joint buying group by the Group for itself and other independent co-operative societies. The Group acts as a wholesaler to the other independent co-operatives and generates sales from this and the arrangement is run on a cost recovery basis and therefore no profit is derived from its activities. Sales to ISMs, on normal trading terms, were £2,076m (2023: £2,142m) and the amount due from ISMs in respect of such sales was £151m at 4 January 2025 (2023: £142m). No distributions have been made to ISMs based on their trade with the Group in either the current or prior periods.

Transactions with directors and key management personnel

A number of small transactions (such as the purchase of funeral services) are entered into with key management in the normal course of business and are at arm's length. Key management are considered to be members of the Executive and directors of the Group. Key management personnel transactions noted in the year are £nil (2023: £1,000). Other than the compensation set out in the Remuneration Report, there were no other transactions greater than £10,000 with the Group's entities (2023: £nil). Total compensation paid to key management personnel is shown below.

Key management personnel compensation	2024 £m	2023 £m
Short-term employee benefits	4.1	3.6
Post-employment benefits	0.2	0.1
Other long-term benefits	0.3	0.3
Total	4.6	4.0

Notes to the financial statements continued

29 Principal subsidiary undertakings

All of the principal subsidiary undertakings as at the period end are registered in England and Wales and their principal place of business is the UK. See Accounting Policies and Basis of Preparation section on page 200 for a Group structure diagram.

	Society holding %	Nature of business
Co-operative Group Holdings (2011) Ltd	100	Property management
Co-operative Group Food Ltd	100	Food retailing
Co-operative Foodstores Ltd	100	Food retailing
Nisa Retail Ltd	100	Food wholesaling
Co-op Insurance Services Limited	100	Insurance (marketing)
Funeral Services Ltd	100	Funeral directors
Co-op Funeral Plans Ltd	100	Funeral plan services
Co-operative Legal Services Ltd	100	Legal services
Rochpion Properties (4) LLP	100	Holds property

Notes

i) All of the above have been fully consolidated into the Group's accounts. There are no non-controlling interests in any of these entities.

ii) All of the principal subsidiaries are audited by EY LLP.

iii) All transactions between entities are in the usual course of business.

iv) A full list of all Group subsidiary entities can be found at: <https://www.co-operative.coop/investors/rules>

Notes to the financial statements continued

30 Membership and community reward

Members	2024 m	2023 m
Active members (unaudited)	6.2	5.0

Membership and community rewards (within the income statement)	£m	£m
Member reward earned	(3)	25
Community reward earned	1	20
Total reward	(2)	45

In the comparative period Member and Community rewards were earned at 2% (4% in total) of member spend on selected Co-op products and services. Following a change to our membership proposition (including the introduction of exclusive member pricing deals) these rewards were no longer earned from 24 January 2024. Members have been able to redeem their rewards throughout 2024 with any unused member reward being recognised within revenue in the income statement based on an assessment of future redemption rates.

Further detail on our membership proposition can be found in the 'Our Vision' section ('Working to make membership irresistible and indispensable') on page 16 in the front-half of this report. Full details of our overall investment in our communities can be found in our Co-operate Report.

31 Events after the reporting period

There are no material post balance sheet events noted for disclosure in the 2024 Annual Report and Accounts for the 52 week period ended 4 January 2025.



Accounting policies and basis of preparation

General information

Co-operative Group Limited ('the Group') is a registered co-operative society (525R) domiciled in England and Wales. The address of the Group's registered office is 1 Angel Square, Manchester, M60 0AG, and the trading locations of all stores and branches can be located on our website <https://www.coop.co.uk/store-finder>.

Basis of preparation

The Group accounts have been prepared in accordance with UK adopted international accounting standards for the 52 week period ended 4 January 2025 and in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014. As permitted by statute, a separate set of financial statements for the Society are not included.

The accounts are presented in pounds sterling and are principally prepared on the basis of historical cost. Areas where other bases are applied are explained in the relevant accounting policy in the notes. Amounts have been rounded to the nearest million. The accounting policies set out in the notes have been applied consistently to all periods presented in these financial statements, except where stated otherwise. The accounts are prepared on a going concern basis. See later section on 'Going Concern'.

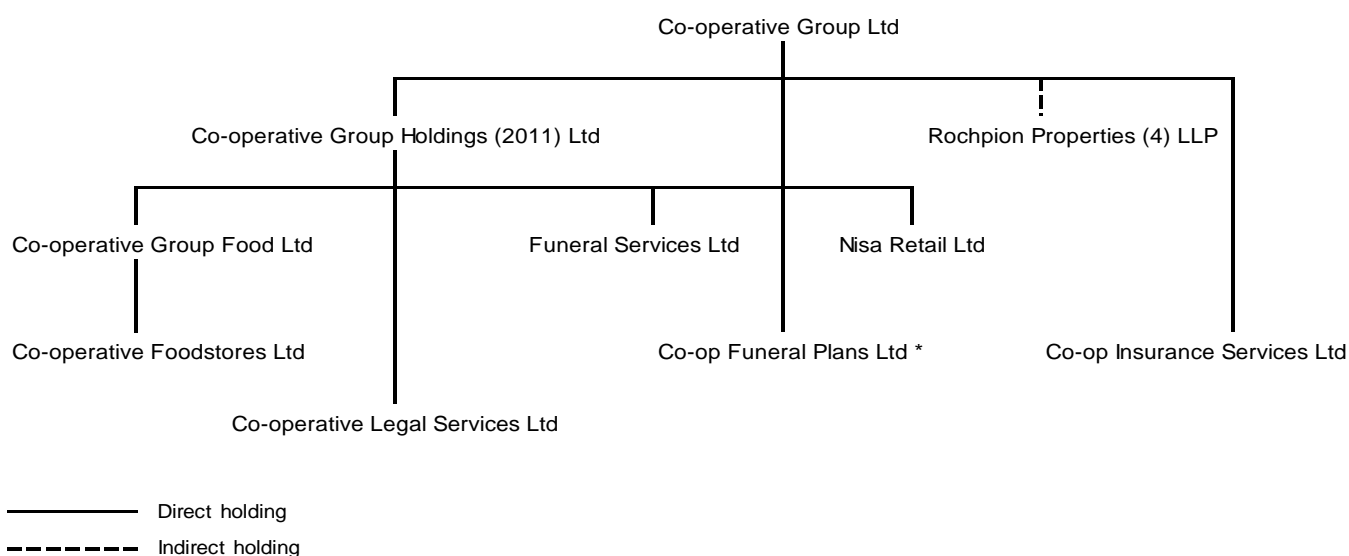
Climate Change Considerations

In preparing the Group's Consolidated Financial statements management has considered the impact of climate change covering both the financial statements and the disclosures included in the Strategic report. This included an assessment of the potential impact of, and associated responses to, climate change, and how that could impact the non-current assets that we hold as well as our expectations of future trading conditions. This assessment did not identify any requirement to shorten asset lives of the Group's asset base and neither did it identify any material impact on the valuation of the Group's assets or liabilities. Where material the Group has included the impact of climate change within its forecasts, impairment reviews and assessments of going concern and viability. Further detail is given later in this section under 'Material accounting judgements, estimates and assumptions in relation to climate change.' The Group will keep this assessment under review and continue to monitor developments in the future.

Basis of consolidation

The financial statements consolidate Co-operative Group Limited, which is the ultimate parent society, and its subsidiary undertakings. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The diagram below shows the composition of the Group and its principal subsidiaries. Further details can be found in Note 29 (Principal subsidiary undertakings). A full list of subsidiaries that make up the Group for the purposes of these financial statements can be found at: <http://www.co-operative.coop/investors/rules>



All shareholdings are 100% owned unless otherwise stated.

* Co-op Funeral Plans Ltd is owned 33% by Co-operative Group Ltd and 67% by Co-operative Group Holdings Ltd.

Accounting dates

The Group and its main trading subsidiaries prepare their accounts to the first Saturday of January unless 31 December is a Saturday. These financial statements are therefore prepared for the 52 weeks ended 4 January 2025. Comparative information is presented for the 53 weeks ended 6 January 2024. Since the financial periods are virtually in line with calendar years, the current period figures are headed 2024 and the comparative figures are headed 2023. The comparative amounts are not entirely comparable with the results of 2024, as they are based on a longer period.

Co-operative Insurances Services Limited and certain small holding companies have prepared accounts for the period ended 31 December 2024. This differs from the Group and the other subsidiaries. For the period ending 4 January 2025, there are no material transactions or events which need to be adjusted for to reflect the difference in reporting dates.

Non-underlying items and non-GAAP (Generally Accepted Accounting Procedures) measures

Non-underlying items include costs relating to activities such as large restructuring programmes and costs or income which would not normally be seen as costs or income relating to the underlying principal activities of the Group.

Two non-GAAP measures of performance are presented to help the reader understand the underlying profitability of the Group: (i) underlying operating profit / (loss) and (ii) underlying profit / (loss) before tax. These are shown in the table at the bottom of the income statement and we show the adjustments between these measures and operating profit. In calculating these non-GAAP measures, property and business disposals (including individual store impairments), the change in value of investment properties and other non-underlying items are adjusted for. Further detail on the Group's Alternative Performance Measures (APMs) can be found in the Glossary on page 226.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to do so and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Material accounting judgements, estimates and assumptions

The preparation of financial statements that comply with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In assessing the Group’s judgements and sources of estimation uncertainty, consideration has also been given to the impact of climate change risk. Details are shown at the end of this section.

Key judgements:

In the process of applying the Group’s accounting policies, management has made the following key judgements which have the most material impact on the consolidated financial statements:

• Determining the lease term of contracts with extension and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms of 5 to 10 years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a material event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Key accounting estimates and assumptions:

In the process of applying the Group’s accounting policies, management has made the following key accounting estimates and assumptions which have the most material impact on the consolidated financial statements:

• Insurance contract liabilities (Note 20)

Under IFRS 17 (Insurance Contracts) the Group's funeral plan liabilities reflect the current estimate of the present value of the future cashflows to provide the funeral. These are calculated using actuarial advice and are based on a range of assumptions and estimates. The assumptions used are management's best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice.

The main actuarial assumptions include estimates in relation to discount rates, future costs to deliver a funeral including inflation and expense assumptions, mortality rates, risk adjustments and plan cancellation rates. The insurance contract liability calculation is most sensitive to changes in the discount rate and inflation assumptions and further detail on these items is noted below.

Key accounting estimates and assumptions - continued:**• Insurance contract liabilities (Note 20)** -continued

Discount rate - the Group applies a bottom-up approach to derive the discount rate such that our insurance contract liabilities (funeral plans) are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium (credit spread). The risk free rate has been derived by reference to market yields on sterling-denominated high quality corporate bonds of appropriate duration consistent with the funeral plans at that date (UK Gilt curve at the valuation date converted from continuous to annual rates). The illiquidity premium is determined by reference to observable market rates (assessed as the average credit spread on 10-15 A rated and 10-15 year AA rated bonds at the valuation date).

Inflation - the rate of inflation is set based on the Bank of England Forward Inflation Curve at the valuation date converted from continuous to annual. From 2022 onwards a reduction of 25 basis points has been applied to allow for high levels of demand for inflation linked gilts increasing inflation expectations. Years 2024 to 2027 have been adjusted to reflect managements' view based on experience of funeral cost inflation.

• Pensions (Note 23) - the Group's defined benefit pension obligations are determined following actuarial advice and are calculated using the projected unit method. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which may not necessarily be borne out in practice. The most material assumptions relate to the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, the Group's defined benefit obligation is highly sensitive to changes in these assumptions. Further details of the financial and demographic assumptions that have been used are shown in Note 24 along with associated sensitivities to those assumptions.

• Impairment of non-financial assets (Notes 10, 11 & 12) - the carrying amount of non-financial assets (such as property, plant and equipment, right-of-use assets, goodwill and intangibles) are reviewed at each balance sheet date and if there is any indication of impairment, the asset's recoverable amount is estimated.

The recoverable amount is the greater of the fair value of the asset (less costs to sell) and the value in use of the asset. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its estimated recoverable amount. For property assets the fair value less costs to sell are measured using internal valuations based on the rental yield of the property.

This review is performed annually or in the event where indicators of impairment are present. At 4 January 2025, the Group has considered whether general uncertainty in the wider macro-economic environment including the cost-of-living crisis, rising inflation, energy price increases, and the on-going conflicts in Ukraine and the Middle East has the potential to represent a significant impairment indicator.

Despite the difficult trading conditions and associated additional costs of serving our customers the Group's main business areas have proven resilient and the performance of the Group's cash-generating units has remained strong. Therefore, management concluded that the impact of the factors noted on the longer term outlook for these cash generating units did not constitute an indicator of material impairment and hence a full impairment test across all CGUs was not required. This judgement is unchanged from 6 January 2024. An impairment assessment has been performed over our Food and Funeralcare estate where indicators of impairment have been identified as disclosed in Note 10.

The Group estimates the value in use of an asset by projecting future cash flows into perpetuity and discounting the cash flows (DCF) associated with that asset at a pre-tax rate of between 9-11% (2023: 9-12%) dependent on the business. The key assumptions used to determine the recoverable amount for the different CGUs, and the sensitivity analysis that is undertaken, are disclosed and further explained in Notes 10 and 12.

• Provisions (Note 21) - a provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The most material provision for the Group relates to regulatory and legal provisions typically in relation to on-going legal or regulatory claims and material assumptions and estimates are made in relation to the estimation of future cash flows and the discount rate applied. The likely outcome in a legal or regulatory claim may be uncertain and difficult to predict based on the evidence and circumstances involved. This means there may be considerable inherent uncertainty with an assessment as to whether a provision exists at the balance sheet date. No separate disclosure is made of the detail of such claims, the assumptions used to calculate the amount provided or the uncertainties relating to the range of possible outcomes considered, because in management's view, to do so could seriously prejudice our position.

The Group takes into account the potential impact of climate change on its legal and constructive obligations, such as potential changes in regulations related to carbon emissions, environmental liabilities and natural disasters. The Group also considers the potential impact of climate change on the costs of complying with environmental regulations and the costs of natural disasters. The Group has reviewed its provisions and concluded that no adjustments need to be made for climate change risks, nor that any new provisions need to be recognised for climate-related matters.

Material accounting judgements, estimates and assumptions in relation to climate change

In assessing the Group’s judgements and sources of estimation uncertainty, consideration has been given to the impact of climate change risk. Aside from areas noted below climate change risks do not have any impacts on the Group’s other judgements or sources of estimation uncertainty.

Impairment of non-current assets

As described in notes 10 and 12, our impairment assessment over the Group’s property, plan and equipment, right of use assets and goodwill, has taken into consideration of any climate related risks identified through our risk assessment process. Our assessment concluded that the expected climate related risks did not have a material impact on the Group’s impairment considerations at the reporting date. The Board-approved plan underpinning our impairment assessments, takes into consideration any incremental costs of climate related actions to mitigate these risks where these are expected to crystallise within the timeframe of the plan. This represents a developing area with inherent uncertainty which is constantly evolving.

Pension assets

Risk associated with volatility in asset value - the market value of the assets held by the pension schemes, particularly the assets held in return-seeking assets such as equity, can be volatile (and, for example, may be affected by environmental, social or corporate governance (“ESG”) failures at investee companies and/or sovereign states - including the physical and transition risks of climate change). This creates a risk of short-term fluctuations in funding level. Through its insurance buy-in contracts Pace has minimal further exposure. For the Somerfield and United schemes this risk has been mitigated by reducing the exposure of the pension schemes to those asset classes which have the most volatile market values. In particular, the schemes have limited allocation to return-seeking assets such as equity. In addition, the Trustees of the Co-op’s pension schemes have responsible investment policies in place, and aligned with those policies exclude specific investments (where appropriate and viable). Management of ESG risks is considered when appointing investment managers and in their ongoing monitoring, and the schemes’ equity assets are explicitly managed with a consideration of such risks, including climate change.

New and amended standards adopted by the Group:

The Group has considered the following standards and amendments that are effective for the Group for the period commencing 7 January 2024 and concluded that they are either not relevant to the Group or do not have a significant impact on the financial statements:

- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 (Practice statement 2) - Non-current Liabilities with Covenants
- Amendments to IFRS 16 - Lease liability in Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements

Standards, amendments and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 7 January 2024 reporting periods and the Group has not early adopted the following standards and statements. Unless noted the adoption of these standards is not expected to have a material impact on the Group’s accounts:

- Amendments to IAS 21 - Lack of Exchangeability*
- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments**
- Annual Improvements to IFRS Accounting Standards - Volume 11**
- IFRS 18 - Presentation and Disclosure in Financial Statements***
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures***

*Applicable for reporting periods on or after 1st January 2025.
 **Applicable for reporting periods on or after 1st January 2026.
 ***Applicable for reporting periods on or after 1st January 2027.

The Group is currently reviewing the likely impact of IFRS 18 on its statutory reporting as well as any potential impact from the amendments to IFRS 9 and IFRS 7 in relation to credit and debit card payments made by customers which are receivable from banks and clear the bank within three days of the transaction date (as disclosed in Note 17).

Going concern basis of preparation

The financial statements are prepared on a going concern basis as the directors have a reasonable expectation that the Group has sufficient liquidity and adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months post the date of approval of these financial statements.

In assessing the Group's ability to continue as a going concern, the directors have considered the Group's most recent forecasting process and specifically the Group's profitability, cashflows, committed funding and liquidity positions for the period to 31 December 2026. Our Co-op operates with net current liabilities as our working capital cycle means cash receipts from revenues arise in advance of the payments to suppliers for the cost of goods sold. We also borrow money from banks and other funding sources, structuring our borrowings with phased maturities to manage our refinancing risk as well as maintaining sufficient levels of liquidity for our Co-op. As part of the going concern review, we have ensured that our forecasts demonstrate compliance with the terms of these agreements, for example related banking covenants and facility levels, for the period under assessment.

As part of strategic planning, the Directors make key assumptions about business performance and stress-test financial scenarios to ensure compliance with facility terms, even under principal risk events. Although our Co-op has a robust planning process, which reflects the continuing economic uncertainty and headwinds impacting the group, we have performed additional stress testing of the going concern basis under severe but plausible downside scenarios, and reflect our principal risks. The results of our stress testing of severe but plausible downside scenarios provided a reasonable basis to support the Directors' conclusion over going concern.

In arriving at the conclusion of the appropriateness of the going concern assumption, the directors have considered the following:

1. Understand what could cause our Co-op not to be a going concern in relation to facility headroom and covenant compliance:

The Group successfully extended its revolving credit facility ("RCF") in November 2024 at £400m for 5 years to the end of November 2029. In making their assessment, the directors have considered a wide range of information relating to present and future conditions, including future forecasts of profitability; cashflow and covenant compliance; and available capital resources. The potential scenarios which could lead to our Co-op not being a going concern are: a. Not having enough liquidity to meet our debt liabilities as they fall due; and/or b. A breach of the financial covenants implicit in our bank revolving credit facility.

As at 4 January 2025, the Group had total available liquidity of £820m, being cash of £420m, including amounts on short term deposit, and headroom of £400m of the Group's Revolving credit facility ("RCF") that remained undrawn at year end. Total available facilities amounted to £862m at year end.

The Base case has sufficient liquidity and bank covenants headroom over the going concern period, with the tightest point for liquidity headroom at period 9 2026, and tightest point for EBITDA at period 6 2025 to breach covenants.

A definition of our banking covenants is provided in Note 18. Further details on capital management, financial instruments, and risk exposures are provided in Note 27 to the financial statements.

2. Review and challenge management's base case forecast, including key choices:

The directors have also considered the Group's cash flow forecasts and profitability projections for the period to December 2026 ("Base Case"). Co-op's base case forecast takes into consideration the continued uncertainty in the market, and has also been adjusted for the impacts of the UK chancellor's autumn budget to provide a more accurate base case for going concern sensitivities. The Board has reviewed and approved these plans. The key assumptions in the plan are:

- a.** Growth in price, volume and profit, whilst keeping net debt steady.
- b.** This growth is tempered with impact of continued cost headwinds on payroll, goods not for resale inflation, and expected increase in packaging costs, being offset by margin and operating cost efficiencies.
- c.** Whilst the impact of Chancellor's budget is market-wide, base case has been adjusted to quantify the national insurance and other impacts along with mitigations of these headwinds.
- d.** Our healthy balance sheet position will allow us to repay the £112m 2025 subordinated notes and for the £350m bond maturing in July 2026, we plan to raise £200m in 2025 from the bond market or other sources, with the remaining £150m covered by existing liquidity, cash, or facilities. The funds will be deposited until repayment is required.

The Base Case has sufficient liquidity and bank covenant headroom over the going concern period, with all bank covenant conditions met.

Going concern basis of preparation - continued:

3. Assess downside scenarios against the base case:

The directors have also considered the impact on forecasted performance of severe but plausible downside scenarios (“Downside Case”), including (but not limited to) the following: a reduction in trade volumes in our Food and Funeralcare business, increase in energy costs which covers unhedged energy prices, wage and other costs inflation.

The downside sensitivities identified do not risk the validity of our Co-op as a going concern even before applying the mitigating actions considered below. We have also considered a plausible combination of the sensitivities happening concurrently where the validity remains protected. Even in the unlikely scenario of all the sensitivities happening simultaneously we still have liquidity and covenant headroom over the Going concern period.

Whilst out of line with our strategic ambition, there are several options within the business' control we could exercise, if the above risks materialised and Co-op management wanted to implement mitigating actions. Options include our Co-op’s ability to control the level and timing of its capital expenditure programme, saving a minimum of £25m per annum and applying cost control measures across both variable and overhead budgets. In addition, we have flexibility in the level of pass-through of energy and cost inflation to the end customer.

4. Conduct reverse stress tests to identify risks to liquidity and covenant headroom and assess their likelihood and mitigations:

Our going concern approach assesses risks to our forecasts through severe but plausible downside scenarios and mitigation options. A reverse stress test identifies the point where the model fails. Following our modelling, we consider this scenario to be remote.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CO-OPERATIVE GROUP LIMITED

Opinion

In our opinion:

- Co-operative Group Limited's Group financial statements (the "financial statements") give a true and fair view of the state of the Group's affairs as at 4 January 2025 and of the Group's profit for the 52-week period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014.

We have audited the financial statements of Co-operative Group Limited for the 52-week period ended 4 January 2025 which comprise:

Group

Consolidated balance sheet as at 4 January 2025

Consolidated income statement for the 52-week period ended 4 January 2025

Consolidated statement of comprehensive income for the 52-week period ended 4 January 2025

Consolidated statement of changes in equity for the 52-week period ended 4 January 2025

Consolidated statement of cash flows for the 52-week period ended 4 January 2025

Related notes 1 to 31 to the financial statements, including material accounting policy information

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of the Group's going concern assessment process including the review process over the going concern model and management's related Board memorandum.
- We assessed the adequacy of the going concern assessment period and considered whether any events or conditions foreseeable after the period indicated a longer review period was required.
- As set out in the 'Directors' report, the Group plans to repay the £350m bond maturing in July 2026 by raising £200m in 2025 from the bond market or other sources, and by using £150m from existing cash or facilities. We utilised our Debt Advisory specialists to assess the likelihood of the Group refinancing the bond.
- We checked the arithmetical accuracy of the cash flow forecasts, including the base case and downside scenarios, covering the going concern assessment period prepared by management and used by the Board in its assessment.
- We obtained copies of all facility agreements and understood the terms and conditions including those related to covenant test ratio requirements. We re-performed the calculation of headroom in respect of the financial covenant test ratios under the base case and by applying sensitivity analysis to assess compliance under severe but plausible downside scenarios.
- For the Group's downside scenarios, we considered whether they reflected severe but plausible changes in key assumptions and adequately reflected our assessment of management's historical forecasting accuracy.
- We assessed management's ability to execute feasible, mitigating actions, if applicable, to respond to the downside scenarios, based on our understanding of the group and the sector.
- We obtained summaries of the climate-related expenditure within the going concern period, checked whether the related cashflows were appropriately incorporated into the model and checked that the model appropriately reflected the Group's climate-related commitments.
- We assessed the appropriateness of the going concern disclosures in describing the risks associated with the group's ability to continue as a going concern for the review period.

Key observations arising with respect to our evaluation of management's going concern assessment:

The Group has net current liabilities of £358m (2023: £470m), which is common in the retail industry due to the working capital cycle. The Group has net debt (excluding leases) of £55m (2023: £82m). Of the debt held by the Group it is only the undrawn revolving credit facility which requires compliance with covenant tests. These covenants are tested twice per year.

Cash generated from operating activities was £456m (2023: £602m) and was lower than the prior period mainly as a result of the working capital cycle being stabilised compared with the material strengthening in the prior period offset by an increase in the operating profit generated by the Group.

We identified the following significant assumptions made by management which have influenced their going concern assessment:

- Food retail like for like sales volumes.
- The impact of cost headwinds (for example employer's NI increases and continuing cost inflation)

- The repayment of the 2025 bond, part of the 2026 bond and the refinancing of the remainder of the 2026 bond.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period to 31 December 2026.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of four components and audit procedures on specific balances for a further two components. We also performed specified audit procedures on certain accounts on one additional component. We performed central procedures on the following Group financial statement line items: <ul style="list-style-type: none"> ○ Right-of-use assets and lease liabilities ○ Pension assets and pension liabilities ○ Taxation, including deferred tax assets and liabilities ○ Employee benefits expense ○
Key audit matters	<ul style="list-style-type: none"> • Revenue recognition; • Accrued supplier income; • Valuation of insurance contract liabilities – liability for remaining coverage; • Impairment of Food property, plant & equipment and right of use assets; and • Group IT environment
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of £46m which represents 0.5% of Adjusted Revenue <p><i>Adjusted Revenue is calculated as Group revenue less revenue generated by the Federal Joint Buying Group (Federal per Note 1 of the accounts). Federal relates to the activities of a joint buying group that is operated by the Group for itself and other independent co-operative societies. The Group acts as a wholesaler to the other independent co-operatives and generates sales from this. This is run on a cost recovery basis and therefore no profit is derived from its activities. As the Group earns no profit on the arrangement, we consider Adjusted Revenue to be a relevant performance benchmark for measuring the value of the Group's activities from which it derives an economic benefit.</i></p>

An overview of the scope of the group audit

Tailoring the scope

In the current year, our audit scoping has been updated to reflect the new requirements of ISA (UK) 600 (Revised). We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures, with input from our component auditors, to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the potential impact of climate change, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that centralised audit procedures can be performed on components in the following audit areas:

Key audit area on which procedures were performed centrally	Component subject to central procedures
Right-of-use assets and lease liabilities	Food, Wholesale, Funeralcare, Corporate, Legal, and Co-operative Group Holdings (2011) (CGH)
Pension assets and liabilities	Food and Corporate
Taxation, including deferred tax assets and liabilities	Food, Funeralcare, Corporate
Employee benefits expense	Food, Wholesale, Funeralcare, Corporate, Legal, and Insurance

We identified three components as individually relevant to the Group due to relevant events and conditions underlying the identified risks of material misstatement of the group financial statements being associated with the reporting components, and their financial size relative to the Group:

- Food
- Wholesale
- Funeralcare

We identified one component (Corporate) as individually relevant to the Group due to financial size of the component relative to the Group.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We identified two additional components as individually relevant to the Group based on the materiality of specific accounts relative to the Group (Legal and Insurance).

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements. We selected one component of the Group to include in our audit scope to address this risk (CGH).

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the seven components selected, we designed and performed audit procedures on the entire financial information of four components ("full scope components"). For two components, we designed

and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components"). For the remaining one component, we performed specified audit procedures to obtain evidence for one or more relevant assertions.

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit engagement team, or by component auditors operating under our instruction.

A planning event was held with representatives from all full and specific scope component teams which involved discussing the audit approach with the component teams.

During the current year's audit cycle, the primary team also performed the work on the Wholesale, Corporate, Insurance, and CGH components as an integrated team. Food and Funeralcare component teams worked in the same office location as the primary team when on-site in the Co-operative Group Head Office in Manchester. This allowed the Group audit partner to meet with the component teams during the performance of the audit, discuss the audit approach with them and any issues arising from their work, meeting with local management, and attending closing meetings. The Group audit team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. Where relevant, the section on key audit matters details the level of involvement we had with component auditors to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Co-Operative Group Limited. The Group has determined that the most significant future impacts from climate change on their operations will be from Food supply chain resilience, raw material availability and reduced access to key facilities (depots & data centres). The material future transition risks arising from climate change are potential damage to consumer sentiment in the market and impairment of technological assets as a result of negative impacts from the transition to a more sustainable business.

These are explained on pages 110-118 in the required Climate Related Financial Disclosures and on pages 47 to 51 in the principal risks and uncertainties. The climate commitments are further explained on pages 111 to 113. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in the Accounting Policies and Basis of Preparation and in Note 10 and Note 12 their articulation of how climate change has been reflected in the financial statements and cash flow forecasting, including how this aligns with their commitment to the aspirations of the Paris

Agreement to achieve net zero emissions by 2040. Significant judgements and estimates relating to climate change are included within section “Material accounting judgements, estimates and assumptions in relation to climate change”.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management’s assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on page 110-118 and the significant judgements and estimates disclosed within section “Material accounting judgements, estimates and assumptions in relation to climate change”. We assessed whether this impact has been appropriately reflected in asset values where these are impacted by future cash flows and associated sensitivity disclosures (see notes 10, 12 and 25), following the requirements of UK adopted international accounting standards. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, which included a review of the most recent Sustainability Report produced by the Group and a review of “Co-op’s Climate Plan” updated in March 2024, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors’ considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work, we have not identified the impact of climate change on the financial statements to be a standalone key audit matter. However, we have considered the impact on one existing key audit matter: *Impairment of Food property, plant & equipment and right of use assets*. Details of the impact, our procedures and findings are included in our explanation of the key audit matter below.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
<p>Revenue recognition</p> <p>2024: £11,279m (2023: £11,262 million)</p> <p>The timing of when revenue is recognised is relevant to the reported performance of the Group. There remains opportunity through management override of controls to misstate revenue throughout the period.</p> <p>This is an existing risk of fraud in line with our prior period audit. We have determined the risk to affect</p>	<p>Applicable to all material revenue streams</p> <ul style="list-style-type: none"> ○ We obtained an understanding of and documented the key processes and controls used to record revenue transactions by performing a walkthrough of the processes. ○ We performed data analysis procedures over revenue, comparing results with our expectations and corroborating differences. In particular, we performed procedures in the month preceding and subsequent to the period-end. ○ We tested whether the Group’s revenue recognition policy is in line with the criteria in IFRS 15: Revenue from Contracts with Customers.

Risk	Our response to the risk
<p>overstatement in the current period, reflecting the risk that management could override controls to enhance reported performance.</p> <p>The key areas where management override may arise relate to fictitious and erroneous journals to overstate revenue throughout the year across all components</p> <p>This year, the risk includes fraud or error in the assumptions used within the calculations of the CSM roll-forward and the expected claims and expenses populations within the Funeralcare component.</p> <p>Refer to the Audit Committee Report (pages 91-98); Accounting policies (page 200); and Note 2 of the Consolidated Statements (page 140).</p>	<ul style="list-style-type: none"> ○ We performed testing over post-closing adjustments. <p><u>Food – Store revenue</u></p> <ul style="list-style-type: none"> ○ We tested journals relating to instances where stores recognise revenue outside the normal automated store EPOS process and ensured that there is no duplication of stores within the population or unusual amounts of revenue recognised. ○ We performed journal analysis to identify sales journals that have not resulted in cash receipts and tested a sample of these to supporting evidence to ensure revenue has been recognised correctly. ○ We challenged unusual adjustments made in relation to “non-pollled” store data adjustments by comparing these against averages for those stores. <p><u>Funeralcare</u></p> <p>In conjunction with our actuarial colleagues, we:</p> <ul style="list-style-type: none"> ○ Tested journals which have been posted to revenue which do not follow the expected flow of transactions. ○ Agreed the expected claims and expenses recognised for the period to the change in the liability for the remaining coverage, investigating any unusual or material reconciling items. ○ Reconciled the amount of insurance acquisition cash flows included in revenue to the amount included in insurance costs, investigating any unusual or reconciling items. ○ Tested key assumptions within the Liability for Remaining Coverage and specific to demographic assumptions applied within the model, assessed whether these are balanced compared to industry practice. ○ Tested the demographic assumptions applied within the model to assess whether these are balanced and appropriately reflect recent experience. ○ Evaluated the definition of the coverage units and the appropriateness of the release pattern input into the CSM model. ○ Recalculated the total CSM release to confirm that this is in line with the requirements of the standard. ○ Reconciled the movement in the CSM to the relevant accounts in the Income Statement and changes in fulfilment cashflows relating to future services discounted at appropriate rates and aggregation level in the reserving models tested as part of the fulfilment cashflows. ○ On a sample basis, tested the completeness and accuracy of the policy data used in the models by agreeing this to source systems and previously audited information. For new data requirements, we tested a sample of key data points back to source information.

Risk	Our response to the risk
	<p><u>Wholesale and Legal Services</u></p> <ul style="list-style-type: none"> ○ We tested journals to revenue and other transactions to the revenue account that do not follow the expected critical path from revenue to debtors to cash to identify any material instances of misallocation between periods. <p><u>Insurance</u></p> <ul style="list-style-type: none"> ○ We tested the appropriateness of the release of deferred consideration into revenue during the period by testing the assumptions of the backbook model. ○ We tested a sample of front book revenue transactions to third party commission statements.

Key Observations to the Risk and Audit Committee

Revenue has been recognised appropriately in accordance with IFRS 15: Revenue from Contracts with Customers. The revenue from pre-need funeral plans has been recognised in accordance with IFRS 17: Insurance Contracts. We have concluded that the CSM calculation model is appropriate and the related release of CSM is fairly stated in accordance with IFRS 17. We have not identified instances of management override of controls in relation to revenue.

How we scoped our audit to respond to the risk

We performed full scope audit procedures over this risk in five components (Food, Wholesale, Funeralcare, Legal, and Insurance) which covered 100% of the Group revenue balance.

The primary audit team issued Group audit instructions to the component teams which included specific substantive procedures to address the risk of material misstatement in relation to revenue recognition. The primary audit team reviewed the component team's key revenue and journal entry workpapers which were executed in line with the Group audit instructions.

Risk	Our response to the risk
<p>Accrued supplier income</p> <p>Supplier income accrued at period-end 2024: £131m (2023: £96m)</p> <p>The Group receives money back from suppliers, specifically in the Food and Wholesale divisions. This supplier income is categorised as bonus income, promotional income and long-term agreements (LTAs). The terms of agreements with suppliers can be complex and varied, including performance conditions or promotional periods that span the Group's period end.</p>	<ul style="list-style-type: none"> ○ We obtained an understanding of the key processes used to record supplier income by performing a walkthrough of the processes and the relevant controls which respond to the significant risk identified. ○ We held enquiries with management to understand supplier arrangements entered in the period, to assess risks of material misstatement due to unusual contract arrangements or terms. ○ We obtained a list of accrued supplier income by contract and management's reconciliation of the balance per the listing to the balance per the general ledger. We tested material reconciling items. ○ We issued direct requests for a sample of third-party suppliers to confirm the terms of arrangements and/or sales volumes used.

Risk	Our response to the risk
<p>We reassessed our risk in the current period for all three supplier income streams to reflect a specific risk to accrued supplier income at the year-end.</p> <p>Due to the complexity and judgement in relation to LTA income, there is a risk that a misstatement in the calculation of income may occur either accidentally or purposefully through management override of controls.</p> <p>Bonus income and promotional income relates to short-term marketing support or promotions which are less complex and settled through offset in the period. The risk of misstatement therefore relates to their fraud risk focussed solely related to the posting of fictitious journals to the income stream.</p> <p>Refer to the Audit Committee Report (pages 91-98); Accounting policies (page 200); and Note 16 of the Consolidated Financial Statements (pages 161).</p>	<p>Using responses to these requests, we recalculated accrued supplier income. We obtained invoices that the group raised to its suppliers and agreed them back to the associated remittance advice and/or to bank statement where settled post year end.</p> <ul style="list-style-type: none"> ○ We assessed the profiling of supplier income with respect to the level of purchases throughout the current and prior period to identify unusual or unexpected trends. We investigated discrepancies. ○ We have extracted the journals data impacting accrued supplier income. We analysed the data to search for items that did not follow our expected posting patterns. We tested unusual journals which could be indicative of management override of controls. ○ We tested that management's allocation of supplier income earned jointly with other independent societies through the member buying group was applied appropriately.

Key Observations to the Risk and Audit Committee

We did not identify any material misstatements through either management override, error or manipulation of the period-end figures for accrued supplier income related to LTA, Bonus income, and Promotional income.

How we scoped our audit to respond to the risk

We performed full scope audit procedures over this risk in two components (Food and Wholesale) which covered 100% of the Group accrued supplier income balance.

The primary audit team issued Group audit instructions to the component teams which included specific substantive procedures to address the risk of material misstatement in relation to accrued supplier income. The primary audit team reviewed the component team's key accrued supplier income workpapers which were executed in line with the Group audit instructions.

Risk	Our response to the risk
<p>Valuation of insurance contract liabilities - Liability for Remaining Coverage</p> <p>Liability for Remaining Coverage 2024: £1,004m (2023: £1,098m)</p> <p>The risk related to the valuation of the Liability for Remaining Coverage is focused on the present value of future cash flows (PVFCFs), the risk adjustment and the loss component.</p> <p>The risk is significant due to the complexity of the models used to estimate the insurance liabilities, the degree to which insurance liabilities are sensitive to economic and non-economic assumptions set by management and the calculations being contingent on the completeness and accuracy of the data.</p> <p>We believe the specific risk factors contributing to the assessment of the risk as significant include the following:</p> <ul style="list-style-type: none"> • Models are not designed appropriately for their purpose and do not reflect and/or model product terms and conditions effectively. • Unusual adjustments to liabilities outside of the core actuarial models. • Key plan data utilised by the models is not complete and accurate. • Judgment is involved in setting economic assumptions, particularly discount rates (including the illiquidity premium) and in determining non-economic assumptions, the most significant of which are expenses. Therefore, there is a risk 	<p>This risk relates to the Funeralcare business.</p> <p>In conjunction with our actuaries, we:</p> <ul style="list-style-type: none"> • Performed walkthroughs to obtain an understanding of the modelling, policyholder data flows and assumption setting process and identify internal controls in place. • Compared management's model validation results with the funeral plan product terms and conditions and management's IFRS 17 valuation policies. For a selection of policies, performed an independent recalculation of the best estimate liabilities and compared the results to the output of the cashflow model used by management. • Assessed the results of management's analysis of movements in insurance contract liabilities to corroborate the model changes in the period. • Gained an understanding of the rationale for amounts calculated outside of the core actuarial models. For a sample of such calculations, assessed the appropriateness of the applied methodology and tested that the calculation has been performed appropriately. • Agreed the reconciliation of the plan master file to the input into the valuation model to verify that all in-force plans are properly included in the valuation process. • Tested the underlying data back to source administration system, verifying that the key data fields have been correctly and consistently applied period to period. • Challenged management's methodology for splitting expenses between acquisition and maintenance expenses and then agreeing the split of attributable and non-attributable costs under IFRS 17, agreeing a sample of expenses back to source information. • Tested the actuarial model to ensure the expense assumptions were applied appropriately within the model. • Evaluated the appropriateness of the discount rate selected by management and compared the information used to determine the illiquidity premium to the characteristics of the liabilities. • Challenged the results of management's experience analyses including the mortality and cancellations, to assess whether these reflected recent experience appropriately and that they support the adopted non-economic assumptions. • Benchmarked the significant assumptions against those of other comparable industry participants in our wider assumptions benchmarking review. • Performed procedures to test that the assumptions used in the year end valuation were consistent with the board approved basis.

Risk	Our response to the risk
<p>of management override in this area; and</p> <ul style="list-style-type: none"> Finally, IFRS 17 explicitly requires that a risk adjustment ('RA') be included above the best estimate cashflows within the liability for remaining coverage. IFRS 17 does not specify the estimation technique that should be used to determine the risk adjustment, so management must develop an appropriate estimation technique. Therefore, due to the inherent judgment required to determine both an appropriate technique and the relevant inputs, we consider the RA to be susceptible to management bias. <p>This risk has remained unchanged from the prior year.</p> <p>Refer to the Audit Committee Report (pages 91-98); Accounting policies (page 200); and Note 20, of the Consolidated Financial Statements (pages 167-177).</p>	<ul style="list-style-type: none"> Tested the application of the methodology used to derive the risk adjustment, including the scope of non-financial risks and key judgements applied when updating the calibration result. Compared management's approach to the wider market, where applicable, particularly where adjustments are applied to the calibration to reflect external events and by applying our industry knowledge and experience. Considered the adequacy of the disclosures in the financial statements. Tested the transition of customer data which has been migrated to the new system as part of the CST transition, ensuring the completeness and accuracy of the data on the new system.
Key Observations to the Risk and Audit Committee	
The liability for remaining coverage including risk adjustment is fairly stated in accordance with IFRS 17.	

How we scoped our audit to respond to the risk
<p>We performed full scope audit procedures over this risk in Funeralcare component which covered 100% of the Group liability for remaining coverage balance.</p> <p>The primary audit team issued Group audit instructions to the component team which included specific substantive procedures to address the risk of material misstatement in relation to liability for remaining coverage balance. The primary audit team reviewed the component team's key liability for remaining coverage workpapers which were executed in line with the Group audit instructions.</p>

Risk	Our response to the risk
<p>Impairment of Food property, plant & equipment and right of use assets</p> <p>PPE 2024: £1,325m (2023: £1,315m) RoU Assets 2024: £686m, (2023: £702m)</p> <p>There is a risk of misstatement when performing an impairment assessment, due to challenges in forecasting for the future effects of the macro-economic environment. These factors can result in a material decline in the valuation of a wide range of assets at a food store level.</p> <p>We reassessed our risk in the current period in respect of impairment and removed the Corporate balances from the key audit matter given the past impairments taken on Corporate assets and the remaining net book value of the assets related to this component being less susceptible to the impairment risk.</p> <p>The macro-economic environment is challenging, where the subsequent effect of these issues could lead to a material decline in the valuation of long-life assets. The food retail component is most closely impacted by the macro-economic environment. Given the material value of the balances within this component we consider this risk to affect the Food stores Property, Plant & Equipment (PPE) and Right of use Assets (RoUA).</p> <p>Refer to the Audit Committee Report (pages 91-98); Accounting policies (page 200); and Notes 10 & 11 of the Consolidated Financial Statements (pages 149-154).</p>	<ul style="list-style-type: none"> ○ We performed a walkthrough to obtain an understanding of the controls addressing the impairment model and the assessment of indicators of impairment for Food PPE and RoUA. ○ We obtained management's impairment indicator workings for non-amortisable store level assets. For those with indicators of impairment, we obtained the Group's impairment model. We confirmed the integrity of data inputs including store-level cash contribution data, listings of stores which were refitted or new in 2023 or 2024 and the carrying values of PPE. We also re-performed any manual calculations to check these for accuracy. ○ We challenged the composition and accuracy of the cashflow projections and assessed management's forecasting accuracy by comparing to previous outturn. We considered making adjustments to forecasts where judgement was applied, such as for new and loss-making stores in the Food component, as well as macro-economic impact on profits. ○ We tested the key assumptions (such as growth rates, discount rates and perpetuity rates) by corroborating the data inputs to external sources and working with EY Valuation Specialists to compare the key assumptions to external benchmarks. ○ We performed a sensitivity analysis on the key inputs into the calculation by assessing the impact reasonably possible changes on these inputs would have on the overall headroom within the calculations. ○ We challenged management where the forecast was based on historical trading that was not representative of store performance, such as if the store was closed for a number of months or where 'break even' profitability was assumed in the value in use calculation. ○ We read the disclosures related to key assumptions and assessed whether reasonably possible changes to key assumptions could give rise to an impairment.
Key Observations to the Risk and Audit Committee	

Risk	Our response to the risk
The impairment charge in respect of the Food store portfolio appropriately reflects changes in forecast performance. The disclosures related to the impairment assessments and related sensitivities are in accordance with the requirements of IAS 36 "Impairment of Assets".	

How we scoped our audit to respond to the risk
<p>We performed full scope audit procedures over this risk in Food component which covered 85% of the Group property, plant & equipment and 86% of the Group right of use assets balances.</p> <p>The primary audit team issued Group audit instructions to the component teams which included specific substantive procedures to address the risk of material misstatement in relation to impairment of Food property, plant & equipment and right of use assets. The primary audit team reviewed the component team's key impairment workpapers which were executed in line with the Group audit instructions.</p>

Risk	Our response to the risk
<p>Group IT Environment</p> <p>With over 600 IT platforms and applications in use, the Group's IT Systems are complex. This complexity, together with the impact of sub-optimal system integration and automation results in significant dependence on manual workarounds and a high volume of monthly key account reconciliations.</p> <p>Due to the number of IT systems used in the preparation of the financial statements, a significant amount of audit effort is directed towards our response to the risks present from manual workarounds and the high volume of account reconciliations.</p> <p>Accordingly, we have identified the Group IT Environment as an area of audit focus and a Key Audit Matter. This is an existing risk consistent with our prior period audit.</p>	<ul style="list-style-type: none"> ○ We understood the IT systems, the level of integration between systems and the ability to rely on IT general controls for the key systems impacting the recording of transactions and the presentation of the financial statements. ○ We enhanced the testing of unusual journals posted as part of the financial close process due to limitations in the Group's IT systems to address the risk of inappropriate journals. ○ In response to the limitations in the systems which affect the applications and databases within the scope of our audit, we performed the following audit procedures over information provided to us by the Group: <ol style="list-style-type: none"> 1) Testing a sample of transactions within the data processed by the IT systems to underlying source documentation to ensure that the extracted data is accurate. 2) Testing the data extracted from the IT systems to the general ledgers to ensure accuracy. 3) Reconciling trial balance movements in the period to the list of journals posted to ensure completeness. 4) Observing and testing the input parameters being entered to ensure appropriateness of the data extracted from the IT systems for the intended purpose. 5) Recalculating the computations and categorizations performed by the IT systems for a sample of transactions in the extracted data reports to ensure the data was accurate. ○ Due to the lack of systems integration and the presence of manual interventions we tested a higher number of reconciling items in both complex and non-complex areas of accounting. ○ In relation to the Funeralcare system transition we involved our IT specialists to assist with the performance of procedures in respect

Risk	Our response to the risk
	<p>of the data transition and to assess the controls which were in place around the transition.</p> <ul style="list-style-type: none"> ○ In preparation for the system transition, we involved our IT specialists to perform an assessment of the controls in place around the transition and governance process.

Key Observations to the Risk and Audit Committee

We completed additional substantive testing to mitigate the risk of material misstatement due to limitations in the functionality of certain of the Group's IT systems and IT general controls and did not identify material misstatements.

How we scoped our audit to respond to the risk

All audit work performed to address this key audit matter was undertaken by the primary audit team.

In the prior period, our auditor's report included a key audit matter in relation to the Revenue recognition in respect of the release of CSM. In the current period, we have removed this as a standalone key audit matter and included it within the revenue recognition key audit matter, given the risk is associated with the release of CSM being susceptible to management override of controls. The procedures required in respect of the CSM roll forward have been included within the Revenue recognition key audit matter.

We have modified our risk assessment for supplier income to focus on accrued supplier income at the year-end rather than a risk over supplier income recognition throughout the year. Supplier income recognition related to Long-Term Agreements and Promotional income follows a similar trend to the recognition of cost of goods sold and is settled throughout the year. Bonus income recognition tends to lag behind, resulting in a higher proportion of accrued bonus income recognised in the last quarter of the year. The risk of material overstatement of supplier income resides in the unbilled, accrued income existing at the year end.

We have reassessed our risk of impairment of property, plant and equipment and right-of-use assets and retained the significant risk of material misstatement for the Food component given the significant amount of estimation uncertainty within the cash flow forecasts underpinning the impairment modelling while removing the Corporate balances from the key audit matter given the net book value of the assets related to this component being less material to the overall property, plant and equipment and right of use asset categories in the financial statements.

In the prior period, our auditor's report also included a key audit matter in relation to the Transition to IFRS 17. This risk is no longer relevant as the accounting standard was implemented in the prior period.

Our application of materiality

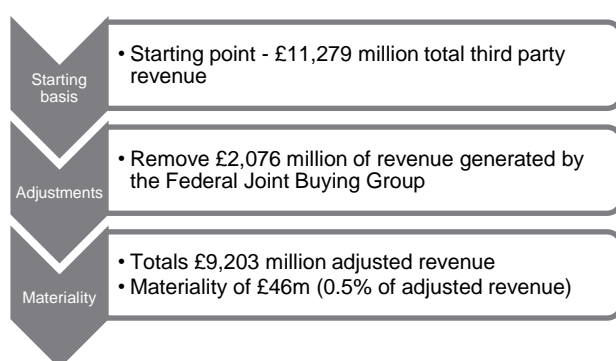
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £46 million (2023: £45 million), which is 0.5% (2023: 0.5%) of Adjusted Revenue. Revenue is a key performance indicator used by management to monitor the Group's performance and the figure which we believe to be relevant to the members when assessing the performance of the Group. We considered Adjusted Revenue to be a relevant performance metric on which to base our materiality calculation. Adjusted Revenue is defined in 'Materiality' summary in the 'Overview of our audit approach' section above.

In concluding on this benchmark, we considered that the primary users of the financial statements were the Member-owners. Providing goods, services and social value for Member-owners and their communities, are important indicators of the success of the Society and a function of revenue. This benchmark is consistent with the prior period.



During the course of our audit, we reassessed initial materiality and materiality based on the final figures used per the financial statements and this has not led to any change in our materiality levels.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's IT environment, our assessment of the Group's overall control environment, conversations with the Group risk and internal audit functions and the number and magnitude of audit misstatements identified in the prior period, our judgement was that performance materiality should be restricted to 50% (2023: 50%) of our planning materiality, namely £23m (2023: £22.5m).

Audit work was undertaken at component locations for the purpose of responding to the assessed risks of material misstatement of the Group financial statements. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of material misstatement at that component. In the current year, the range of performance materiality allocated to components was £4.6m to £19.5m (2023: £4.5m to £19.1m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £2.3m (2023: £2.3m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we have been requested to report in accordance with our engagement letter

The directors have instructed us to express an opinion on whether, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on page 69 is in compliance with the following provisions: Section 2 provision 3, Section 5 provisions 1, 3, 5 and 6 of the Co-operative Corporate Governance Code issued in November 2019 ('the Code').

We have nothing to report in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- The Society has not kept proper books of account; or
- The Society has not maintained a satisfactory system of control over its transactions; or
- The financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we require for our audit

Corporate Governance Statement

ISAs (UK) require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 106;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on pages 106 to 107;
- Directors' statement on fair, balanced and understandable set out on page 119;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 47;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 92; and
- The section describing the work of the audit committee set out on pages 92 to 98.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 119 to 120, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or

intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the direct laws and regulations relating to elements of company law and tax legislation, and the financial reporting framework i.e., UK-adopted international accounting standards in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014. Our considerations of other laws and regulations that may have a material effect on the financial statements include the Groceries Supply Code of Practice (GSCOP), FCA Disclosure Guidance and Transparency Rules (DTR), the UK Corporate Governance Code 2018, Health and Safety at Work Act 2015, National Minimum Wage Act 1998, Food Hygiene Regulations 2006, Money Laundering Regulations 2019, Network and Information Systems (NIS) Regulations 2018 and The Funeral Plan: Conduct of Business sourcebook (FPCOB) issued by the Financial Conduct Authority (FCA).
- We understood how Co-operative Group Limited is complying with those frameworks by making inquiries of management, internal audit, and those responsible for legal and compliance matters. We also read correspondence between the Group and various UK regulatory bodies; inspected minutes of the Board and Risk and Audit Committee; and gained an understanding of the Group's approach to governance. This final point was demonstrated by the board of directors' approval of the governance framework and the Risk and Audit Committee's review of the risk management framework and internal control processes, as delegated by the board of directors. Throughout the above procedures we noted that there was no contradictory evidence to the enquiries held.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by the entity, or that might otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement including complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk, refer to the Key Audit Matters section for further details. We used an internal fraud analyser on Funeralcare component, which compares the general ledger data to the characteristics from a database of fraud schemes, to identify journal entries that exhibit common characteristics. Using the internal fraud analyser, we reviewed the areas of the financial statements that could be more susceptible to fraud and assessed whether this was consistent with our risk assessment procedures. Then applying filters and using our professional judgement, we analysed the underlying journal detail. For those entries in the journal detail determined to be higher risk we selected items for testing.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For laws and regulations having a direct impact on the financial statements, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. For both direct and other laws and regulations, our procedures involved; making enquiries with those charged with governance, senior management and internal legal counsel for their awareness of non-compliance with laws and regulations, inquiring about policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about

the Society's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with regulatory authorities and making inquiries with external legal counsel. We communicated relevant items from these procedures to the relevant component teams who performed sufficient and appropriate audit procedures on these areas, supplemented by audit procedures performed at the Group level.

- The Group has disclosed in Note 27 that a claim has been received in respect of an historic transaction relating to certain former Somerfield stores. We inspected documentation prepared by management, the in-house legal counsel and management's external legal advisors both at the time of the transaction and in the current period. We discussed the nature of the claim and the basis for the disclosure presented in Note 27 with management, the external legal advisors and members of the Risk and Audit Committee.
- The Group has disclosed in Note 27 that employment tribunal claims have been received in respect of current and former food store colleagues alleging their work is of equal value to that of distribution centre colleagues and differences in pay and other terms are not objectively justifiable. We inspected documentation prepared by management, the in-house legal counsel and management's external legal advisors. We also discussed the nature of the claim and the basis for the disclosure presented in Note 27 with management, the external legal advisors and members of the Risk and Audit Committee.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

Following the recommendation from the audit committee we were appointed by the Society on 21 May 2016 to audit the financial statements for the 52-week period ending 31 December 2016 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is 9 periods, covering the years ending 52-week periods ending 31 December 2016, 5 January 2019, 4 January 2020, 2 January 2021, 1 January 2022, 31 December 2022, 4 January 2025 and two 53-week periods ending 6 January 2018 and 6 January 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group and we remain independent of the Group in conducting the audit.

The audit opinion is consistent with the additional report to the Risk and Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014 and our engagement letter dated 20 February 2024. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Manchester
2 April 2025

Glossary

There are lots of technical words in our accounts which we have to use for legal and accounting reasons. We've set out some definitions in the glossary table in the pages that follow to help a reader understand some of the difficult phrases accountants like to use. When a word is in bold in the glossary that means you can also find the definition of that word in the glossary table as well.

In 2023 we adopted a new accounting standard for insurance contracts (which relates to our funeral plans) and consequently we added in some new definitions to the glossary to help with the new terminology. However, insurance accounting is very complicated and difficult to explain in simple terms. As such; it may help a user to also refer to the accounting policies for funeral plans on page 175 (which gives a holistic view of the approach taken) when considering some of the definitions noted in the glossary for insurance contracts and funeral plans.

Before the main Glossary table, we initially define and explain some of the Alternative Performance Measures (APMs) that we use throughout the Annual Report and Accounts.

Alternative Performance Measures (APMs)

Our Annual Report and Accounts includes various references to Alternative Performance Measures (APMs). These are financial ratios and metrics that are not defined by International Financial Reporting Standards (IFRS) and as such they may not be comparable with the APMs that are reported by other entities.

We include our APMs in the Annual Report and Accounts as we think they give useful information to our members to help them understand the underlying performance and financial health of our Co-op. The APMs are not meant to replace statutory measures under IFRS.

The table below explains how the APMs are calculated and why we think they are useful measures to our members. Where possible we also call out the nearest equivalent IFRS measure and cross-refer to the section of the financial statements where we reconcile the APM to the respective IFRS measure.

The Group's primary APM is Underlying operating profit / (loss) before tax.

APM	
Underlying operating profit / (loss)	<p>Definition and Purpose: Underlying operating profit reflects our operating profit before the impact of property and business disposals, impairment of non-current assets within our businesses, the change in the value of investment properties, any losses on onerous contracts and other non-underlying items.</p> <p>We exclude the impact of these items from our underlying operating profit metric as they are not generated by our day-to-day trading and may also be either non-recurring or inherently volatile in nature and fluctuate year on year.</p> <p>Closest IFRS equivalent: Operating Profit.</p> <p>Where reconciled in the financial statements: In the 'Underlying profit before tax (APM)' table below the Consolidated Income Statement. A Divisional split is shown in the Segmental tables in Note 1 (Operating segments).</p>
Underlying profit / (loss) before tax (PBT)	<p>Definition and Purpose: Our underlying PBT figure is simply our underlying operating profit (as calculated above) less our net underlying interest (being the day-to-day interest we pay or earn on our bank borrowings and lease liabilities).</p> <p>Other interest income or expense such as our net interest income or expense on funeral plans is either not generated by our day-to-day trading or is not considered by management in the day-to-day running of the business and may also be either non-recurring or inherently volatile in nature and fluctuate year on year. Such items are not included in our underlying PBT metric so our members can see how our core underlying businesses are performing.</p> <p>Closest IFRS equivalent: Profit before tax.</p> <p>Where reconciled in the financial statements: Note 1 (Operating segments) sub-section (k).</p>

Alternative Performance Measures (APMs) continued

APM	
EBITDA (Earnings before interest, taxation, depreciation and amortisation)	<p>Definition and Purpose: EBITDA is calculated by adding back depreciation and amortisation charges to Operating profit. Operating profit is stated before interest charges and taxation.</p> <p>EBITDA is a non-GAAP measure of performance which helps us and our members to understand the operating profits our business segments are generating before capital investment and interest charges.</p> <p>Closest IFRS equivalent: There is no close equivalent to this measure under IFRS.</p> <p>Where reconciled in the financial statements: The derivation is noted in the Segmental tables in Note 1 (Operating segments).</p>
Underlying EBITDA	<p>Definition and Purpose: Underlying EBITDA is calculated by adding back depreciation and amortisation charges to Underlying operating profit. Underlying operating profit is another one of our APMs and is defined in the table above. It is stated before interest charges and taxation.</p> <p>Underlying EBITDA is a non-GAAP measure of performance which helps us and our members to understand the underlying operating profits our business segments are generating before capital investment and interest charges.</p> <p>Closest IFRS equivalent: There is no close equivalent to this measure under IFRS.</p> <p>Where reconciled in the financial statements: The derivation is noted in the Segmental tables in Note 1 (Operating segments).</p>
Group Net debt (excluding accrued interest on amortised debt)	<p>Definition and Purpose: Net debt is made up of our of bank borrowings and overdrafts off-set by our cash balances, short-term investments and short-term deposits. The figure excludes any interest accruals on those bonds held at amortised cost (which is recorded as debt (<1 year) under IFRSs).</p> <p>The metric provides a useful assessment of the Group's indebtedness which in turn reflects the strength of our balance sheet and the financial resources available to us to employ and direct on behalf of our members.</p> <p>Closest IFRS equivalent: Interest bearing borrowings less cash and cash equivalents.</p> <p>Where reconciled in the financial statements: Group net debt table below the Consolidated statement of cashflows.</p>
Group Net debt (excluding lease liabilities and accrued interest on amortised debt)	<p>Definition and Purpose: Net debt is made up of our of bank borrowings and overdrafts off-set by our cash balances, short-term investments and short-term deposits. The figure excludes any lease liabilities and interest accruals on those bonds held at amortised cost (which is recorded as debt (<1 year) under IFRSs).</p> <p>The metric provides a useful assessment of the Group's indebtedness before taking into account lease liabilities which in turn reflects the strength of our balance sheet and the financial resources available to us to employ and direct on behalf of our members.</p> <p>Closest IFRS equivalent: Interest bearing borrowings less cash and cash equivalents.</p> <p>Where reconciled in the financial statements: Group net debt table below the Consolidated statement of cashflows.</p>

Alternative Performance Measures (APMs) continued

APM	
Like-for-like sales	<p>Definition and Purpose: Like-for-like sales growth relates to growth in sales at those Food stores that have been open for more than one year (with any sales from stores that have opened or closed in the year being removed from the calculation and prior year figures). The calculation includes VAT on sales.</p> <p>For Wholesale; the like-for-like metric relates to those partners (stores) that have been with Co-op for more than one year (with any sales from partners who have left in the year being removed from the calculation).</p> <p>The measure is used widely in the retail sector as a relative indicator of current trading performance versus the prior year. It is also helpful to our members in comparing our underlying performance and growth against the wider market as well as against other retailers (as it removes the impact that opening and closing stores may have on absolute sales levels).</p> <p>Closest IFRS equivalent: There is no close equivalent to this measure under IFRS.</p> <p>Where reconciled in the financial statements: Not applicable as there is no close equivalent to this measure under IFRS.</p>
ROCE (Return on capital employed)	<p>Definition and Purpose: Return on capital employed is a performance measure of our Co-op. It's calculated as the ratio of returns achieved to capital employed in achieving those returns. This is based on the underlying operating profit we make in the year divided by the net operating assets we have. Net operating assets are calculated as the total Group net assets shown in the Consolidated Group Balance sheet adjusted for our Pension surplus (net of deferred tax) less net debt (including lease liabilities) less net funeral plan assets and liabilities.</p> <p>The metric provides a useful assessment of how effectively and efficiently our Co-op is employing the assets and capital it has to generate returns for our members.</p> <p>Closest IFRS equivalent: There is no close equivalent to this measure under IFRS.</p> <p>Where reconciled in the financial statements: Not applicable as there is no close equivalent to this measure under IFRS.</p>

Glossary

Accounting surplus (pensions)	When a pension scheme has more assets than the amount it expects to pay out in the future (the present value of its liabilities) then it has an accounting surplus.
Accrued income	When we've performed a service but haven't billed the customer yet, we hold the amount due on the balance sheet as accrued income. Once we bill the customer the balance is then moved to receivables .
Acquisition cashflows (funeral plans)	Costs that relate wholly to issuing and fulfilling insurance contracts (funeral plans) . This includes the costs of selling, underwriting, and starting a group of insurance contracts such as internal salaries or external commission paid.
Amortisation	Similar to depreciation , but for intangible assets .
Asset	This is an amount on our balance sheet where we expect to get some sort of benefit in the future. It could be a building we use or are planning to sell, some cash or the amount of money a customer owes us.
Assets held for sale	Sometimes we have to sell things. When we've decided to make a large disposal before the year-end but the asset hasn't been sold yet, we have to show it in this line on the balance sheet and reduce its value (impairment) if appropriate.
Associate	When we have significant influence over a company (usually by owning 20-50% of a company's shares and/or having a seat on its Board), we call that company an associate.
Balance sheet	This shows our financial position - what assets we have and the amounts we owe (liabilities).
Banking Syndicate	We have an agreement in place with a collection of banks (known as our Banking Syndicate) that gives us quick access to borrowings should we need them.
Benefit payments (pensions)	This is the amount our pension funds pays out to pensioners.
Board-approved plan	Each year we produce a financial forecast for our Co-op covering financial performance (Income statement), financial position (Balance sheet) and forecasted Cashflows . The forecast (or plan) covers the coming 3 years in detail, with an additional 4th year projection. It is refreshed annually and challenged and approved by our Board. We use the plan as the basis for some of our key judgements including Going concern and viability assessment, and impairment assessments.
Bond Notes	These are our debt instruments (loans from banks) that we pay interest on to fund our businesses' operations.
Capital expenditure	When we spend money on items that will become assets (such as property or IT systems) this is shown as capital expenditure. The costs are not shown in the income statement of the year it's spent - instead the costs are spread over the life of the asset by depreciation or amortisation .
Cash flow statement	This shows how much cash has come in or gone out during the year and how we've spent it.
Cash Generating Unit (CGU)	A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. For our Food business this is defined as an individual store, and for our Funeral's business this is defined as a regional care centre and the funeral branches which it serves as they are heavily interrelated.
Cohort (funeral plans)	We group the funeral plans that we issue in to certain buckets depending on their type, how they are managed (risk profile), when they are issued and if we expect to make a profit or a loss on them. Within this framework we use an annual horizon to bucket plans into a so called 'cohort' year.
Commitments	Where we've committed to spend money on something (such as building projects) in the future but we're not technically liable to pay for it at the balance sheet date as it has not been incurred yet, we don't put the amount on the balance sheet but we disclose the amount in the commitments note.
Comprehensive income	This is our profit for the year plus other comprehensive income .
Consolidated	As this report is based on the financial performance and position of many societies and companies around the Group , we have to add up all those entities and the total is the consolidated position.
Contingent asset	This is an amount that we might get in the future. Unless it's almost certain that we'll get the amount, we're not allowed to put it on the balance sheet but we show the amount in the commitments and contingencies note.
Contingent liability	This is an amount that we might have to pay in the future. If it's only possible, rather than probable, that we'll have to pay the amount, then we won't show the amount on the balance sheet but we show the amount in the commitments and contingencies note and disclose relevant details of the contingent liability.
Contract assets	These are costs we've incurred in advance of being entitled to receive payment from a customer under a contract, such as costs incurred in setting up a funeral plan . We hold these on the balance sheet until we've delivered all the services to our customer and are entitled to receive payment.
Contract liabilities	This is where a customer has paid us in advance of them receiving goods or services under a contract (for example, a funeral plan). We have to hold this on the balance sheet until the customer receives the service they've paid for.

Glossary continued

Contractual service margin (CSM) (funeral plans)	The unearned profit relating to the future service to be provided under an insurance contract (i.e. the profit margin we expect to earn over the life of the insurance contract / funeral plan).
Corporate investor shares	This is money that other societies invest with us and we pay them interest on it. The societies can get their money back at any time.
Coverage period (funeral plans)	A means of reflecting the pattern of services provided under a group of contracts (specifically relates to funeral plans and the time period covered by a group of funeral plans and how revenue is recognised).
Coverage unit (funeral plans)	The number of coverage units in a group is based on the quantity of service provided by the contracts in the group (specifically relates to our funeral plans and the time period covered by a group of funeral plans and how revenue is recognised).
Credit	This is an increase in income / reduction in costs on the income statement or an increase in a liability / reduction in an asset on the balance sheet .
Current	An asset or liability that is expected to last for less than a year.
Current tax	This is the amount we expect to pay in tax for the year based on the profits we make.
Debenture	This is a type of loan that we've issued and are paying interest on.
Debit	This is a decrease in income / increase in costs on the income statement or a decrease in a liability / increase in an asset on the balance sheet .
Debt	Loans that we've issued and are paying interest on.
Deferred consideration	This is an amount we'll be paying to a seller for businesses we've bought or an amount we'll be getting from a buyer for businesses that we've sold.
Deferred income	Occasionally we receive monies (or recognise deferred consideration following the sale of a business) in advance of when we will actually perform the service we are being paid for. When this happens we hold a liability (deferred income) on our balance sheet until the point at which we perform the service at which point we extinguish the liability and recognise the income.
Deferred tax	Sometimes our assets and liabilities are worth more or less on our balance sheet than they are for tax purposes. The tax on the difference in value is called deferred tax and can be an asset or liability depending on whether the value is greater in the balance sheet or for tax purposes.
Defined benefit schemes	This is a pension scheme where an amount is paid out to an employee based on the number of years worked and salary earned.
Defined contribution schemes	This is a pension scheme where an amount is paid into the scheme and at retirement the employee draws on the amount that has been invested over the years.
Depreciation	Some assets the Co-op will have for a while (such as vehicles). When we buy them the cost goes on our balance sheet and then depreciation spreads the cost of the asset evenly over the years we expect to use them in the income statement .
Derivatives	These are financial products where the value goes up or down based on an underlying asset such as currency, a commodity or interest rate.
Discontinued operations	When we sell a large business, we report its results at the bottom of the income statement so that it's easier for readers to see the performance of the Group's other continuing businesses.
Discount rate	This is the amount that we are discounting by. It's a percentage and varies based on what we expect interest rates or inflation to be in the future.
Discount unwind	Every year the amount that we're discounting is going to be worth more as we get nearer to paying or receiving it. We have to put that increase in value (the discount unwind) through our income statement .
Discounting	When we have to pay or receive cash in the future then we reduce the value of that cash at the balance sheet date because cash we pay or receive in the future is going to be worth less than it is now - mainly because of inflation.
Disposals	When we have sold an asset .
EBITDA	This is operating profit excluding any depreciation or amortisation . The letters stand for earnings before interest, tax, depreciation and amortisation (see APM section at the start of the Glossary for further details).
Effective tax rate (ETR)	This is the average tax rate we pay on our profits. This might be different to the standard corporation tax rate, for example, if we aren't allowed to deduct some of our costs for tax purposes.
Equity	This is the difference between the assets we own and the liabilities we owe - theoretically, this is how much money would be left for our members once every asset is sold and every liability is paid.
Expected credit losses	This is an estimate of the amount of our receivables which will not be repaid.
Fair value movement	There are some things on our balance sheet which we have to revalue every year. This includes some of our debt , investment properties , our pension schemes and funeral plan investments . The change in value is called the fair value movement.

Glossary continued

Federal	Federal relates to the activities of a joint buying group that is operated by the Group for itself and other independent co-operative societies. The Group acts as a wholesaler to the other independent co-operatives and generates sales from this. This is run on a cost recovery basis and therefore no profit is derived from its activities. This is separate to our Wholesale business.
Finance costs	These are usually the interest we pay on our debt , but can also be other things such as the fair value movement on our debt or the discount unwind of liabilities .
Finance income	This mainly relates to the interest on our pension assets and the unrealised gains on funeral plan investments , but can also be other things such as the fair value movement on our debt or the discount unwind of receivables .
Finance lease	A finance lease is a way of providing finance. Effectively a leasing company (the lessor or owner) buys the asset for the user (usually called the hirer or lessee) and rents it to them for an agreed period.
Financial Conduct Authority (FCA)	The FCA regulates the financial services industry in the UK.
Financial instruments	A collective term for debt or derivatives that we have.
Financial Reporting Council (FRC)	The FRC regulate auditors, accountants and actuaries and they set the UK's Corporate Governance and Stewardship codes.
Franchise	Sometimes we agree to partner with independent food retailers in a mutually beneficial arrangement whereby Co-op supply the retailer with goods and retail expertise and support (including Co-op branding) through a franchising agreement but we do not own the store or business and it is still run by the independent retailer.
Fuel	Refers to fuel sales generated from our petrol forecourts (which were sold in 2022).
Fulfilment cashflows (funeral plans)	For funeral plans these cashflows mainly comprise; premiums received from customers for pre-paid plans and LCIPs , premiums paid or repayable to re-insurers, direct internal and external costs of delivering funerals, amounts recoverable from re-insurers and costs of acquiring new insurance contracts (funeral plans) .
Funeral plans	Our customers may not want their family to pay a large single sum for a funeral when he or she dies. Therefore, the customer can pay for it gradually or in lump sums over a number of years and the Group will invest that money to cover the costs of the funeral when it is needed.
Funeral plan investments	When a customer gives us money for their funeral in the future, we invest this money. The balance of these investments is held on the balance sheet .
GAAP	GAAP stands for Generally Accepted Accounting Principles. This is the common set of accounting principles, standards and procedures that companies must follow. Sometimes, companies want to provide different measures to help readers understand their accounts (such as underlying profit - APM section of the Glossary) where there isn't a standard definition - these measures are called Non-GAAP measures.
General Measurement Model (GMM) (funeral plans)	The GMM model is the overarching approach that we use to account for our funeral plans (insurance contracts) under the new insurance accounting standard (IFRS 17). There's a choice of 3 approaches but the GMM approach is the default choice and most appropriate to our funeral plans as they cover a specific risk over an extended period of time.
(UK) Gilts	Bonds (loans) issued by the UK Government and listed on the Stock Exchange. These are considered to have a very low risk of default and are highly liquid (so can be easily traded in an active market) so they are used to help determine a risk free borrowing rate for use in discounting .
Goodwill	When we buy a business or a group of assets , sometimes we pay more for it than what its assets less liabilities are worth. This additional amount we pay is called goodwill and we put it on our balance sheet .
(the) Group	This is Co-operative Group Limited and all companies and societies that it owns.
Hedging	Sometimes we want to protect ourselves in case we have to pay more in the future for something. This could happen if the value of the pound falls so we have to pay more when buying something abroad or if interest rates go up. We take out derivatives to protect us from this and this process is known as hedging.
IAS	International Accounting Standards. The Group use these as the accounting rules. There are many different IASs that cover various accounting topics (e.g. IAS 38 is for intangible assets).
IFRIC	International Financial Reporting Interpretations Committee. These are interpretations of IASs or IFRSs that the Group also has to abide by.

Glossary continued

IFRS	International Financial Reporting Standards. Similar to IAS , but cover different subjects (e.g. the standard on insurance contracts that we apply to our funeral plans is known as IFRS 17.
Impairment	Sometimes our assets fall in value. If a store, branch, business or investment is not doing as well, we have to revalue it and record the downward change in value as a cost in our income statement .
Income statement	This not only shows our income as the name suggests, but also what our costs are and how much profit we've made in the year.
Insurance contract (funeral plans)	A contract under which the Group accepts significant insurance risk from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. Our funeral plans are insurance contracts.
Insurance risk (funeral plans)	The risk Co-op are exposed to in an insurance contract when we agree to compensate a policy holder if a specified uncertain event occurs. For our funeral plans the risk relates to the uncertain cost of delivering the funeral at some unknown point in the future.
Intangible asset	We have assets at the Co-op that we can't see or touch which are shown separately to other assets . These include things like computer software and goodwill .
Interest rate swaps	We like to know what interest we're going to be paying in the future so we can manage our businesses effectively. We enter into arrangements with banks so that we can do this - for example, if we have debt where the interest rate can vary, we can buy an interest rate swap which means that instead we'll pay a fixed rate of interest. The value of these swaps can go up or down depending on how the market expects interest rates to change in the future.
Inventories	This represents the goods (the stock) we're trying to sell. The cost of this is shown on our balance sheet .
Investment grade credit assets	Refers to assets (such as bonds) where the credit rating by Standard and Poor's is BBB or higher.
Investment properties	Properties that we don't trade from, and which we might rent out or hold onto because the value might go up, are called investment properties.
Invoice discounting facility	Invoice discounting is an arrangement with a finance company so that we can be paid for amounts we are owed on invoices earlier than the date our customers are due to pay us.
LCIPs	Low cost instalment plans (LCIPs) - this is where customers can take out a funeral plan but pay for it over monthly instalments of between 2 and 25 years.
Lease Liability	This represents the discounted future payments we are due to make to suppliers in exchange for the right to use their equipment or property.
Liability	This is an amount on our balance sheet which we'll have to pay out in the future.
Like-for-like sales	The measure of year-on-year sales growth for stores that have been opened for more than one year. This is a comparison of sales between two periods of time (for example, this year to last year), removing the impact of any store openings or closures. See also the APM section at the start of the Glossary for further details.
Listed debt securities	People can trade some of our debt such as our bonds on the financial markets. When this is the case, it's a listed debt security.
Maintenance cashflows (funeral plans)	Direct costs of servicing already acquired funeral plans such as costs of handling claims or policy changes.
Member payments	This is an amount we've paid our members in the year and approved at the AGM such as dividends.
Member rewards	These are the benefits that members have earned for themselves during the year as part of the 2% membership offer.
Net assets	Same as equity .
Net debt	This is the debt we have less any cash (or cash equivalents) that we might have.
Net operating assets	Net operating assets is calculated as the total Group net assets shown in the Consolidated Group Balance sheet adjusted for our Pension surplus (net of deferred tax) less net debt (including lease liabilities) less net funeral plan assets and liabilities.
Non-current	An asset or liability that is expected to last for more than one year.
Non-GAAP measure	GAAP stands for Generally Accepted Accounting Principles. This is the common set of accounting principles, standards and procedures that reporting entities must follow. Sometimes, reporting entities want to provide different measures to help readers understand their accounts (such as underlying profit) where there isn't a standard definition - these measures are called non-GAAP measures.
Non-underlying items	Non-recurring charges or gains in our Income statement that are not regular in size or nature and would otherwise cloud the underlying profitability of the Group are stripped out within our non-GAAP measures . This could include a large impairment or a large restructuring exercise.

Glossary continued

Onerous contracts	A contract that the Group holds where we think we will lose money on it over its life (so any profit we make will not cover the costs we will incur). As soon as we think we have an onerous contract then we prudently recognise the full expected loss immediately (rather than waiting for it to happen over the course of the contract).
Onerous leases	When we close a store we sometimes still have to pay running costs until the lease runs out (such as rates). When this happens, we make a provision for the amount of the running costs we will have to pay in future and hold this on the balance sheet . Rental costs are excluded from this provision now we have adopted IFRS 16 (Leases) as those costs are included in the lease liability .
Operating profit	This is our profit before we have to pay any interest to our lenders or tax to the tax authorities. It is also stated before any net finance income / (costs) from funeral plans .
Operating segments	This is an accounting term for the different businesses we have. When the financial performance of one of our businesses is reviewed separately from the other businesses by our Board, we call that business an operating segment and its sales and profit are disclosed in Note 1 as a separate segment.
Other comprehensive income	Sometimes we have unrealised fair value movements on long term assets and liabilities . The income statement is meant to show the performance during the year, so to avoid this being distorted by these big changes, they are shown separately as other comprehensive income.
Parent	This is the owner of a subsidiary .
Payables	Another name for liabilities .
PAYE	Pay As You Earn. A tax which is paid on wages.
Payment waiver risk (funeral plans)	If a customer dies after 12 months of taking out a funeral plan and their instalments are up to date (or the death is an accident < 12 months) then Co-op will still honor the plan without requiring the remaining instalments to be settled. Co-op manage this risk through a re-insurance arrangement with a 3rd party insurer who will cover the cost (risk) in such circumstances.
Pension interest	This is the interest that we're allowed to show in our income statement and is the discount rate used to discount the pension liabilities multiplied by the pension surplus or deficit last year.
Performance obligations	These are promises to provide distinct goods or services to customers.
Portfolio (funeral plans)	We bucket up our funeral plans (insurance contracts) into certain groupings for accounting and reporting purposes. We make the distinction of 2 portfolios - one for our funeral plans and one for our re-insurance contracts (the payment waiver on LCIPs).
Prepayment	When we pay in advance for a cost which relates to services that will be received over a future period of time (for example, rent or insurance), we hold that cost on our balance sheet as a prepayment and then spread the cost over the period of the service.
Present value	This is the value of a future cost or income in today's money and is arrived at by discounting .
Provisions	This is a liability , but one where we're unsure what the final amount we have to pay will be and when we'll have to settle it. We use our best estimate of the costs and hold that on the balance sheet .
Realised gains	This is when we sell an asset for a profit.
Receivables	When someone owes us some money, we hold that amount as a receivable on our balance sheet.
Re-insurance (funeral plans)	If a customer dies after 12 months of taking out a funeral plan and their instalments are up to date (or the death is an accident < 12 months) then Co-op will still honor the plan without requiring the remaining instalments to be settled. Co-op manage this risk through an arrangement with a 3rd party insurer who will cover the cost (risk) in such circumstances. This is known as a re-insurance arrangement.
Related party	This is a company or person that is closely linked to the Co-op. It's usually a member of our Board or Executive or their close family plus companies such as our associates and joint ventures .
Remeasurement gains / losses on employee pension schemes	There are lots of assumptions that are used when valuing pensions. If those assumptions change this can have a big effect on the size of the pension asset or liability . So that we don't distort the income statement , this effect is shown in other comprehensive income .
Repayment notes	This is a type of loan (subordinated debt instrument), which we repay either in instalments or in a lump sum at the end of the loan.
Reserves	This is the amount of equity we have, but excluding any share capital .
Restated	Sometimes we change the numbers that we showed in last year's accounts. We may have changed where or how we record certain things or it could be that we have corrected an error. There are strict rules around what can be changed and when we make changes we explain why in the accounting policies.
Retained earnings	This is all the profits we've made since the beginning of time for the Co-op that have not yet been paid out to members.
Retirement benefit obligations	Another term for our pension liabilities .

Glossary continued

Return on plan assets (pensions)	This is the income our pension assets have generated in the year.
Revaluation reserve	When we revalue a property upwards, we're not allowed to put this unrealised gain through our income statement or within retained earnings as law dictates that this can't be distributed to members until the property is sold. It's then ring-fenced as a specific reserve.
Revolving Credit Facility (RCF)	This is money that our lenders have agreed we can borrow if we need to. It works a bit like an overdraft.
Right of use asset (ROU)	This is an asset that we don't own legally, but which we lease from another party. The asset represents the value the Co-op has in being able to use the asset over the length of a lease contract.
Risk Adjustment (funeral plans)	This reflects the compensation Co-op requires for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as the Group fulfils its funeral plans (insurance contracts) . The risk adjustment reflects an amount that Co-op would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.
ROCE	Return on capital employed. This is based on our underlying profit we make in the year divided by the net operating assets we have.
Sale and leaseback	This is when an asset is sold to a third party and then immediately leased back under a lease agreement. For the Co-op, this usually relates to the sale of a building such as a store.
Sensitivity analysis	When an item on our balance sheet varies in value from year to year based on some estimates that we make, we show a sensitivity analysis which shows you how much the asset or liability would change by if we were to change the estimate.
Sets (funeral plans)	We further sub-divide our funeral plans (insurance contracts) issued in a given cohort year into 'sets' to see if they are expected to make a profit or a loss. Sets are based where the funeral plans have similar pricing and margin expectations.
Share capital	This is the amount of money that our members have paid us to become members less any amounts that we've repaid to them when they cancel their membership.
Society	The Co-operative Group Limited is a registered co-operative society. We sometimes refer to our collective whole as ' the Group ' or 'the Society' and the terms are broadly interchangeable.
Subsidiary	This is a company or society that is owned by another company.
Supplier income	Sometimes our agreements with suppliers mean they will give us money back based on the amount of their products we buy and sell. We call this supplier income.
Underlying interest	This is the net day-to-day interest we incur or receive on our bank borrowings and lease liabilities and is what management consider in the day-to-day running of our Co-op. Non-underlying interest are those items that are not generated by our day-to-day trading or are not considered by management in the day-to-day running of the business (such as the interest on funeral plan liabilities or the fair value movement on the Group's quoted debt and interest rate swaps).
Unrealised gains	An asset may have gone up in value, but we've not sold it. If this is the case, the profit from the gain is unrealised as we've not sold the asset yet.
Unrealised gains - funeral plans	The funeral plan investments which we hold on behalf of our customers attract interest and bonus payments each year (depending upon market conditions). The gains or losses in the fair value of the plan investments is recognised within finance income /costs each year.
Wholesale	The Group's operating segment (trading Division) that sells direct to other retailers (rather than to individual members of the public). This primarily relates to the business we operate after we bought Nisa but it also includes any franchise stores. Wholesale is separate to our Federal segment.
Work in progress	These are assets that we're in the middle of building. They're on our balance sheet as we've spent money already building them, but they aren't ready for us to use them yet so we're not depreciating them.

Five year summary (unaudited)

£m	2024	2023	2022	2021	2020
Revenue					
Food	7,403	7,262	7,805	7,671	7,765
Federal	2,076	2,142	1,895	1,756	1,813
Wholesale	1,399	1,480	1,439	1,386	1,577
Funerals	289	281	275	264	272
Legal	84	68	46	39	37
Insurance (marketing and distribution)	28	29	24	34	6
Other businesses & Costs from Support functions	-	-	-	1	2
Total Revenue	11,279	11,262	11,484	11,151	11,472
Underlying profit / (loss) profit before tax					
Food	201	173	139	156	350
Wholesale	(1)	14	22	7	6
Funerals	(1)	(11)	(1)	12	16
Legal	27	21	8	5	4
Insurance (marketing and distribution)	15	14	8	15	(2)
Other businesses & Costs from Support functions	(110)	(114)	(93)	(95)	(139)
Underlying operating profit	131	97	83	100	235
Underlying net interest expense on lease liabilities	(64)	(68)	(76)	(76)	(72)
Underlying interest	(22)	(31)	(55)	(56)	(63)
Underlying profit / (loss) before tax	45	(2)	(48)	(32)	100
EBITDA (i)					
Underlying operating profit (above)	131	97	83	100	235
Depreciation (plant, property and equipment)	208	225	244	254	250
Depreciation (right-of-use assets)	110	106	119	122	113
Amortisation	32	40	27	29	17
Underlying EBITDA (i)	481	468	473	505	615
Insurance (underwriting business) - (iii)					
Revenue	-	-	-	12	273
Underlying PBT	-	-	-	(1)	19
Profit on discontinued operation	-	2	67	13	5
Other performance items					
Profit after tax - continuing operations	98	1	258	32	72
ROCE (i)	4.7%	3.4%	2.6%	2.5%	6.5%
Balance sheet items					
Total assets	6,594	6,755	7,994	9,180	8,986
Group net debt (excluding leases)	(55)	(82)	(322)	(920)	(550)
Group net debt (including leases)	(1,248)	(1,315)	(1,628)	(2,436)	(1,975)
Total equity	2,198	2,020	3,023	2,939	2,669
Net debt: EBITDA ratio (excluding leases)	0.11	0.18	0.68	1.82	0.89
Net debt: EBITDA ratio (including leases)	2.59	2.81	3.44	4.82	3.21
Total pension assets	5,548	6,213	7,124	11,452	11,708
Total pension liabilities	(5,223)	(5,857)	(5,543)	(9,194)	(9,854)
Total net pension surplus	325	356	1,581	2,258	1,854
Business-specific measures					
Total Food like-for-like sales increase	3.3%	4.7%	3.2%	-2.9%	6.9%
Number of Food stores	2,348	2,349	2,377	2,584	2,613
Total Food sales area ('000 sq ft) (ii)	7,592	7,592	7,685	8,276	8,407
Number of at-need funerals sold	91,581	95,924	93,867	90,731	100,943
Number of pre-need funerals sold	37,710	17,032	16,774	44,751	42,497
Number of funeral homes	812	812	818	830	840

Notes:

(i) See the Glossary on page 227 for definition. Calculation for 2021 and earlier is not restated for IFRS 17.

(ii) Quoted excluding petrol forecourt area but including in-store space at those sites with a petrol forecourt. We sold our forecourt stores in Oct 2022.

(iii) Our Insurance underwriting business was held as a discontinued operation from 2018 and was sold on 3 December 2020.



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