

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

**OUR MEMBERS' ANNUAL REPORT FOR 2025**



**OWNED BY YOU.  
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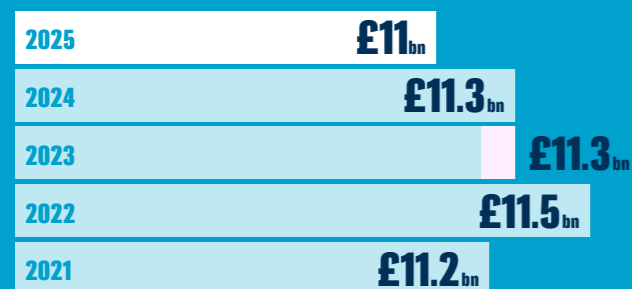
**FOR OUR CO-OP,  
2025 BROUGHT  
CHALLENGE  
AND CLARITY.  
WE USED BOTH  
TO ADJUST OUR  
PLANS, AND  
WE’RE NOW  
LOOKING AHEAD  
WITH CONFIDENCE.**

# AN ATYPICAL YEAR FOR OUR CO-OP

## REVENUE: £11bn

*What it is:* the total value of our sales across all products and services.

*How we performed:* a 2.3% decrease versus 2024, reflecting a criminal cyber attack with an estimated £0.3bn revenue impact – on top of market-wide changes and challenges.

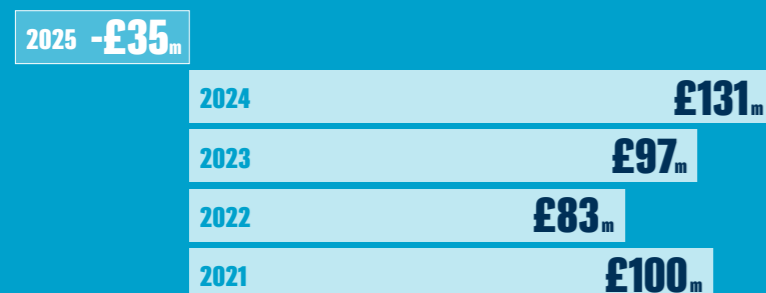


2.3% decrease for 2025 is based on absolute (not rounded) figures: £11,025m in 2025 and £11,279m in 2024. Up to 2022, figures include revenue from the petrol forecourts sold in October 2022. In 2023, the period had an additional week (53).

## UNDERLYING OPERATING LOSS: £35m<sup>1</sup>

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

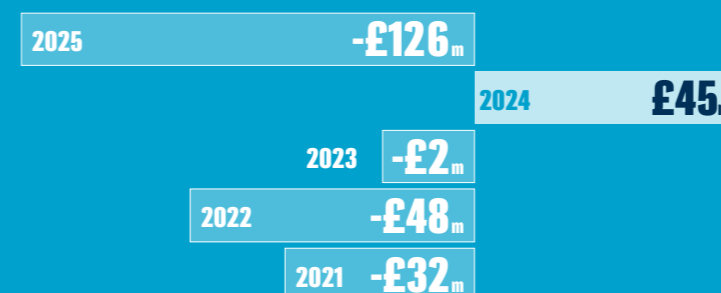
*How we performed:* a change of £166m against 2024, including the estimated £86m impact of the cyber attack. We've moved from an underlying operating profit to a loss.



## UNDERLYING LOSS BEFORE TAX: £126m<sup>1</sup>

*What it is:* a measure of the underlying operating profit or loss we've made from operations, removing our underlying net finance costs – e.g. the day-to-day interest we pay or earn on our bank borrowings or lease liabilities.

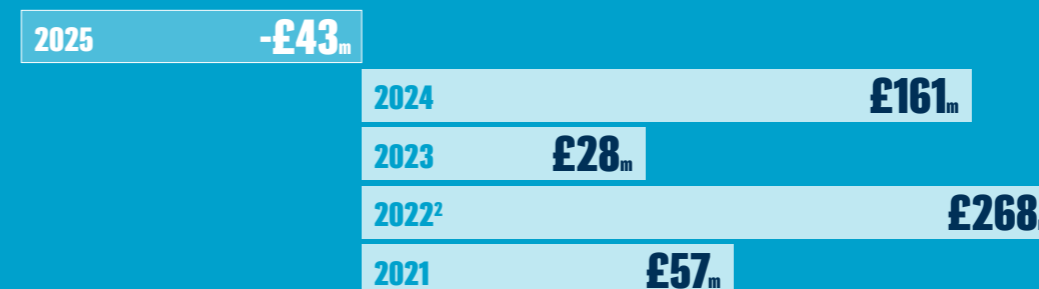
*How we performed:* a £171m change versus 2024, including the estimated £86m impact of the cyber attack.



## LOSS BEFORE TAX: £43m

*What it is:* a measure of our Co-op's net profit or loss before deducting tax. This includes all one-off items, including £21m of additional costs related to the cyber attack.

*How we performed:* a £204m decrease versus 2024.



## NET DEBT: £317m<sup>1</sup>

*What it is:* a measure of our 'indebtedness' as a Group, excluding leases.

*How we performed:* we've worked hard to reduce the debt we owe in recent years. While the challenges of 2025 meant we increased our net debt (excluding leases) by £262m, our debt levels remain substantially healthier than they were four years ago.



<sup>1</sup> Please refer to Note 1 and Glossary in our financial statements for a definition of the Group's alternative performance measures (APMs).  
<sup>2</sup> 2022 includes a £319m gain on the disposal of our petrol forecourts. 2024 includes unusually strong returns on funeral plan investments.

# OUR CO-OP

WE ARE OWNED BY OVER SEVEN MILLION ACTIVE MEMBERS ACROSS THE UK, AND WE RUN OUR CO-OP FOR THEIR BENEFIT.



**OUR VISION IS TO CO-OPERATE TO BUILD MORE VALUE FOR THESE MEMBERS EVERY DAY.**

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.

# 2025

WE MADE OUR MEMBERSHIP TARGET MORE AMBITIOUS:

**10** MILLION ACTIVE MEMBER OWNERS  
**2030 GOAL**  
UP FROM OUR PREVIOUS TARGET OF 8 MILLION

**7.2** MILLION ACTIVE MEMBER OWNERS  
**2025**

**6.2** MILLION ACTIVE MEMBER OWNERS  
**2024**

**5.0** MILLION ACTIVE MEMBER OWNERS  
**2023**

# OUR BUSINESS

Since 1844, we have existed to share value with the members who own our Co-op. Today, we do this through a family of different businesses, who operate in line with Co-operative Values and Principles.



## PARTNERING, SUPPLYING AND BUYING

The business-to-business area of our Co-op, where we supply grocery products to over 5,600 locations. This includes franchise stores, partner stores and regional co-operatives.



## RUNNING RETAIL STORES

We operate over 2,300 of our own Co-op stores. We serve communities in city centres, Scottish islands, local villages and other locations across the UK.



## SUPPORTING MEMBERS THROUGH LIFE

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

In 2025, we established a Group Commercial and Logistics (GCL) business to better use our strength as a supplier to other retailers. You can read more about our ambitions in this area under [Looking Ahead](#).

We also partner with like-minded organisations who connect us with communities and expand our reach. In 2025, we supported 38 **Co-op Academies** and continued to act as naming rights sponsor for **Co-op Live** arena.

# OWNED BY MEMBERS, FOCUSED ON CUSTOMERS

To be a commercially successful co-operative, we must focus on UK consumers and the value we bring them, both directly and through our partners.

Because we're owned by members, we can do business differently in each of our markets - allowing us to really put customers first.



# A NOTE FROM YOUR CHAIR

**Debbie White:**  
Chair, The Co-op Group



**YOUR SUPPORT ALLOWED US TO WEATHER THE STORMS WE SAW.**

## Dear member owners,

by the time this report has been published we will have announced that after almost seven years, our Group Chief Executive, Shirine Khoury-Haq is leaving our Co-op, and that Kate Allum has been appointed as Interim Group Chief Executive.

I want to thank Shirine for her leadership and for the significant contribution she has made to our Co-op, to our communities and to the wider co-operative movement over this period. We wish her every success in the future.

I am also grateful to Kate in accepting her new role, while the search begins for a permanent Chief Executive. Kate brings with her extensive board-level and Executive experience, with a strong track record of leading complex organisations through periods of change and transformation. Her appointment reflects the Board's confidence in her ability to lead with clarity, stability and purpose, while continuing to champion the interests of our members, customers and colleagues.

As you know, 2025 was a challenging year for our Co-op. We successfully navigated challenging economic conditions and a cyber attack. In doing so, we learned more about what we need to change and where we need to adapt.

The cost of living continued to shape consumer behaviour. Shopping habits evolved rapidly. We faced rising costs of around £150 million, including National Insurance increases and new Extended Producer Responsibility charges. Global instability created uncertainty and, in the middle of all this, our Co-op faced a criminal cyber attack. I will briefly explain what happened because it has a bearing on our results and much of this report.

In April, we identified malicious activity on our network. We then restricted certain systems to contain the threat. This kept stores, payments and online services operational, but impacted product availability, and subsequently, our trading in Food stores through the year. Our financial figures therefore reflect a decline in revenue and an underlying operating loss for the year<sup>3</sup>. Still, as I reflect on 2025, I am proud of three things:

First, our response as a member-owned organisation. Through the cyber attack, our colleagues were exceptional: serving communities, prioritising stock for remote areas and maintaining essential services such as funerals. We partnered with The Hacking Games to channel young digital talent into positive, ethical careers.

Second, the way we turned challenge into clarity. We worked closely with suppliers and partners to mitigate the impact on them, and their continued support highlighted the power of our network. Many people know us for our 2,300 own Co-op stores, but we supply close to 8,000 stores in total. This is a key strength for us, and we have now established our Group Commercial and Logistics division (explained in Looking Ahead), to really use our purchasing power.

Similarly, as we rebuilt from the attack, we saw how quickly consumer buying behaviour was evolving, particularly in a competitive grocery convenience market. This insight has helped us evolve the short and medium term plan for our Co-op. We now have a clearer focus on what shoppers and clients want and expect from us, and we're taking decisive action to meet these needs.

Last but by no means least, I'm proud that, even amid hurdles, we strengthened our democracy and impact. We shared £15 million with causes and communities, while growing active membership beyond seven million, the highest it has been in over a decade. This progress gives us the confidence to raise our ambitions, and we're now targeting ten million active members by 2030.

Looking forward, the Board is keen to ensure our special Co-op culture remains prevalent in all our interactions: with our people, our partners, our customers and of course, our member owners. When we work together toward common goals, we can have a huge impact on communities and the people we serve.

Thank you for the part you played in our Co-op in 2025. Your support allowed us to weather the storms we saw.

**Debbie White,**  
Chair, The Co-op Group.



# REPORT FROM THE PRESIDENT OF THE NATIONAL MEMBERS' COUNCIL

**Denise Scott-McDonald:** President, National Members' Council

A warm welcome to our newer members, and a thank you to those longer-standing members who have been part of our Co-op for some time now.

Throughout 2025, your Council - made up of 100 member owners like you, elected to represent your interests and to ensure we champion our Co-operative Values and Principles in our work - has heard from thousands of you to understand what you value about your Co-op and want to see next. We've continued to put the voice of our members at the heart of our decision-making and always will.

In 2025, we heard from you, our members; you told us how the ongoing cost-of-living crisis is still affecting you and shared your concerns for

the future given increasing divides in society. In response, we advocated on your behalf for lower prices on essential goods, continued ethical sourcing within our supply chains and launched our *Hate Divides Communities, Co-operation Builds Them* campaign, working towards a better, fairer society for us all.

It's been brilliant seeing so many new members join us and learn about what being a member of a co-operative has to offer. We grew yet again by over a million members last year, reflecting the economic, social and ownership value we provide for members. 2025 saw us develop our new Ownership Hub for members: a one-stop shop to find everything you need to play a full part in the business you own. Our Co-op belongs to its members and we're constantly strengthening how we empower members to engage with and influence our Co-op to succeed.

It's impossible to talk about 2025 without talking about the cyber attack our Co-op suffered during the year. This was an attack that many of our members saw the impact of first hand, with a challenging recovery for our Co-op.

I'm so proud of the way our Co-op responded. We saw our incredible member owners, our wonderful and committed colleagues and our Board and Council coming together to protect and safeguard our Co-op community, and to build back better from the malicious attack on all of us as owners of our Co-op.

Our Co-op took swift action to protect you, our members, and continued to serve communities, including our lifeline stores in remote communities through the most challenging period of our recovery. We took action for the longer term through a partnership with The Hacking Games to support talented young people to use their digital skills for good - investing in the future of our Co-op and our country's resilience in an increasingly digital world. Our Co-op Difference enables us to do things differently, looking to the long-term and creating meaningful social and economic value for our members.

I would like to say a huge thank you to all of you for continuing to support our Co-op and for the many messages of support you sent last year. I'm especially grateful to our fabulous frontline colleagues in our stores and funeral homes who continued to keep our Co-op open for business.

Though 2025 brought challenges, it also brought some real highs. Last year was the UN's second International Year of Co-operatives, and our Co-op - the largest co-operative in the UK, with over seven million active members and a part of thousands of communities across all four nations - had a key role to play. Your Co-op hosted the International Co-operative Alliance's General Assembly and held a four-day Festival of Co-operation in Manchester to celebrate the good work co-operatives do across the world and to learn from each other.

Co-operative models are a better way of doing business and your Council also closely followed how the Government is proposing to deliver its commitment to double the size of the co-operative and mutuals sector. Our Co-op is part of the Mutual and Co-operative Sector Business Council, which brings together some of the leading mutual and co-operative businesses in the UK plus sector trade associations, to partner with the UK Government on this - exploring co-operative solutions to some of the big issues facing the UK today.



Through the autumn, your Council (along with Directors) were out and about in our four capital cities and in communities across the UK finding out what you like about your Co-op and what you would like us to do more of. It was great to see so many of you in London, the area I represent. Thousands more took part in opportunities across the year to have your voices heard online, in person, in stores and through dedicated 'Join In' opportunities. We took all your ideas and suggestions back and you'll see throughout 2026 how we've taken these things on board, and what will happen as a result.

As we head into 2026, I want to thank each and every member for choosing our Co-op and for continuing to choose us every day.

Thank you to everyone who comes together to make our Co-op difference a reality - from the member owners who trade with us or work with us, to our colleagues, to the Board and business leaders and their teams. I especially want to thank my fellow Council members, our Senate, our two vice-presidents Debbie Williams and Sam Webster and the Council and Democracy team who support so much of our work to continue to represent you, our member owners.

**Denise Scott-McDonald:** President, National Members' Council

**EVEN IN A YEAR OF CHALLENGES, WE CONTINUED TO SUPPORT OUR MEMBERS AND TAKE ACTION ON THEIR BEHALF.**



# CHIEF EXECUTIVE'S OVERVIEW

At work and in life, we go through moments that stretch us and bring us clarity on the other side. 2025 was one of those moments for our Co-op.

Looking back at the year, I am incredibly proud of our 53,000 colleagues. And, reflecting on its challenges, I'm clearer than ever that our Co-op has work ahead.

## **A trajectory knocked**

We entered the year with momentum, increasing underlying operating profit<sup>4</sup> by 35% - from £97m in 2023 to £131m in 2024 - while continuing to reduce our net debt.

This trajectory was knocked as we moved through the year. We experienced market-wide pressures, including changing convenience shopping behaviour and continued consumer caution. We also faced £150m in additional costs in the year, including new Extended Producer Responsibility charges and increases in National Insurance and colleague pay.

These were challenges we were facing alongside other businesses; things we'd predicted and planned for. On top, we then experienced a criminal cyber attack. This was something we hadn't predicted, but were well-placed to handle, and it affected our results in two ways.

**1. An immediate impact:** when we detected criminal activity on our network, we restricted systems to contain the threat. This affected stock management and other processes, resulting in an estimated £285m direct revenue impact and an estimated £107m impact to profitability.

**2. A tail of impact:** disruption changes habits. Because our stock levels and service standards in stores were interrupted for several weeks, we saw customers change their buying behaviour. Our physical stores felt the greatest impact through the year, whereas other areas of our business (such as online convenience shopping and Life Services) bounced back quickly.

<sup>4</sup> Underlying operating profit is an alternative performance measure, or APM. For definitions and more detail on the difference between statutory measures and APMs, please read Note 1 and Glossary in our financial statements.

Overall, for 2025, Group revenue decreased to £11bn from £11.3bn, and we are reporting a loss for the year. Our statutory operating loss was £57m, and our underlying operating loss was £35m<sup>4</sup> – we tend to use the latter when we explain our results, because we believe it helps our members understand the day-to-day trading performance of our Co-op.

We navigated a difficult year from a far stronger financial position than we have previously had. Our net debt, excluding leases, stood at £920m in 2021; at the end of 2025, this figure was £317m. Though this is higher than at the start of the year, it remains substantially lower than it was historically. We paid off maturing bond debt from cash in December, reflecting our improved financial strength. And strong liquidity at the point of the incident meant we could act immediately to contain the threat. Reflecting the challenges of 2025, our credit rating was downgraded one notch toward the end of the year.

As a Co-op, we're now focused on regaining the trajectory and strength we had in 2024, as we keep adapting to changing markets.

**Replotting our route**

The trials of the year highlighted our assets: our colleagues showed their resilience. Our Life Services and quick commerce businesses grew despite disruption. Our wholesale area wasn't impacted by the attack, but continued to face challenging markets, and our partners were steadfast through the year – highlighting the strength of our network as a supplier to other stores.

At the same time, 2025 showed us where we can improve. The tail of changed buying behaviour we saw in physical stores highlighted the need for a keener customer focus within our Co-op. We must understand UK consumers inside out and always give them a reason to choose us over competitors. It's particularly pressing as we see people buying less of what they've typically gone to convenience stores

for, like alcohol and tobacco.

As I write this in 2026, we've rolled out a number of changes across our Co-op, and I am very proud that, in all our business areas, we have regained our market share to the level it was before the attack, and in some business areas, we have surpassed this level.

This takes our Co-op forward in achieving our long-standing ambition: to see real and sustainable growth in our Co-op by 2030. We've established our Commercial and Logistics division. This is an autonomous buying group where we will buy at scale across our 8,000-store network, driving greater value for money for customers and members. We have a new roadmap for reaching 2030, focusing on what people come to our Co-op for: accessibility, value and our special difference. Finally, we have set ambitious targets to hold ourselves accountable along the way, including reducing costs within our business.



I'll say more on this strategic focus in *Looking Ahead*. We expect volatility and stubborn markets to continue, but the work that's underway gives us confidence in our ability to deliver our strategy in the next three to five years.

**Sharing value with members**

Even in a year of commercial challenges, we have continued to encourage member participation in our Co-op, and we have worked to have an impact on their behalf.

In 2025, we saw a 22% increase in member voting at our Annual General Meeting (AGM) as we extended voting rights to 1.5 million more people<sup>5</sup>. As more members have had their say, we have continued to take action for them.

We have recommitted to social value with a new strategy centred on access to opportunities, a sustainable future and peace and wellbeing, explained in [our Social Value and Sustainability Report](#). Based on input from our members, we also announced our decision to stop sourcing from countries where there are internationally recognised human rights abuses and violations of international law. And closer to home, our *On Your Corner, In Your Corner* campaign called for action to restore the health of UK high streets.

All this was achieved in 2025, the United Nations' International Year of Co-operatives. In the autumn

budget, the Government reaffirmed its commitment to growing this vital part of the UK economy. The progress we've made in this area shows that co-operative businesses are so necessary in today's world, and contributing greatly to members and communities.

**Doing right by colleagues**

Almost all of the people who work in our Co-op are members of our Co-op. They own our business and will push us forward as we rebuild.

At the start of the year, we announced our Rewarding Growth incentive plan. For the first time, all colleagues – in stores, depots, funeral homes and beyond – have the opportunity to share in our success as we work to grow our Co-op together in the years ahead.

In the year, we also developed a new internal promise, laying out our commitments to creating a workplace with purpose where all colleagues can thrive and belong.

I believe we have continued to deliver on this promise through the year: maintaining our 30% colleague discount on Co-op products, doubling paid leave for colleagues affected by pregnancy loss and continuing to invest in colleague safety. We saw a 31% drop in physical assaults in stores, year-on-year, as we rolled out new measures such as secure kiosks<sup>6</sup>.

**Building a bright future**

It's clear from our results that we experienced a difficult year. But that year is behind us and, with our adjusted route ahead, our Co-op is looking out with determination.

Demonstrating this confidence, we kept carefully investing through 2025, spending £318m to make sure we're fit for the future across our portfolio. We want our stores to reach their full potential for UK communities, and so we particularly accelerated our investment in high streets in the final quarter, opening the doors on 50 Co-op sites, from brand-new shops to refits and refurbishments.

We'll now share more on how each business area performed, and how we delivered for our members. This is our full Co-op promise: we're owned by you, and we do right by you.

This is what makes us special. It helped us to navigate a tough year, and it'll continue to guide our colleagues as our Co-op adapts for a changing world.

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

**Shirine will step down as Chief Executive on 29 March 2026**

**SPOTLIGHT**

## BACKING BRITAIN

Our Co-op began in Rochdale in 1844 as a business run by members, to take action on their behalf. Today, with a presence in every postal area in the UK, we believe it is more important than ever to contribute to the nation's stability and growth ambitions. We're:

- Continuing to source from British farmers and agricultural suppliers
- Spending with UK-based business suppliers
- Helping other UK firms source energy through Co-op Power
- Boosting access to training with our Levy Share service
- Continuing to support Co-op Academies
- Partnering with organisations like Barnardo's to support the UK's young people
- Supporting the strength and resilience of local communities and high streets

<sup>4</sup> Underlying operating loss is an alternative performance measure, or APM. For definitions and more detail on the difference between statutory measures and APMs, please read Note 1 and Glossary in our financial statements.

<sup>5</sup> 2024: 43,009 members voting. 2025: 52,646 members voting. 2,251,936 members eligible to vote in 2024; 3,759,445 eligible in 2025.

<sup>6</sup> 2024 assaults: 1,217. 2025 assaults: 839.

# MEMBERSHIP UPDATE

In 2025, our vision to *co-operate to build more value for our members every day* turned one. We are proud that we've stayed true to this objective even through a testing year.

**17%** INCREASE IN ACTIVE MEMBERSHIP **↑** TO **7.2m** MEMBERS<sup>7</sup>

**1.7m** MEMBERS JOINED IN THE YEAR

**£3.5bn:** HOW MUCH MEMBERS SPENT WITH US **UP BY 12%**<sup>8</sup>

Overall, our goal is to make membership irresistible and indispensable. We want to share value with our members and the communities they're part of, but also to help people to see and feel this value. By doing this, we believe we encourage more people to engage in the unique model that is our Co-op and its democracy.

In 2025, we advanced this agenda. We continued to grow our membership numbers, going beyond seven million active members in the year, and increasing our ambitions as we did so. Our new goal is to reach ten million active members by 2030, up from our previous target of eight million.

We're not just reaching more members, we're reaching different members. In 2025, we expanded our democracy to younger demographics as we opened stores on university campuses, continued our presence at UK festivals and reduced the amount that members need to spend with us in order to vote at our AGM. Our average member age decreased by a year<sup>9</sup>, and we saw an 11% increase in members under 25 joining - from 344,800 in 2024 to 382,800 in 2025.

## SPOTLIGHT

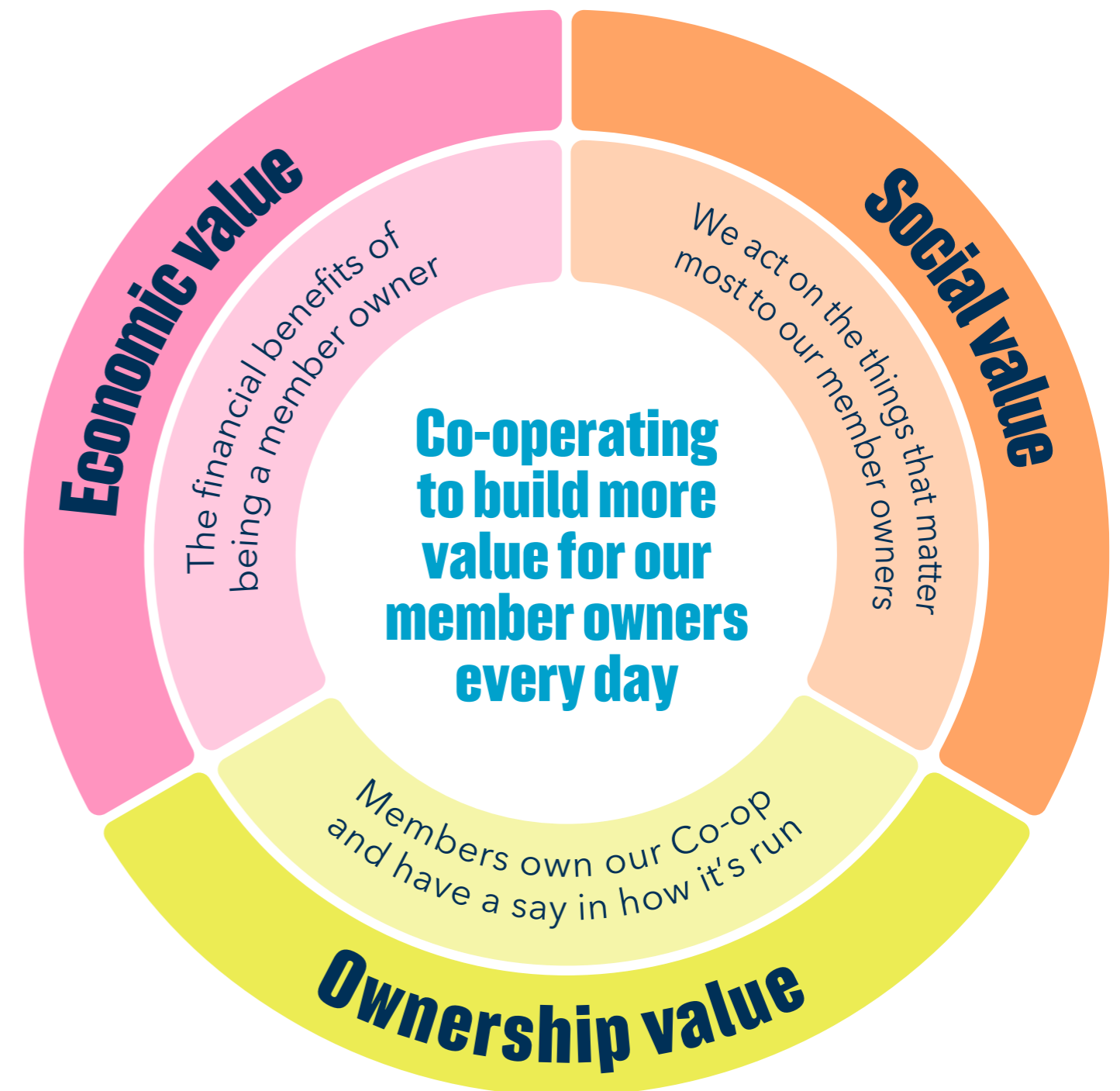
### THE INTERNATIONAL YEAR OF CO-OPERATIVES

Through 2025, members joined us in marking the UN's International Year of Co-operatives.

They joined in through the year to learn more about what co-ops are, from our founding principles to global co-operation through modern supply chains. In July, along with Co-operatives UK, we welcomed worldwide co-operators to special events hosted across Rochdale and Manchester: *The Festival of Co-operation*.



# OUR VISION IN 2025



## Ownership value

Members own our Co-op and can shape our business. One of our objectives is to empower our members so that they can have an influence in the business they own, and we made clear progress here in 2025.

We saw over 52,000 people voting at our Annual General Meeting (AGM), a substantial increase on 2024 numbers (over 43,000) as we changed our eligibility criteria to extend voting rights to more members. Members can also get involved in our business through everyday opportunities on our app, website and in person. We call these moments to 'Join In', and in 2025, 20% more

members did so than in 2024<sup>10</sup>.

In October, we held a series of events to engage members, with pop-up cafés, local get-togethers and online conversations, with a 28% rise in physical attendance at pop-ups against last year<sup>11</sup>.

Aside from these formal moments for participation, it's vital that we build our members' priorities into our business throughout the year. To that end, over 37,000 members shared their views and opinions on the world around them in our Big Member Survey for 2025.

<sup>10</sup> Members 'joining in' in 2024: 477,453. Members 'joining in' in 2025: 574,051.  
<sup>11</sup> Attendance at pop-ups in 2024: 1,421. Attendance at pop-ups in 2025: 1,819.

**37,000+**  **TAKING PART IN OUR BIG MEMBER SURVEY**

## Economic value

Our Co-op should offer the best value for everyone who buys from us, not just members. But owning our business should come with financial benefits. This is one of the ways that we engage more people in the democracy of our Co-op.

In 2025, we increased value to our members by price-matching a number of everyday essentials to Aldi – an initiative that reached 40% of baskets. We also ran promotions on categories that matter most like meals, shared personalised offers and launched Member Prizes, where members can exclusively enter monthly prize draws.

Members also helped us design what economic value will look like in the years ahead, [giving feedback on an app trial using digital stamps](#).

**40%**  **OF BASKETS INCLUDED AN ALDI PRICE MATCH ITEM**

## Social value

We act on the things that matter to our members.

In 2025, we supported our members' communities, campaigned on their behalf and contributed to causes they care about.

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



At the end of the year, we'd raised over £6.5m for Barnardo's since 2023, with a huge £3m raised in 2025 alone. This was made possible through our colleagues, members, customers and suppliers working together, from donating at tills to running fundraising events.



Based on our members' priorities, we announced our decision to stop sourcing from countries where the international community has identified serious risks of community-wide human rights abuses and violations of international law.



We announced a new fund to support sustainable farming practices. By the end of the year, we had provided over £760,000 of funding with farmers in our supply chain to support them in reducing emissions and promoting nature on their farms.



Our charity, the Co-op Foundation, supported 135 causes and individuals in 2025. Through campaigning and funding, the foundation creates opportunities for young people.



We continued to support 38 Co-op Academies, who provide an education based on Co-operative Values and Principles to over 20,000 students.



An installation of over 6,500 solar panels was completed at our Biggleswade Depot, generating electricity to support our largest regional distribution centre.



Our Local Community Fund has now shared £120m since 2016 with causes across the nation, from sports clubs to local gardens.

### SPOTLIGHT

## MEMBER ACTIVATORS

Our member activators work across the UK, raising awareness of the value that membership brings. In 2025, member activators were involved in:

- 130 local events in October, including asking members for feedback on our Co-op's products and services.
- Six local AGM events, inviting members to get involved with the AGM from where they are.
- 400 events centred on sustainability, including Food Waste Action Week and Fairtrade Fortnight.



coop.co.uk



# OUR BUSINESS AREAS IN 2025: PARTNERING, SUPPLYING & BUYING

Beyond our own stores, we supply other retailers on a business-to-business basis, including:

- Independent partners: national partners, secondary wholesalers, partners operating under the Nisa brand and co-branded stores
- Franchise stores, which look and feel like our own Co-op stores
- Regional co-operative societies, such as Lincolnshire Co-operative

This is a big part of our business, but also our heritage: Co-op Wholesale Services was established in 1863.



## Wholesale

Over the past two years, this area of our business has not seen the performance we would have liked. The market has been challenging and our partners, many of whom are independent stores, have sharply felt the pressures of inflation and consumer caution.

In response, we fundamentally reset our wholesale operation in 2025. Our financial results for the year reflect continued market challenges, but also significant investment in repositioning our partner offer as a multi-fascia provider. We now enter 2026 with a clear proposition and a strong pipeline of partnerships.

### Coming through a tough market

Our revenue was £1.30bn, a 2.2% reduction against 2024<sup>12</sup>. Many of our partners are smaller retailers categorised in the 'Symbols and Independents' sector, which contracted by 1.8% over the year according to Circana<sup>13</sup>. Along with the wider market, this area is seeing health-driven behaviour change; when tobacco products are removed from our financial results, our wholesale business grew 1.3%.

Our underlying operating loss for our business-to-business division in the year was £14m, reflecting both headwinds and strategic investments, explained below. We believe these investments are now yielding results; we saw year-on-year growth in the final quarter of 2025 and outperformed the market for Christmas trade<sup>14</sup>. We'll now walk you through the changes we've made in order to turn this corner.

### Resetting our partner proposition

From early 2025, we repositioned this area of our business. Nisa Retail Limited became Co-op Wholesale, bringing the business closer to our group and wholesaling heritage, while keeping the Nisa brand for partners who choose it.

This move reinforced our commitment to the independent retail sector, marking a change in the way we work with partners. We're moving to a managed service model to combine the scale, insight and trust of the Co-op Group with the flexibility of a wholesaling business. We want to help partners compete for consumers' everyday shopping 'missions', and in 2025, we rolled out:

- Data and capability tools to identify the right products, ranges and formats for each retailer – so partners can better optimise their space and shopping experience.
- An expanded own-brand range, investing £800,000 in the year to double the number of Co-op own-brand products available at competitive prices.
- Pricing and promotional investments on fewer, high-impact deals.

To reflect the breadth of what we now offer, we announced an updated Nisa fascia at the end of 2025, modernising a much-loved brand with a sharper design to stand out on the high street.

We've also launched an "& Co-op" fascia for established partner brands. Now, these brands can retain their own identity while also proudly showing that they sell Co-op goods. Our name continues to offer a strong differentiator to partners with 92% opting to stock Co-op products.



<sup>12</sup> 2024: £1,399m. 2025 £1,387m (including franchise business).

<sup>13</sup> Circana data, from the week ending 11 Jan 2025 to the week ending 3 Jan 2026. In this period, the Symbols and Independents market contracted by 1.8% for value.

<sup>14</sup> Data from Circana for the four weeks to 27 Dec 2025; the Symbols and Independents sector showed 2.0% decline for value and 2.7% decline for volume. In the same period, Co-op Wholesale demonstrated 3.8% growth in value while volume increased by 1.1%.

**Strengthening the building blocks**

We continued to improve on the fundamentals with availability remaining strong at 97% and 94% of deliveries to partner stores arriving on time. At the same time, we made operational changes to drive forward our new commercial proposition, enhancing our leadership by drawing talent from wholesale environments.

Co-op's new Commercial and Logistics division will provide our Wholesale division greater autonomy in how we work with suppliers. This will boost our ability to quickly tailor ranges for independent partners, so they can better compete in fast markets.

**Relationship-building based on mutual benefit**

Our goal is to establish the right, mutually beneficial agreements to help both parties grow.

In 2025, we established significant new business partnerships, building our pipeline for the years ahead. We onboarded 79 new customers in the year, representing over 170 stores. These relationships are already seeing results; one partner who switched to Co-op Wholesale in the year has seen a 25% increase in sales of chilled food and sandwiches<sup>15</sup>.

On top of new business, we deepened our existing relationships, signing 15 long-term agreements with 'key partners' - our biggest retail accounts - in the

year. Notably, we renewed and restructured our relationship with Costcutter.

For Co-op, these new and renewed relationships will continue to help us reach wider markets. For example, we brought Co-op stores to motorway service stations for the first time in 2025 through our Roadchef partnership and supplied 604 petrol forecourt stores on a wholesale basis.

**Sharing value with all stakeholders**

In 2025, we've continued to champion member and partner interests - joining the Group's campaign for the health of local high streets and sharing over £1m with local causes through Making A Difference Locally. The charity supports organisations like grassroots sports schemes and community initiatives, helping to strengthen local ties for partners.



<sup>15</sup> Source: Forecourt Trader, *Why Sewell On The Go's Fresh Approach with Co-op is Paying Off*, December 2025.

**Federal Retail Trading Services**

**This is a buying group, made up of 13 independent societies and our Co-op Group in 2025. We buy stock together to make use of our combined scale.**

Along with other parts of Co-op, this area was impacted by the cyber attack. Revenue was £2bn; this is a decline of 5.4% against 2024 (£2.1bn), reflecting issues with stock availability as we restricted systems to contain the threat.

In the spirit of co-operation between co-operatives, our immediate priority was to support our partners. We proactively and regularly communicated with them and quickly made operational changes in order to share 350,000 cases of stock with 11 independent societies through our wholesale network.

We remain truly grateful to our independent society partners for their support through a time that tested their organisations as well as ours. These steadfast relationships highlighted to us our strength as a supplier and partner in 2025 - one of the reasons we created our Group Commercial and Logistics division. Here, we believe a faster speed-to-market and more efficient model will bring multiple benefits to our partners.



**Franchise**

**Franchise partners expand our reach and give members more opportunities to engage with the Co-op they own.**

In 2025, our franchise operation (included in our wholesale segment) continued to perform strongly, showing 23% year-on-year growth as we reached £91m in sales. The compounding rate of growth in our franchise business and strong focus on partnerships makes it a vital part of our strategy going forward.

We ended the year with 65 franchise stores, with 11 new sites in 2025. The quality of our new openings has exceeded our expectations, with success in university campus stores in particular.

We also established a healthy pipeline for the years ahead. We expanded our partnership with EG On The Move to ten locations and secured new sites in hospitals to enhance our NHS presence.

Through franchising, our Co-op has expanded in markets like these: petrol stations, hospitals and universities. These are dynamic locations with an ever-changing group of consumers. They introduce our products to more people and expand our member base; in 2025, we recruited 51,000 members through our franchising business alone.



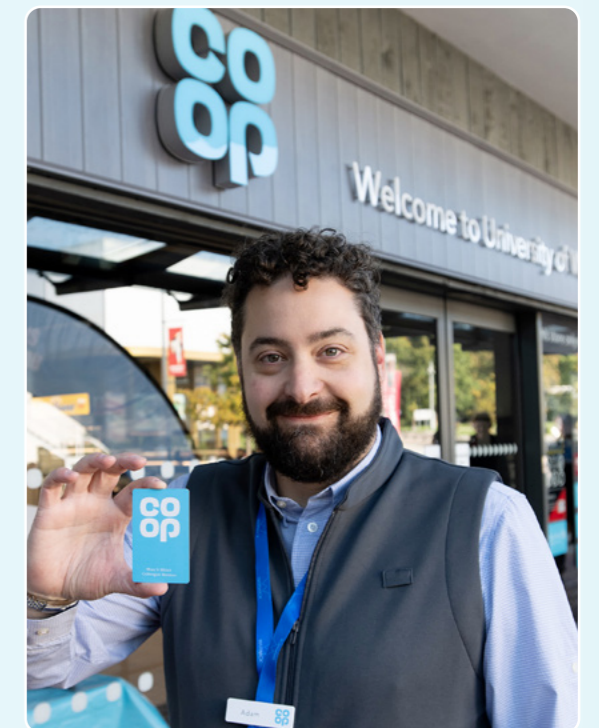
**SPOTLIGHT**

**UNIVERSITY OF WARWICK STORE**

**Campus stores are a great example of how franchise arrangements strengthen both our business and our democratic model.**

In September, our biggest campus store opened at the University of Warwick. The new store focuses on Food to Go, including meal deals, hot food, an instore bakery and fresh coffee - along with an extended world food range for a diverse student population.

In term time, stores like these are some of the busiest in our network, serving a combined campus population of 200,000 students. These locations also help us to introduce young people to Co-op membership with a fresh cohort coming every academic year. We're reaching people at a habit-forming time in their lives, with 36% of members shopping in these stores also actively participating in our Co-op - taking action in our democracy, like voting or selecting a cause to support.





# RUNNING RETAIL STORES

In our food retail business, we entered 2025 with momentum, seeing growth in 2024 and a promising first quarter. We then experienced challenges that knocked this momentum and surfaced areas for improvement. We now enter 2026 with a clear path ahead.

Revenue for the period was £7.25bn, representing a 2% contraction against 2024 (£7.40bn) and reflecting a range of external pressures. Market data shows that the sector contracted in 2025<sup>16</sup>, and we have continued to see shifting shopping behaviour in items like tobacco and alcohol.

On top of these factors, our revenue reflects our response to the cyber attack noted earlier in this report. Our food colleagues were outstanding – every store stayed open, and we prioritised stock for rural communities. But our physical stores experienced the biggest impact in our Group as we restricted systems to contain the threat, subsequently seeing different buying behaviour in our Food stores as habits had been disrupted.

Underlying operating profit for this area in 2025 was £34m<sup>17</sup>, substantially lower than 2024 (£201m). This reduction was driven by:

- The trading challenges above
- Rising costs, including new Extended Producer Responsibility charges (which are fees for managing waste) and National Insurance increases
- An increase in stock wastage as systems realigned demand levels
- Store investment for the future

Overall, the disruption and market challenges we faced in the year highlighted a need for a clearer focus on UK consumers, and we're now rolling out changes to achieve it. Excluding the estimated direct impact of the cyber attack, our food retail business demonstrated 1% revenue growth<sup>18</sup> – giving us confidence in the ways we're adapting to a changing market.

## Strengthening our foundations

Delivering an exceptional retail experience for customers starts with the essentials: product, promotions, price and place. In the second half of the year, we launched a programme to strengthen these fundamentals.

Using insight from customer missions, segmentation and in-store data, we're making sure the right products reach the right customers in the right way. This includes reducing duplication across our ranges and better tailoring our offer by region – for example, expanding our Halal selection across stores.

Our people are another of our core foundations. We invested an additional £40.3m in store colleague pay in the year, including a 5% pay rise for over 38,000 frontline colleagues<sup>19</sup>.



<sup>16</sup> Circana Convenience data, showing 0.2% value contraction for the total convenience market from the week ending 11 Jan 2025 to the week ending 3 Jan 2026.

<sup>17</sup> This is an alternative performance measure. Please refer to Note 1 and Glossary in our financial statements for a definition of the Group's alternative performance measures (APMs).

<sup>18</sup> Food revenue of £7.256m less the £223m estimated impact of the cyber attack on sales.

<sup>19</sup> We increased our Customer Team Member and Post Office Counter Assistant pay from £12.00 to £12.60/hr (a 5% increase). We also increased our Team Leader and Post Office Supervisor pay from £13.32 to £13.99/hr (5% increase).

## Building value perception

For our Co-op and its customers, value is about both price and products.

On price, we made progress for members in 2025 by price-matching over 100 items to Aldi and unlocking more savings with personalised offers. We also worked to deliver the very best value for all shoppers, not just members. For example, in March, our Big Night In deal offered exceptional value with two stonebaked pizzas and a tub of Ben & Jerry's ice cream for £5, or £6 for non-members.

When it comes to products, we've continued to invest in our own-brand, working to lead the way on quality. We launched 447 new products in the period, 26% more than the previous year<sup>20</sup>.

<sup>20</sup> Product launches in 2024: 355.



## Adjusting our offer

As traditional 'newsagent' buying behaviour changes, we're adapting what we do.

In 2025, we continued to innovate, particularly in online convenience shopping ('quick commerce'). This area saw 15% growth in the year and, as of 2025, 90% of the UK population are able to shop with our Co-op in just a few taps. Member prices are now available at [shop.coop.co.uk](https://shop.coop.co.uk) as well as through all our delivery partners: Uber Eats, Just Eat and Deliveroo.

We expanded our offer in other ways, too, including health and wellness. In August, we announced a partnership with Holland & Barrett to bring their vitamins and supplements to our customers' baskets.



## Championing our Co-op difference

Retailing responsibly isn't just the right thing to do, it's a key differentiator. In 2025, we made progress based on member and customer priorities.

- **UK agriculture:** we continue to source 100% of our fresh and frozen own-brand meat from British farmers, including when used as an ingredient. We spent over £700 million with British farmers and suppliers in the year.
- **Fairtrade:** all our own-brand bananas, tea, coffee, roses and cocoa are Fairtrade. By volume, we remain the world's top seller of Fairtrade wine.
- **Animal welfare:** this has remained a priority for our Co-op in 2025; we pledged to implement electrical stunning for all farmed prawns by 2027.

For all our work in this area, read [our Social Value and Sustainability report](#) for 2025.



## Making the most of our stores

We continued to optimise our estate in 2025. We have over 2,300 Co-op stores, and we want each one to offer the most value possible to customers and communities.

To achieve this, we trialled new formats, opening five 'On The Go' stores in the year: smaller spaces with hot food and deli options. And we piloted a new sustainable store model, with an initial opening using 40% less energy than the pre-refit store.

We're also working to turn our stores into multi-use hubs that bring more to the people they serve. In 2025, we launched our first in-store banking hub with Cash Access, providing face-to-face banking services for people who need them. We also expanded our Co-op Media Network, where we work with partners to spotlight nearly 500 different brands to customers. Here, we grew revenue nearly 10% to £26.9m (2024: £24.5m).





# BEING THERE FOR MEMBERS FOR LIFE

**Our Life Services business is one of the areas that makes our Co-op special. By focusing on protection, planning and being there in the hour of need, it's our privilege to support members and customers at life's most significant moments.**

In 2025, we prioritised choice. As a member-owned business, we should be known for putting people first; our national scale means we can offer a range of options that really reflect the many varied lives we serve.

With this in mind, we demonstrated 4.2% revenue growth to £418m (2024: £401m) with an underlying operating profit of £41m<sup>21</sup>. Removing the direct estimated impact of the cyber attack, this area demonstrates even stronger growth of 6.9%<sup>22</sup>. This is a performance we're proud of, particularly in a year where we've navigated challenges along with the rest of our Group.

Our Life Services business is split across the three segments of Funeralcare, Insurance and Legal Services<sup>23</sup>.

<sup>21</sup> This is an alternative performance measure.

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

<sup>22</sup> £418m revenue less £11m estimated direct cyber impact.

<sup>23</sup> Please refer to Note 1 in our financial statements for a more detailed breakdown of financial results by segment.

## Funeralcare

**We provide two types of funerals: 'at need', arranged when someone dies, and 'pre-need', arranged ahead of time. In 2025, we made progress in both areas, seeing a 10% increase in 'pre-need' plan sales<sup>24</sup> while simultaneously increasing our portion of the 'at-need' market over the year, ending 2025 with a 15% share<sup>25</sup>.**

We launched a major national advertising campaign, One Brilliant Life, focusing on what we hold at our core: creating services that are as unique as the families we serve. We also focused on value, with discounts for both members and non-members, unlocking savings of up to £250 on funeral plans.

We have made a promise to 'take care of everything', which is reflected in the £12.8m we invested in our business over the year. This includes:

- Upgrades to branches and care centres to make sure we're delivering the high standards of service families expect.
- Investments in electric vehicles and charging points.

Along with other areas of our Co-op, the cyber incident tested our strength; we prioritised funerals and service levels and will always remember how over 3,600 Funeralcare colleagues went above and beyond through a difficult time.

Now we're looking to the future, building on the work of 2025 to keep building brand awareness while maintaining our commitment to honouring brilliant lives.



## Legal Services

**We're here to help members and customers to not only understand the law but make the most of it.**

In 2025, our Legal Services business was impacted by the cyber attack but saw reasonable trade over the course of the year with increased case openings in both probate and estate planning practice areas.

We invested £1.6m in technology, including AI, supporting teams to manage caseloads and prioritise meaningful work that progresses client cases.

Partnerships remained vital to our strategy throughout the year; by working closely with trusted organisations such as Saga, we extended our reach and made sure more people have access to the legal advice they need. 35% of estate planning clients were referred to us through a partnership in 2025.

Similarly, charity partnerships allow us to advance our business while also sharing social value in the world

around us. We partnered with charities including Cancer Research, offering a free will writing service to their supporters to encourage them to leave a donation – in 2025, this service saw £8.4m pledged in wills.



<sup>24</sup> Pre-need funeral plans sold in 2024: 37,710. 2025: 41,538. As future plans, pre-need sales are not included in our revenue for 2025.

<sup>25</sup> Source: Office for National Statistics & National Records of Scotland Market Calendar Data - 2025 (three month rolling) with Timecare Adjustment to align with funerals.

## Insurance

Through our insurance business, we offer the right cover at the right price. It's a smaller part of our business, but another important way we can share value with members and support them through life. Over the year, we saw volume growth of 17% in insurance policies, with particular growth in motor and life insurance.

Our future focus is clear: we want to put members first, facilitating the best possible prices and policies for them. To this end, we continued to offer member discounts on all types of cover.

We also built membership into our policy journey online, so people can sign up for Co-op cover and a Co-op membership all at once. This gives people immediate access to the best prices while also expanding our democracy: we saw nearly 7,000 members join this way in 2025.

Finally, we were proud to maintain strong brand trust in this area, reflected in our second-year running being rated as a *Which?* Best Buy and continued 'excellent' TrustPilot scores.



# GROUP FINANCIAL OVERVIEW

## KEY PERFORMANCE INDICATORS (KPIs)

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 members 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, which are consistent with how we measure our Co-op's performance internally and help our members understand the underlying performance of our business. The APMs are not meant to replace statutory measures under IFRS.

Our underlying APMs below exclude the incremental cyber costs reported as non-underlying in our financial statements. Year-on-year variances, excluding the full estimated cyber impact, are also illustrated below.

Performance measures	As reported			Excl. all estimated cyber impact**
	2025	2024	Var (£ / % / pp)	Var (£ / % / pp)
Total group revenue	£11,025m	£11,279m	(2.3%)	0.3%
Underlying EBITDA*	£327m	£481m	(£154m)	(£68m)
Underlying operating (loss) / profit*	(£35m)	£131m	(£166m)	(£80m)
Underlying (loss) / profit before tax*	(£126m)	£45m	(£171m)	(£85m)
Group net debt*	(£1,495m)	(£1,248m)	(£247m)	(£141m)
Group net debt (excluding leases)*	(£317m)	(£55m)	(£262m)	(£155m)
Return on capital employed (ROCE)*	(1.2%)	4.7%	(5.9pp)	(3.0pp)
Statutory measures	2025	2024	Var (£ / % / pp)	Var (£ / % / pp)
Total group revenue	£11,025m	£11,279m	(2.3%)	0.3%
Operating (loss) / profit	(£57m)	£151m	(£208m)	(£101m)
(Loss) / profit before tax (PBT)	(£43m)	£161m	(£204m)	(£97m)

\* A reconciliation and full glossary of Alternative Performance Measures (APMs) are included in our financial statements.

\*\* APMs represented to exclude the total estimated direct cyber impact, including estimated trading impact to sales of £285m, associated estimated profit impact of £86m and estimated cash impact of £107m. All underlying measures exclude incremental costs of £21m directly arising as a result of the cyber attack, presented as non-underlying items.



## CHIEF FINANCIAL OFFICER'S OVERVIEW

**Rachel Izzard:** Chief Financial Officer

I am presenting our results for the period ending 3 January 2026, a year defined by significant external pressures, structural shifts in customer behaviour and an unforeseen cyber attack. These challenges impacted our performance, however, our response demonstrated the resilience of our Co-op.

We continued to face cost inflation, fragile consumer confidence and intense competition, alongside a sharper-than-expected contraction in the convenience sector during the second half, particularly within tobacco sales. Despite this, we maintained liquidity headroom, protected our priorities and delivered key milestones, including the implementation of our new finance system.

We are taking the necessary actions required to return the Group to a sustainable profit position, and I would like to thank all our colleagues for their exceptional work in delivering for our Co-op through a demanding year.

## Cyber attack impact

The cyber attack was a one-off criminal event with a material impact on our financial results. The estimated impact is best understood in two parts.

### 1. Immediate financial impact:

*Non-recurring incremental costs of £21m:* this includes third-party support and other non-recurring recovery costs. In line with the Group's policy for non-underlying items, these have been removed from underlying profit and presented as non-underlying.

*Sales and gross margin estimated impact of £285m and £86m respectively:* resulting from restricted systems, reduced promotional capability, operational inefficiencies and lower volume throughput. We have estimated these impacts based on our Group forecast for 2025, updated to reflect actual external conditions, such as changes in frequency of shopping behaviour. These impacts remain within our underlying measures.

The cash impact is the value of the cumulative non-recurring costs and the sales and gross margin estimated impact.

### 2. Tail of impact:

Beyond our immediate response to the event, our Co-op saw a tail of impact through the year. Transient shopping patterns had been disrupted, and cyber containment and recovery slowed strategic progress, most notably in Food, during a time of fast-moving market shifts.

The table below summarises the estimated **immediate** impact.

	Cyber non-recurring costs (adjusted)	Estimated cyber trade impact (not adjusted)	Estimated direct cyber impact
Total revenue	-	(£285m)	(£285m)
Underlying operating loss	-	(£86m)	(£86m)
Operating loss	(£21m)	(£86m)	(£107m)
Group cash	(£21m)	(£86m)	(£107m)

In the tables through this document, we will talk to:

- Statutory profit measures which have no adjustments.
- Underlying profit measures which exclude the impact of non-recurring cyber costs.
- Variances to the period prior excluding the total estimated direct impact of the cyber attack, including the lost trade impact. This is provided to aid understanding and is not an ongoing statutory or alternative performance measure.



## Financial performance

Market conditions became more challenging through the year. Outside of the cyber attack's impact, trading was shaped by cost-conscious, value-driven customer behaviour. We saw an acceleration in the structural decline of the newsagent tobacco mission.

Our Co-op also faced cost increases, including circa £50m of legislative changes driven by new Extended Producer Responsibility charges and additional National Insurance costs. Additionally, we invested significantly in colleague pay. In total, we faced circa £150m of cost headwinds in the year.

Our strong opening liquidity and bank covenant headroom, built up intentionally over the last three years, enabled us to absorb these challenges with confidence and intent. While net debt flexed during the period, the Group's underlying leverage<sup>26</sup> remains at normal levels for our sector, excluding the estimated impact of the cyber attack. We maintain an appropriate level of liquidity risk headroom.

Revenue	2025	2024	Var	Var (%)	Var (%) excl. estimated cyber impact
<b>Total Group revenue</b>	<b>£11,025m</b>	<b>£11,279m</b>	<b>(£254m)</b>	<b>(2.3%)</b>	<b>0.3%</b>
<b>Food Retail</b>	<b>£7,256m</b>	<b>£7,403m</b>	<b>(£147m)</b>	<b>(2.0%)</b>	<b>1.0%</b>
Food: non-tobacco	£6,336m	£6,388m	(£52m)	(0.8%)	
Food: tobacco	£920m	£1,015m	(£95m)	(9.4%)	
<b>Business-to-business</b>	<b>£3,351m</b>	<b>£3,475m</b>	<b>(£124m)</b>	<b>(3.6%)</b>	<b>(2.1%)</b>
Wholesale: non-tobacco	£1,017m	£1,005m	£13m	1.3%	
Wholesale: tobacco	£279m	£320m	(£42m)	(13.0%)	
<b>Life Services</b>	<b>£418m</b>	<b>£401m</b>	<b>£17m</b>	<b>4.2%</b>	<b>6.9%</b>

Group revenue for the year contracted 2.3% versus the year prior, broadly flat after excluding the estimated direct impact of the cyber attack. Our revenue performance reflects operational disruption, continued pressure on consumer spending, and a structural shift in the tobacco market, the latter having a circa 2% drag on group sales.

You can read more about the performance of our business areas in our business unit updates. I've summarised their revenue data in the table above.

**Food** revenue was challenging. This area was most impacted by the cyber attack, as mentioned above, including both the immediate operational impact, and a tail of changed shopping habits in stores borne from disruption.

Removing the estimated immediate cyber impact, revenue increased by 1.0% - including a circa 1% tobacco drag in this area. This is a fair result given the convenience market contraction. We are responding to market changes, growing our quick commerce business by 15% in the year, and investing in value for shoppers with our Aldi Price Match offer reaching 40% of baskets.

Within our **business-to-business** segment, there were different trends across our routes to market. Wholesale continued its strategic reset, restructuring existing contracts and onboarding new customers.

<sup>26</sup> Total net debt including leases less total estimated cyber impact divided by underlying EBITDA, less EBITDA cyber impact.

Non-tobacco revenue grew in a contracting market, supported by the reset and a strong own brand performance - an early benefit from the Group Commercial and Logistics changes. Performance improved through the year as the reset progressed with clear market share growth by year-end. Revenue from other co-operatives (Federal Retail Trading Services) was down 5.4%, reflecting market contraction, the tobacco shift and stock pressure during the cyber incident. Our franchising business grew strongly by 23%, supported by continued expansion into new locations such as hospitals.

In **Life Services**, revenue increased 4.2%, or 6.9% excluding the estimated cyber impact. Here, our member-and-customer-focused offer has translated into at-need market share gains in Funeralcare, and volume increases in Insurance and Legal Services.

#### Underlying operating profit or loss (UOP/L)

As described above, underlying operating profit or loss is reported after removing the incremental costs of the cyber attack. It includes the adverse estimated impact on trading.

Underlying operating profit or loss (UOP/L)	2025	2024	As reported Var (£)	Var (£) excl. estimated cyber impact
<b>Group UOP/L</b>	<b>(£35m)</b>	<b>£131m</b>	<b>(£166m)</b>	<b>(£80m)</b>
Food Retail	£34m	£201m	(£167m)	(£91m)
Business-to-business	(£14m)	(£1m)	(£13m)	(£14m)
Life Services	£41m	£41m	£0m	£10m
Support functions	(£96m)	(£110m)	£14m	£14m

Group underlying operating loss was £35m (2024: £131m profit). This is an adverse variance of £166m, or £80m excluding the estimated trading impact of the cyber attack.

Strong Life Services performance and disciplined central cost control offset the loss from Wholesale's turnaround, leaving Food as the material driver of the drop in Group profitability excluding the estimated cyber impact. Targeted sales and margin improvements were offset by fast structural changes in Food missions, and the material level of cost headwinds.

Those cost headwinds in the year were significant at circa £150m, with circa £50m of that figure, driven by legislative changes such as new Extended Producer Responsibility charges and National Insurance increases. We also saw wider inflationary pressures and continued to invest in colleague pay. Keeping absolute operating costs to an increase of only £86m or 3.2% in this environment was a good result by our team.

Our operating loss was £57m, versus a profit of £151m in 2024.

#### Underlying net finance costs

Underlying net finance costs	2025	2024	Var	Var (%)
<b>Total underlying net finance costs</b>	<b>(£91m)</b>	<b>(£86m)</b>	<b>(£5m)</b>	<b>5.8%</b>
Non-lease interest costs	(£41m)	(£47m)	£6m	(12.8%)
Non-lease interest income	£14m	£25m	(£11m)	(44.0%)
Lease interest costs	(£64m)	(£64m)	£0m	0.0%

Underlying net finance costs were £91m, a 5.8% increase against 2024. Borrowing costs reduced with gross debt repaid, and interest income reduced with the reduction in gross cash.

#### Underlying loss or profit before tax

This combines our underlying operating profit or loss with our underlying finance costs. As described above, this measure excludes the impact of the non-recurring cyber costs accounted for within non-underlying items but includes the cyber attack's estimated impact on trade.

Group underlying loss before tax as reported was £126m (2024: profit of £45m). This is an adverse variance of £171m, or £85m excluding the estimated impact of the cyber attack on trade. The change is driven by the impact of the continued pressure on consumer spending and a faster-than-expected structural shift in the tobacco market, as well as the cost headwinds discussed above.

#### Statutory loss or profit before tax

This combines our underlying profit or loss before tax with the non-cash assessment of returns from our Funeralcare investment assets and non-underlying items. Statutory loss before tax for the year was £43m (2024: profit of £161m). This is an adverse variance of £204m, or £97m excluding the estimated impact of the cyber attack.

Funeral plan returns were broadly flat at £91m, compared to £89m in the year prior. The returns achieved in both 2024 and 2025 were significantly above the longer-term average of circa £50m per annum.

#### Non-underlying items

	2025	2024	Var (£)
<b>Non-underlying items</b>	<b>(£22m)</b>	<b>£20m</b>	<b>(£42m)</b>
Cyber attack (incremental costs)	(£21m)	£0m	(£21m)
Impairment charge	(£29m)	(£18m)	(£11m)
Other	£28m	£38m	(£10m)

*Non-underlying items:* £22m net costs (2025: £20m net gain) with the £21m (2024: £nil) incremental costs from the cyber attack being the largest driver in year.

*Impairment of assets:* we recorded a net impairment charge of £29m in the period. This relates primarily to £37m of impairment against Food stores where trading cashflow forecasts do not fully support the asset value of the sites. This is offset by the reversal of previously recognised impairment on our sub-lease portfolio and one of the floors in our support centre, following agreement of a sub-let arrangement in the year.

*Other:* relates to total lower gains from property disposals and investment property valuations of £21m (2024: £33m), a reduction in provisions, offset by restructuring business activity costs in the year (see Note 1 of the financial statements).

#### Cashflow

Cash generation	2025	2024	Var (£)	Var (£) excl. estimated cyber impact
Underlying EBITDA	£327m	£481m	(£154m)	(£68m)
Working capital movement	(£114m)	(£67m)	(£47m)	(£47m)
Pension cash contributions	£72m	£56m	£16m	£16m
Other	(£42m)	(£14m)	(£28m)	(£7m)
<b>Net cash inflow from operating activities</b>	<b>£243m</b>	<b>£456m</b>	<b>(£213m)</b>	<b>(£106m)</b>
Capex	(£318m)	(£273m)	(£45m)	(£45m)
Lease payments - principal and interest	(£194m)	(£183m)	(£11m)	(£11m)
Disposal proceeds	£22m	£34m	(£12m)	(£12m)
Other	(£15m)	(£5m)	(£10m)	(£10m)
<b>Net cash generation</b>	<b>(£262m)</b>	<b>£29m</b>	<b>(£291m)</b>	<b>(£184m)</b>

Net cash inflow from operating activities is £243m (2024: £456m), an adverse variance of £213m, and £106m excluding estimated cyber impact; arising from underlying trade challenges.

The recovery from the cyber attack and the implementation of our new finance system in the third quarter caused a temporary adverse impact on working capital. We expect this to fully unwind in the first half of 2026.

Capital increased to £318m as we took considered choices to continue investments in customer facing improvements, efficiency measures and the modernisation of core systems.

#### Store footprint and space

Store numbers	As at year-end 2024	New	Disposals / (closures)	As at year-end 2025	Change	Refits and new stores
Food Retail	2,348	21	(31)	2,338	(0.4%)	4.7%
Franchise	56	11	(2)	65	16.1%	16.9%
Total fascia	2,404	32	(33)	2,403	0.0%	5.0%

Retail space remained flat, with continued focus on pipeline development and store refresh programmes; 5% of the estate benefited from investment in 2025. Franchise growth was materially higher year-on-year in line with our strategy. During the year we trialled new formats, including sustainability-driven refits and 'Food to Go' stores.

#### Net debt and cash

Group net debt	2025	2024	Var (£)
Group cash* and short-term investments	£93m	£420m	(£327m)
Revolving credit facility and overdraft	(£52m)	£0m	(£52m)
Bond debt (incl. fair value, excl. accrued interest)	(£353m)	(£470m)	£117m
Other	(£5m)	(£5m)	(£0m)
<b>Net debt (excluding lease liabilities and accrued interest on amortised debt)</b>	<b>(£317m)</b>	<b>(£55m)</b>	<b>(£262m)</b>
Lease liabilities	(£1,178m)	(£1,193m)	£15m
<b>Net debt (excluding accrued interest on amortised debt)</b>	<b>(£1,495m)</b>	<b>(£1,248m)</b>	<b>(£247m)</b>

\*Excludes £5m restricted cash relating to receipts to be invested in funeral plan investments.

Change in Group net debt in period	2025	2024	Var (£)
<b>Opening net debt</b>	<b>(£55m)</b>	<b>(£82m)</b>	<b>£27m</b>
Net cash generation / (outflow)	(£262m)	£29m	(£291m)
Restricted cash	(£5m)	£0m	(£5m)
Fair value movement on borrowings	£5m	(£2m)	£7m
<b>Closing net debt</b>	<b>(£317m)</b>	<b>(£55m)</b>	<b>(£262m)</b>

The Group's core net debt (excluding leases) rose in the year to £317m (2024: £55m).

With the cyber attack and challenging trading conditions, liquidity has reduced and net debt increased, but as a consequence of entering the year strongly, we have maintained headroom throughout. Our low starting net debt and liquidity reflects the hard work undertaken in recent years to deleverage, which facilitated our response to the cyber attack and cost headwinds. We managed the disruption of 2025 entirely through our own cashflows.

The combination of resetting post cyber attack and implementing the new finance ERP system, meant back-office processing slowed. This created a temporary drag on working capital in the final quarter of the year, and a need to draw £52m on our revolving credit facility at year-end. We expect this position to fully unwind within the first half of 2026.

The fair value of bond debt decreased by £117m to £353m (2024: £470m), reflecting the repayment from cash of debt that matured in 2025. At the balance sheet date, we had £417m of borrowings including accrued interest still to repay, with £362m falling due in July 2026.

At the balance sheet date, we maintain gross liquidity headroom of circa £440m through cash and short-term investments and undrawn facilities, providing resilience through continued market volatility.

#### Balance sheet

Group net assets of £2.1bn remain broadly in line with the prior year-end. The proportion of liabilities that are current has increased as debt maturity dates have advanced. The debt that is due within 12 months of £350m, excluding accrued interest, is fully covered by legally binding and existing refinancing agreements.

#### Financial ratios

Ratios	2025	2024	Var	Var (%) excl. estimated cyber impact
Leverage covenant ratio*	2.0x	0.2x	(1.0x)	-
Interest cover covenant**	2.2x	2.7x	(0.9x)	-
Return on capital employed (ROCE)	(1.2%)	4.70%	(5.4pp)	(3.0pp)

\* Leverage covenant - the ratio compares our borrowings to our earnings, and represents the ratio of Group net debt, excluding lease liabilities, over covenant EBITDA.  
\*\* Interest cover covenant - the ratio tests Co-op's ability to cover its financing costs from its earnings and represents the ratio of adjusted EBITDAR over adjusted net underlying finance costs.

Our banking partners agreed to a short-term amendment to the covenant tests for 2025 and the first half of 2026, reflecting the estimated direct impacts of the cyber attack due to its one-off nature. Headroom on both has been maintained and exists at the balance sheet date.

ROCE has declined year-on-year driven by the reduction in earnings.

#### Financing

On 18 June 2025, the Group agreed a new five-year £350m term loan facility agreement with six major banking partners, linked to its ambitious sustainability and social impact targets. The facility remains undrawn at the balance sheet date. The Group intends to use the term loan to repay its upcoming 2026 bond maturity.

On 7 July 2025, the group entered into £175m of interest rate swap contracts, which will provide a cashflow hedge against 50% of the new £350m term loan.

#### Summary

We have faced a year shaped by external pressures, structural market shifts and the significant impact of the cyber incident which we have approached with continued financial discipline. Our financial resilience helped us navigate the year and provided a solid base to build back from.

We expect trading conditions and cost pressures to remain challenging. Notwithstanding, growth in Life Services, progress in Wholesale and recovery in Food give us confidence in improving performance to sustainable levels of profitability.

# LOOKING AHEAD



**OUR VISION IS TO CO-OPERATE TO BUILD MORE VALUE FOR OUR MEMBERS EVERY DAY.**

As Debbie has noted in her Chair's introduction, by the time this report has been published we will have announced that I will be leaving our Co-op after almost seven years, and that Kate Allum will become our new Interim Group Chief Executive Officer.

It has been an incredible privilege to lead our Co-op over the past four years. During that time, we have faced both opportunities and significant challenges, but I've been consistently struck by the resilience, commitment and care shown by our colleagues across the organisation.

What has always mattered most to me is the difference that our Co-op makes to our members and to our communities. This is something I have felt proud to be part of every day. We have made important progress together - strengthening our financial position, improving our business performance, growing Co-op membership and creating meaningful social difference across the UK.

In Kate, we have a proven and highly experienced leader, who cares passionately about our Co-op and who will take the business forwards, while a permanent successor is found by the Board.

Writing in 2026, I am confident in our Co-op's route ahead - not because we've resumed our path, but because we've adjusted it based on what we've experienced and learned in 2025. A cyber attack is a shock to any organisation; the one silver lining is the opportunity to closely examine and improve underlying operations and systems.

As such, we have a clear strategy for the next three to five years. We have outlined actions and measurements to support the achievement of our vision, while addressing opportunities that will enable growth in the future.

Our direction is unchanged; our **vision** is to co-operate to build more value for our members every day. What makes us **different** is that we're member-owned and member-run. And our **2030 goal** remains: to realise growth in our business so we can keep sharing value with our members and their communities.

To do this, we must attract a wide base of UK customers and offer the right products to them in the right way, while also leaning into the strength of our partnerships and supplier network.

These are our focus areas going into 2026, as challenging circumstances intensify - with weak consumer confidence continuing in the UK, and conflict and volatility heightening across the world.

## WHAT WE'RE DOING:

### Focusing on consumers

Earlier in this report, we outlined our new framework for focusing on consumers.

For all people - members and customers alike - we want our Co-op to be **accessible**. People should be able to access the Co-op products and services they need, where and when they need them. This applies to our local presence and our digital experience hand-in-hand.

We want to be known for our **Co-op difference**. We are not the same as other businesses; we're owned by our 7.2 million active members. This means we can make decisions that other businesses can't, from our Net Zero goals to our community support.

Lastly, we want to offer **trusted value**. Social value offers a huge differentiator for us, but we need to get price and quality perception right, too. When people think of our Co-op, they should think of amazing quality and service, responsible sourcing and processes, and reasonable prices - whether you're paying for food or a funeral.

### Focusing on partnerships

To maximise our scale, increase efficiency and deliver the best value for customers, we established our **Group Commercial and Logistics division** in the year.

As we've mentioned throughout this report, we serve 8,000 locations including our own stores and partners. This division integrates all the buying, supply chain and logistics functions that power these stores into one team. Splitting off from our retail business, Group Commercial and Logistics effectively becomes a major UK buying group in its own right.

Here, we'll manage supplier relationships, sourcing and distribution in one place. We believe this will power future growth for our Wholesale and Retail businesses by working to:

- ✓ Compete on cost through strong supplier partnerships and enhanced efficiency
- ✓ Increase innovation, bringing new ideas to market faster
- ✓ Operate more efficiently across all our logistics networks
- ✓ Enhance our Co-op brand with improved consistency and reliability
- ✓ Embed ethics, sustainability and co-operation into every partnership

This will help us offer more to existing partners while also attracting new partners.

### HOW WE'RE DOING IT:

*In three steps*

#### 1. BE BRILLIANT AT THE BASICS

Our immediate priority is regaining our firm footing. This means operating seamlessly, every time - whether we're stocking shelves or resolving issues.

#### 2. INNOVATE OUR OFFER

In 2025, we grew our quick commerce business and launched a new division. We'll continue to respond to change, and we'll continue to explore new routes to market.

#### 3. EXPAND OUR CO-OP

When we look to the longer-term, we're confident that we'll resume our trajectory - perhaps even exploring other markets where co-operation could bring benefits.

Overall, as we look ahead, we do so with clarity and confidence.

2025 highlighted our many strengths, and surfaced areas for improvement. Every challenge has made us clearer on how to realise our goals and readjust our course.

While we expect the macro-economic environment to continue to be challenging, our Co-op is as focused as ever on sharing value. By working to first regain our position and then achieve sustainable growth in the years ahead, we can keep making progress - for members, for colleagues, for the UK and for generations to come.

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

# RISK MANAGEMENT

# RISK MANAGEMENT

Managing risk well means making decisions to protect and grow our Co-op.

We have changed our approach to risk, moving from handling risks in siloes to a systems-based analysis of our Group objectives, risks, controls and assurance (ORCA).

While this approach continues to mature, we have delivered the majority of the transformation in 2025.

By focusing on ORCA, we have delivered cultural change to make our risk and controls efforts work for our Co-op.

## OUR APPROACH TO RISK

By assessing both external market risks and internal operational risks in the context of delivering our objectives, we prioritise investment in the right controls to protect and grow our Co-op.



## OUR RISK MANAGEMENT FRAMEWORK

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 sponsored by a member of our Operating Board and they are responsible for overseeing our response to the risk. 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 provide independent assurance and challenge.

## OUR RISK GOVERNANCE

This year we aligned our risk appetite to our principal risks, so our Operating Board more directly manage the risks that most affect our strategy.

In 2025, the RAC, BRAC and Operating Board members met regularly to look at the risks affecting our Co-op. They scrutinised our key risks and the activity undertaken by management to mitigate them. 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 Financial 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. The appetite we used for 2025 was agreed 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 monitoring processes into place to make business decisions, ensuring that we operate within our risk appetite, taking corrective action where needed. We regularly report to the BRAC and RAC on our position compared to our agreed risk appetite.

Our principal risks cover the key risk themes we consider to support our decision-making. Under each principal risk, the Operating Board member responsible for the risk sets out the outcomes we are seeking to achieve or avoid in relation to that risk alongside the impact. This guides our leaders in their decision-making to help grow and protect our Co-op.

## 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) have revised the UK Corporate Governance Code (the "UK Code") to enhance transparency and accountability of businesses that subscribe to the Code. Because 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 and so we voluntarily comply with the UK Corporate Governance Code where it can be applied directly to our democratic model and it makes sense for us to do so.

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. Read more under [Provision 29: readiness for changes](#).

*Co-operative Group Food Limited and Co-op Wholesale Limited:* we comply with the various codes and regulations that apply to our Food business and Co-op Wholesale Limited (formerly Nisa Retail Limited).

*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 2025

In April 2025, we experienced an unprecedented cyber attack causing disruption to the operations of our business. Throughout the year, we saw continued instability in the geopolitical environment. This included conflict in the Middle East and Ukraine, as well as a changing US policy landscape. This macro-economic picture continues to put upward pressure on costs. It also creates uncertainty for UK consumers, which impacts several of our principal risks:

### *Technology and cyber threat*

In April, we experienced a sophisticated, multi-stage cyber attack. We worked closely with the National Cyber Security Centre (NCSC) and the National Crime Agency (NCA), who confirmed the nature of the incident and supported our response. Their involvement was crucial, given the growing threat of organised cyber crime targeting UK organisations.

Our layered cyber defence strategy, supported by our incident management framework, enabled us to contain the attack. Our businesses experienced disruption, but we remained operational for our members, customers, colleagues and partners. This was made possible by our continued investment in security capabilities and regular crisis simulation exercises.

As part of our recovery, we accelerated planned cyber defence investments and continue to evolve our approach in line with emerging threats. We remain committed to best practices and national collaboration to ensure our Co-op stays resilient and secure.

### *Competitiveness and External Environment*

Cost-of-living pressures continue to impact the finances of our members and customers, as they seek out value and adapt their shopping habits. This risk includes societal trends regarding alcohol consumption and tobacco use, a challenging trading environment and other headwinds such as National Insurance increases.

### *Supply Chain and Operational Resilience*

Challenges remain within the supply chain in terms of sourcing products and materials for and from our suppliers in the context of our continued recovery from the interruption to trading caused by the cyber attack.

### *Execution of Strategy and Change*

We have extended our 'Change' principal risk to include the execution of strategies in our business units. These strategies will give us confidence that we can successfully execute our day-to-day operations while implementing change initiatives.

Beyond this, the broad extent of our principal risks has remained the same. In our going concern statement later in this report, our Directors have concluded that the business will have sufficient funds for the period ending 31 December 2027 to adopt the going concern basis of accounting.

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

**EXECUTION OF STRATEGY AND CHANGE <sup>v</sup>**

**Risk description:** our businesses and functions deliver our strategy through the Board-approved plan and annual objectives. If we do not execute our strategy successfully, we may not deliver value to our members and customers.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Number and complexity of change programmes</p> <p>Available resources and capacity for change</p> <p>There are multiple and complex dependencies between change programmes</p> <p>Costs are incurred to deliver change</p>	<p>Our strategy is developed by our Operating Board and agreed with our Board</p> <p>Where our business requires improvement, we use an integrated planning approach to achieve change through transformation activity and continuous improvement</p> <p>We have oversight of our change portfolio activity with appropriate governance and robust controls</p> <p>Our approach to change considers member, customer, partner and colleague impact and that changes are fully embedded with minimal disruption</p> <p>Long-term planning assesses and prioritises change choices and investment decisions that align with the delivery of our strategic objectives</p>	<p>Our response to the cyber attack has deepened our understanding of the end-to-end processes in our business</p> <p>We have 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</p> <p>We have introduced integrated end-to-end change and business-as-usual planning</p>	<p>Further embed the connections between our overall strategy, the change portfolio and our approach to risks and opportunities much earlier</p> <p>Improve the way we track transformational and functional change that underpins our Co-op strategy to ensure we understand and manage interdependencies and impacts, and apply appropriate levels of governance</p>

**COMPETITIVENESS AND EXTERNAL ENVIRONMENT <sup>v</sup>**

**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>Consumer needs, missions and demographics are changing rapidly</p> <p>Cost-of-living pressures are reducing household spending</p> <p>Regulatory and fiscal changes increase costs and limit our competitiveness</p> <p>Rapid digital and AI advances risk our offer falling behind what consumers expect</p> <p>Rivals improve value and experience faster, making share gain harder</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>Invest in technology to meet the changing needs of our members and customers</p> <p>Extensive due diligence for all acquisition activity</p> <p>Engagement with Government and industry working groups</p>	<p>We are facing intense competition in the convenience market. Consumers are embracing new online channels</p> <p>There is a shift in products being consumed with an increased demand for healthier options. There have been reductions in tobacco use and alcohol consumption</p> <p>Increases to Employers' National Insurance, alongside the additional costs of meeting increasing regulatory requirements, have 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. As a result of these conditions there is a drive from consumers to seek out value</p>	<p>Invest in our customer and member pricing model</p> <p>Drive improvements through our supply chain, enhance competitiveness and better support independent retailers through our Group Commercial and Logistics division</p> <p>Operate efficiently to drive value competitiveness</p> <p>Accelerate convenience growth with store openings and extended services</p> <p>Regularly review our products and services. For example, we have grown our quick commerce business and are building our healthier ranges to reflect the changing demands of consumers</p>

**BRAND AND REPUTATION <sup>v</sup>**

**Risk description:** we set ourselves high standards in the way we operate our business.

If we're not perceived to meet these standards, there's a risk to our reputation. Our Co-op difference means we are owned by and run for the benefit of our members, and we grow value for them. As a co-operative, we reflect our Values and Principles in the way we operate our business. We consider wider social and ethical impacts in our decision-making, so that we can be commercially successful and create sustainable long-term value for our members. 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 members, 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 members 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 members a say in how we run our business</p> <p>Through partnerships, our Co-op reaches new markets while giving members more ways to engage with the business they own</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 members</p>	<p>We have continued to embed our master brand: <i>Owned by You, Right by You</i>. This is to emphasise member-ownership, and to communicate that we operate differently to other types of businesses. In 2025, active membership has grown by 17% to 7.2m</p> <p>Our campaigning activity through the media and with the Government, devolved nations and policing authorities has seen us shape their approach to tackling the impacts of retail crime on shop workers</p> <p>Our external communications have established Co-op's stance on social mobility, including campaigning to have social mobility as a protected characteristic</p>	<p>Build on our master brand <i>Owned by You, Right by You</i> message</p> <p>Protect our Co-op brand reputation by focusing on delivering economic, social and ownership value to our members</p> <p>Deliver commercial value that attracts new members and retains our existing ones</p> <p>Deliver our Co-op's social value strategy which will support members, colleagues and customers</p> <p>Deliver on commitments with other charity partners in the communities we serve</p>

## FUNDING AND LIQUIDITY <sup>v</sup>

**Risk description:** the Group relies on a combination of cashflow generation and external funding to run its businesses.

A deterioration in economic conditions, a fall in trading performance or unforeseen events could impact the Group's liquidity. This would require mitigating action to ensure adequate funding and sufficient available liquidity headroom is maintained. Such mitigation could include raising additional funds and/or reducing operational expenditure or capital expenditure.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Reductions in expected cash generation</p> <p>Increases in expenditure</p> <p>Changes in economic environment and outlook</p> <p>Movements in market prices</p> <p>Changes in tax and tariff regimes</p> <p>Access to funding and debt may be a challenge based on timing, the market or our credit rating</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 rates and commodity movements</p>	<p>We operate in a period of continuing economic and geopolitical uncertainty, however, our balance sheet remains strong</p> <p>Following the cyber attack in H1 2025 and the impact on the Group's results for the year, S&amp;P downgraded the Group by one notch. The Group had been upgraded by one notch in 2024</p> <p>We secured a five-year £350m committed term loan with our lenders in June 2025. This loan will be used to repay our maturing 2026 bond</p> <p>From cash, we repaid £112m of 2025 loan notes that matured in December</p>	<p>By July 2026 we will have repaid all of the old and expensive debt issued over ten years ago</p> <p>In managing our funding and liquidity risk, we will ensure that there are sources of new debt to cover the future operations of the business</p>

## TECHNOLOGY AND CYBER THREATS

**Risk description:** technology risks and cyber threats evolve at speed. Our ability to provide systems which are resilient, secure by design and run well is critical to serving our members and customers. We rely on Digital, Technology and Data teams to lead how our Co-op designs, delivers and evolves its capabilities. Disruptions, whether through cyber attacks, system failures or data loss can significantly impact operations and financial performance, damage our reputation or affect regulatory compliance.

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

## 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 achieve 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
<p>Ineffective selection and assessment processes</p> <p>Talent attraction</p> <p>Need for greater diversity</p> <p>Increased demand for talent and reduced supply</p>	<p>Pre-employment screening, culture fit assessment and induction for new hires</p> <p>Ongoing inclusive leadership behavioural training for all leaders and managers</p> <p>Colleague performance reviews, engagement and recognition</p> <p>Talent management reviews</p> <p>Pay and reward packages are reviewed regularly to ensure they remain competitive and fair</p> <p>Operate a hybrid working policy which gives more choice over how, when and where our colleagues work best to balance business and colleague needs</p>	<p>Continued roll out of inclusive hiring training to hiring managers</p> <p>Introduction of diverse interview panels for some work level roles</p> <p>Roll out of All Colleague Code and <i>Tackling Non-Inclusive Behaviours</i> training</p> <p>Continued use of talent forums (<i>Our People, Our Talent</i>) across business units to drive talent agenda and mobility and succession planning, particularly for senior roles</p> <p>Launched the Rewarding Growth Incentive plan for all colleagues, while making changes to the senior leadership bonus and long-term incentive plan</p> <p>Testing and preparing for skills-based organisation infrastructure, including mapping all roles in our Co-op to our skills framework</p>	<p>Build on our <i>Ways of Being</i> and new <i>Ways of Leading</i> in recruitment, performance and talent processes</p> <p>Implement skills framework and Oracle technology to support talent development and reskilling as the world of work changes</p> <p>Make improvements to the colleague experience that reinforce colleague member-ownership, in line with <i>Owned by You, Right by You</i></p> <p>Introduce a total reward benefit platform that will give colleagues oversight of their total package and also create new methods for colleague recognition</p> <p>Run development programmes for specific minority groups to support the development and mobility of diverse internal talent</p>

**MISUSE AND/OR LOSS OF PERSONAL DATA**

**Risk description:** we hold personal information of our members, 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
<p>Member, colleague and customer confidence</p> <p>Maintaining trust and transparency</p> <p>Compliance with Data Privacy and Data Protection Regulations and Standards</p> <p>Ability to exercise individuals' personal data rights and freedoms</p> <p>Ensuring personal data is managed and used lawfully and ethically to grow the business</p> <p>Personal data processed on our behalf by third parties</p>	<p><b>Dedicated data protection, data management and information security teams provide challenge, guidance and oversight</b></p> <p>Role-specific mandatory training and awareness to manage data protection risks and promote ethical data usage</p> <p>Data protection impact assessments for new systems, processes or business activities, or changes to existing ones</p> <p>Maintain strategic relationships with Government bodies and third parties</p>	<p>Refreshed governance framework and suite of supporting documents to reflect current legislation and operational requirements</p> <p>Evaluation of the implications of updated Data Protection Legislation ensuring readiness and alignment</p> <p>Strengthened accountability and escalation mechanisms through key stakeholder alignment</p>	<p>Following the cyber attack in April 2025, we continue to invest in our security capabilities and scenario exercising</p> <p>Apply, embed and assure requirements outlined in the Data Use and Access Act 2025</p> <p>Full review of data protection controls and testing procedures</p> <p>Detailed review of all records of processing activities to ensure accuracy and completeness</p> <p>Expand assurance activities to provide visibility of risk, compliance, performance and areas requiring improvement</p>

**HEALTH & SAFETY AND SECURITY**

**Risk description:** we have a legal duty of care to provide safe environments for colleagues, members and the public. Failure to uphold this duty, through unsafe practices, inadequate controls or poor response to threats, could result in serious harm, criminal prosecution, reputational damage and loss of licence to operate.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Our legal obligations include the Health and Safety at Work Act 1974, RIDDOR 2013 and other sector-specific requirements</p> <p>We operate in environments where safety, crime prevention and emergency preparedness are critical to protecting people and maintaining our licence to operate</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 drive the design of management controls required to mitigate risks, ensuring consistency and alignment with legal and regulatory obligations</p> <p>We continue to manage risk at our Co-op through a three-line model, which provides clear accountability and assurance by separating risk ownership, oversight and independent audit. This structure ensures robust governance and confidence in our controls</p>	<p>Crime in our stores has reduced across assaults, burglaries and overall crime. However, high levels of shoplifting remain a concern and impact colleague wellbeing</p> <p>Proposed amendments to the Police Crime Sentencing Bill, including a standalone offence for assaulting retail workers, are currently at the committee stage in the House of Lords</p> <p>Continued investment in security measures such as secure kiosks, product protection and smart cash solutions</p> <p><i>Retail Crime Action remains active alongside our new Tackling Retail Crime Together strategy</i></p>	<p>Continue our Safer Colleagues, Safer Communities programme, integrating security, wellbeing, campaigning and social responsibility</p> <p>Conduct horizon scanning for health and safety legislation changes and share insights with specialist teams</p> <p>Enhance health and safety and crime data systems to improve intelligence and proactive risk management</p> <p>Benchmark crime levels against sector data when British Retail Consortium and Association of Convenience Stores reports are published</p> <p>Resume expansion of external police partnerships targeting prolific offenders, addressing capacity challenges that delayed rollout in the first quarter</p> <p>Onboard a new trauma support provider to assist colleagues impacted by crime, accidents and injuries</p>

**SUPPLY CHAIN AND OPERATIONAL RESILIENCE**

**Risk description:** if we are unable to prevent, adapt to 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 members, 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>Challenges 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>Manage goods moving from Great Britain to Northern Ireland through the Windsor Framework's 'green lane'</p> <p>Employ a food authenticity management system, horizon scanning for potential changes 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>Processes are in place to assess supplier performance, allowing for early intervention where supply chain processes are impacted</p>	<p>During the year, we were the victim of a sophisticated cyber attack which caused major disruption to our Food business operations</p> <p>We strengthened Funeralcare's core processes to support greater resilience</p> <p>During the year we introduced an on-shelf availability solution to help improve reporting and insight for our operations and supply chain</p> <p>We launched system improvements designed to provide better visibility of store stock levels that previously relied on twice yearly stock counts</p> <p>We worked with our suppliers to prepare for the delivery of the delayed deforestation-free regulation obligations. In addition, we ensured they were able to comply with the further EU labelling requirements that went live during the year</p> <p>We set up the Group Commercial and Logistics (GCL) business, a multi-channel supply platform</p> <p>We undertook a food stock availability audit alongside third-party review of forecasting and replenishment to identify improvement opportunities to create a more resilient supply chain, and we have set up a programme of change to action improvements in 2026</p> <p>We have implemented a SAP system to ensure our core enterprise resource planning capability is updated with the latest technology to improve resilience and forecast accuracy</p>	<p>Learnings from how we managed the cyber attack and investment in business resilience capabilities will ensure we are future-proofed to maintain critical operations during systemic shocks</p> <p>We continue to prepare for the planned deposit return scheme legislative changes including actively providing feedback to Government on grocery industry impacts of proposed legislation design particularly around devolved nation complexities</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> <p>We will embed our Group Commercial and Logistics (GCL) business, to help build strong supplier relationships and more efficient ways of working to drive better value and services for our customers and partners</p> <p>We will continue to work with our suppliers to minimise the supply chain disruption caused by geopolitical events</p> <p>Continue our support for British farmers through our sustainability fund</p>

**REGULATORY COMPLIANCE**

**Risk description:** we are subject to laws and regulations. Failure to comply or respond to changes could impact our reputation through regulatory fines and sanctions, our licence to operate and our profitability.

Reason for the risk	What we do	What has changed	What we plan to do
<p>New and updated laws and regulations from the 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>There are 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 and 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>The Employment Rights Act 2025 bolstered employee rights including (i) restricting employer flexibility on zero-hour contracts and the practice of 'fire and re-hire/replace'; (ii) reducing the employment period from two years to six months for unfair dismissal qualification; (iii) introduced minimum family friendly practices and fair pay requirements; and (iv) added trade union powers and reform including the establishment of the Fair Work Agency</p> <p>From 1 June 2025 single use and disposable vapes were prohibited from sale and from 1 October 2026 a new Vaping Products Duty will be introduced</p> <p>Under the Digital Markets, Competition and Consumers Act 2024, consumer protection was extended to include a further banned practice of fake reviews. Further price protection legislation was introduced around drip pricing practices which are misleading as to the total price payable. The Competition and Markets Authority was granted extended enforcement powers for both consumer and competition regulation</p>	<p>Continue to strengthen compliance frameworks and horizon scanning in response to increasing regulatory requirements on our businesses. We are vigilant of new legislative proposals around High Fat Sugar Salt products; farming and food security; environmental regulation including deposit return schemes; and food labelling (for example as regards EU food import and export (Windsor Framework) and deforestation regulations. We also anticipate further CMA guidance on the Controlled Land Order</p> <p>Preparation is 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 plan redemption 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 in 2025 continued to be high. They were broadly flat on 2024, and significantly above the longer-term average of circa £50m per annum</p> <p>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>Continue to monitor the required levels of funding and FCA metrics</p> <p>Continue to monitor our investment mix against our risk appetite</p>

**SUSTAINABILITY**

**Risk description:** social and environmental factors, at a local and global level, affect the way we run our business operations, the products and services we provide and our financial performance. If we fail to anticipate and build resilience across our business and supply chains to respond to the physical and transitional risks of climate change, unethical labour practices and nature loss, amongst other interlinked factors, we could miss our Net Zero goals and might not achieve our financial targets. Running our Co-op in a sustainable manner unlocks new opportunities to protect and create value for our members, customers and the communities we work with.

Reason for the risk	What we do	What has changed	What we plan to do
<p>Physical and transitional climate and nature related risks impacting supply chains, livelihoods and economic growth</p> <p>Changing political views, policies and regulations towards sustainability impacting long-term planning</p> <p>Rapid sustainability innovation and changing expectations and attitudes of our members, customers, suppliers and partners</p> <p>Living up to our Co-operative Values and Principles in a highly competitive environment</p> <p>The technologies and/or infrastructures required to achieve Net Zero are inaccessible or unaffordable</p> <p>Increasing risk of human rights and modern slavery issues in global supply chains</p>	<p>Our sustainability risks are each owned by our Group leaders. Each risk has identified controls in place to mitigate their impact and likelihood, and we conduct regular reviews to identify emerging risk and regulatory developments</p> <p>We have a robust human rights due diligence programme spanning our full Co-op that supports our supplier base in identifying and tackling human rights issues, including modern slavery</p> <p>Work with suppliers and partners to continuously test and learn from leading sustainability practices and building supply chain resilience to adapt and mitigate for climate change and nature impacts</p> <p>Continue to lead and to actively participate in key multi-stakeholder initiatives on sustainability, including the Government Net Zero Council, co-chaired by our CEO</p>	<p>We are evolving and strengthening our risk management framework that enables our functions and businesses to identify and manage our risks, including sustainability risks, to grow and protect more effectively</p> <p>50% of our Purchased Goods and Services (Scope 3.1) emissions are now covered by suppliers with validated science-based targets</p> <p>We continue to deliver impactful sustainability investments, including our new Farming Sustainability Fund and we have gained credible third-party recognition for our responsible sourcing programmes</p> <p>We have completed a review of Co-op's most material nature risks which will inform our Co-op's Nature Strategy</p>	<p>We will continue to evolve our Sustainability Plan to reflect changing risks, opportunities and commercial realities, ensuring it remains robust and relevant</p> <p>We will embed robust sustainability metrics into our Group Strategy and investment frameworks, to continue to protect and grow our Co-op in a sustainable manner</p> <p>We will strengthen internal controls, governance and analysis to drive clear accountability for our Sustainability Plan, prioritising the most impactful and cost-effective interventions</p> <p>We will build a clear roadmap of action, with measurable targets across our strategic supply chains, to contribute to nature's recovery</p>

## CLIMATE-RELATED FINANCIAL DISCLOSURES

As a large organisation, our Co-op is committed to complying with the Government’s mandate to disclose climate-related financial information. You can find this disclosure in our [Directors’ Report](#).

## 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](#).

## PROVISION 29 OF THE UK CORPORATE GOVERNANCE CODE: READINESS FOR CHANGES

Revisions to Provision 29 of the Code will require us to include a declaration on the effectiveness of our material controls.

This declaration will be included in our Annual Report for the year ending 2 January 2027. It will set out the process we use to identify and assess these material controls.

There is a programme of work in place to meet the requirements of the provision, and our Risk and Audit Committee has been updated.

Along with meeting the requirements of the Code, we have sought to make the work of practical use and benefit to the business. Our definition of key controls has been widened to include policies, processes and projects.

## EMERGING RISKS

Through horizon scanning, 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...
<p><b>Political risks</b></p> <p>Intensifying geopolitical tensions persist. A realignment of global relationships is creating uncertainty. This instability has the potential to impact our supply chains and operations, and our ability to create value for our members.</p> <p>The Government continues to introduce legislation that will lead to an increase in our operating costs and is likely to introduce more.</p>	<p>Working with suppliers and partners and having robust business continuity plans in place. We actively engage with relevant Government departments and industry bodies. This helps us to anticipate and influence policy and regulatory changes that could impact our operations.</p>

**EMERGING RISK**

**WE PROTECT VALUE AND GROW BY...**

**Economic risks**

Global economic volatility continues to pose risks. While UK inflation has held steady, it continues to impact household and business costs. Uncertainty around future tax policy could further dampen consumer and business confidence.

Additionally, trade tensions are likely to contribute to broader economic pressures across our markets, suppliers and partners. These pressures, combined with persistent supply chain disruptions and subdued investment, may affect our ability to generate sustainable value.

Our member-owned model means we can take a longer-term view than our competitors; we aim to create a strategically commercially viable and sustainable business.

Our financial planning and risk management processes are designed to absorb volatility and maintain operational resilience.

We actively engage with trade bodies to help us stay informed and up to date on global developments, allowing us to adapt our strategies to effectively serve all of our communities.

**Social risks**

Shifting workforce demographics continue to present challenges. A societal focus on wellbeing, inclusion and flexible working is reshaping employee and community expectations.

We continue to invest in inclusive and flexible working practices to attract, recruit and retain talent in a competitive labour market. Our people strategies are designed to flex and adapt with regards to community expectations around wellbeing and work-life balance for all.

**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.

Cyber threats are escalating, reflected in the rise in nationally significant incidents over the past year, which has the potential to cause operational disruption.

Emerging technologies such as generative AI also introduce new risks, including exploitation by threat actors, data misuse and bias.

Our technology governance and risk frameworks ensure we remain responsive and fit for purpose in a rapidly evolving digital landscape.

Key priorities remain safeguarding member data, maintaining operational continuity, and adapting to emerging risks such as AI or generative AI misuse and potential supply and value chain vulnerabilities.

**Legal and regulatory risks**

The increasing burden of regulation and legislation continues to present risks to our ability to grow and protect value in a safe way.

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.

We have in place a programme of mandatory training for colleagues to ensure compliance with existing and new regulation.

**Environmental risks**

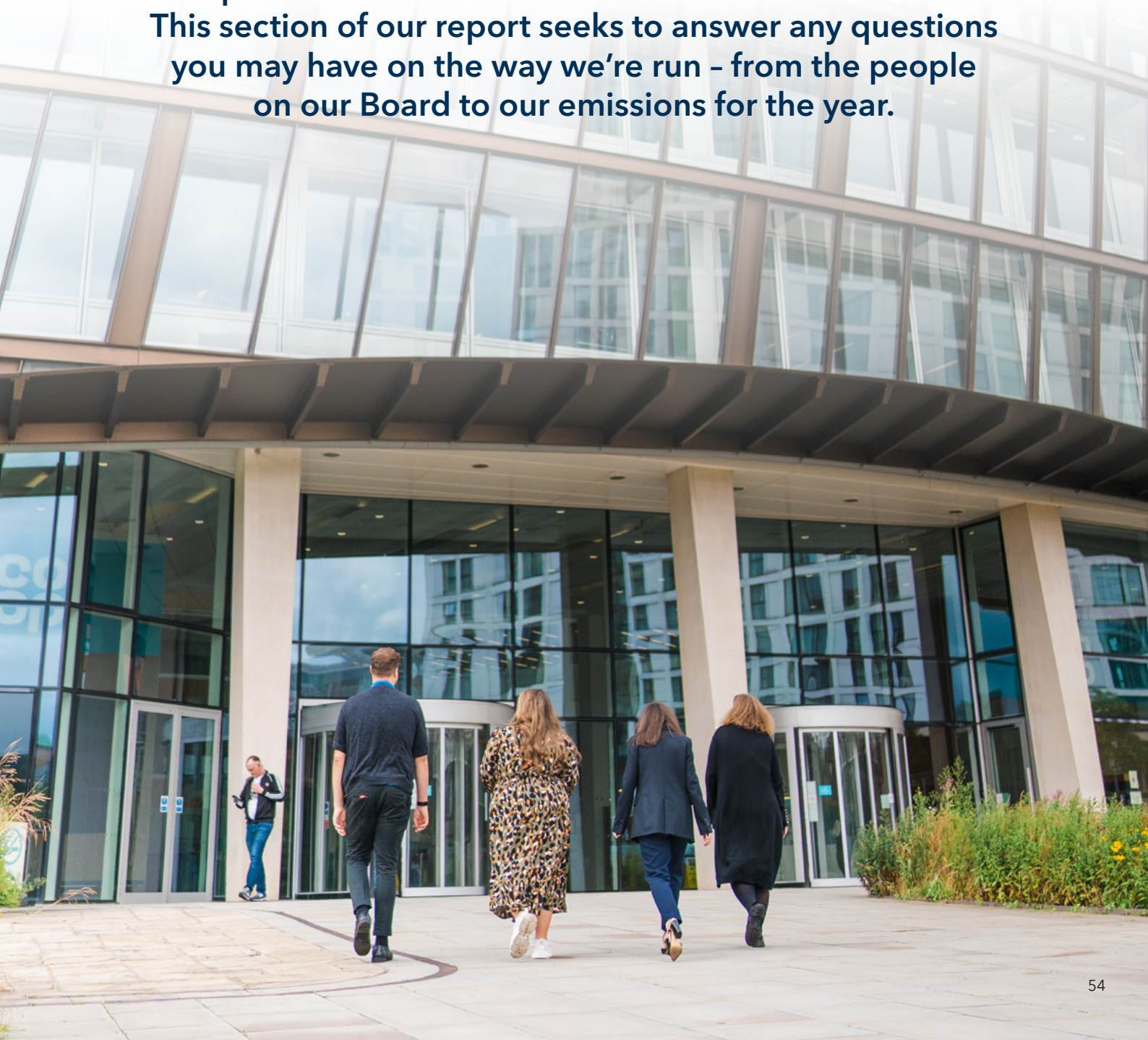
Climate change and an increase in the frequency of severe weather events may impact our capacity to protect and create sustainable value for our member owners.

Demonstrating best practice in transitioning to a clean economy and renewable energy solutions.

We continue to invest in renewable energy sources, energy efficiency, waste reduction and responsible product sourcing and supplier practices.

# 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.



# INTRODUCTION TO THE GOVERNANCE REPORT



I am pleased to introduce our 2025 Governance Report which provides a summary of our unique governance structure and the key areas considered by our Board and its Committees during the year.

## OUR BOARD

A number of Board changes have taken place during the year and I thought it would be helpful to summarise these changes in this introduction.

At the start of the year, we welcomed Lord Simon Woolley and Wais Shaifta as Independent Non-Executive Directors (INEDs), following the departures of Rahul Power and Lord Victor Adebowale who stepped down from our Board in February and March 2025 respectively.

Margaret Casely-Hayford reached the end of her term as a Member Nominated Director (MND), and we welcomed Mitch Oliver who was elected as an MND in May 2025. We were also delighted that Sarah McCarthy-Fry was re-elected as an MND.

In August 2025, Wais Shaifta stepped down as an INED to join our Operating Board as Chief Growth Officer, leaving a vacancy on our Board. Following a robust recruitment process, we were pleased to welcome Ronny Gottschlich in January 2026. Ronny brings extensive food retail experience to our Board.

Shirine Khoury-Haq will step down as Chief Executive Officer on 29 March 2026 and Kate Allum will take on the role of Interim Chief Executive Officer effective 30 March 2026.

## OUR AGM

A highlight of our governance agenda is our Annual General Meeting (AGM) as it provides a fantastic opportunity for us to engage with you, our member owners.

Our 2026 AGM will take place on Saturday 16 May. Members can join us in person at Co-op Live, online or at one of our 12 local events. Plans are already well underway and further details on how to join us, along with our AGM notice, will be made available at [www.co-operative.coop/agm](http://www.co-operative.coop/agm).

## LOOKING AHEAD

I would like to thank all of my Board colleagues for their support during the last year and for continuing to maintain the highest standards of corporate governance. As a Board, we will continue to ensure our Executive team deliver against our strategy and plans, ensuring Co-operative Values and Principles remain at the heart of everything we do.

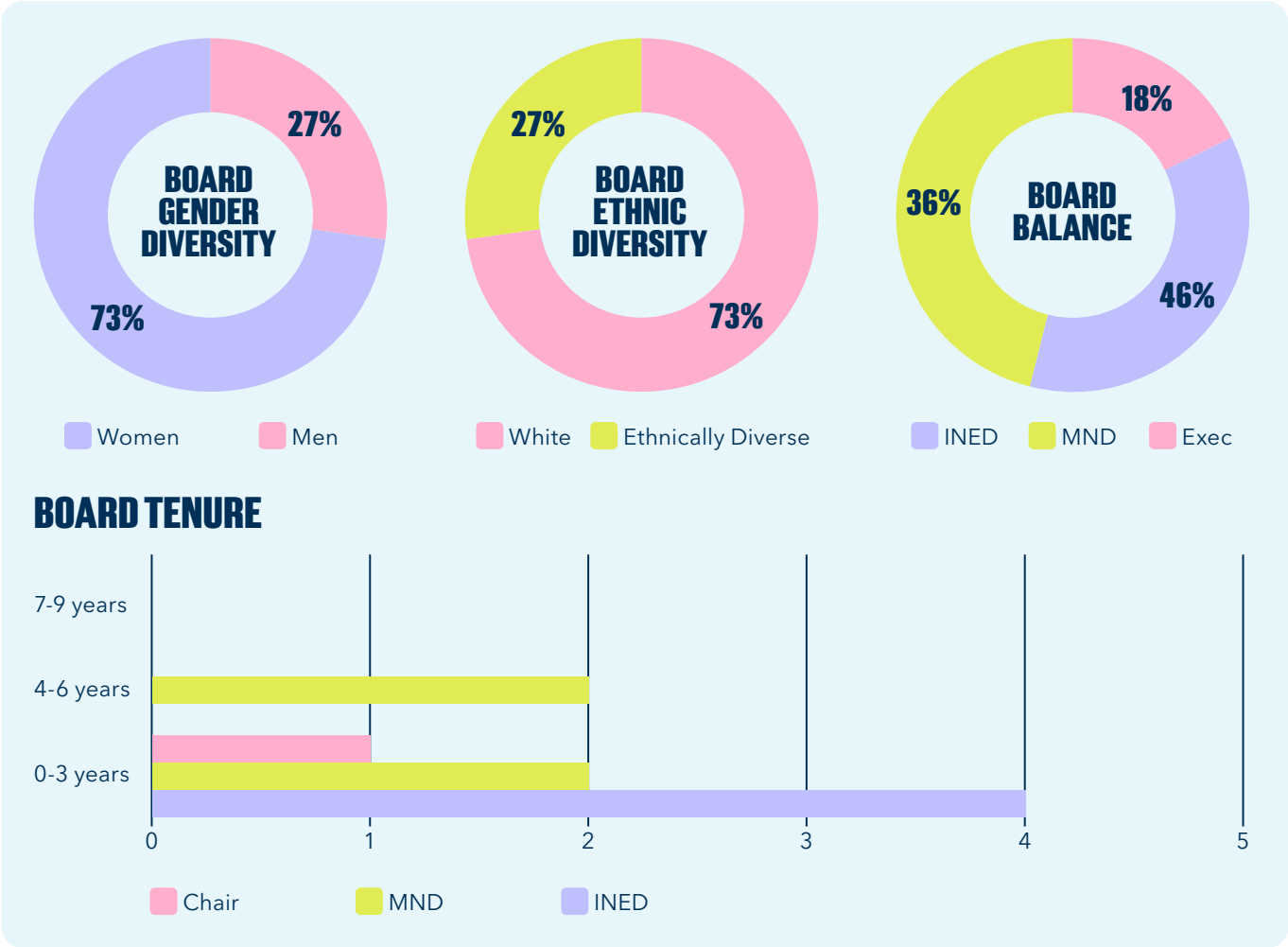
A handwritten signature in black ink, appearing to read 'Debbie White'.

**Debbie White**  
Chair, The Co-op Group

# OUR BOARD IN NUMBERS

Our Board is made up of 12 Directors who are committed to leading by example and demonstrating strong commitment to Co-operative Values and Principles which are the foundation of our Co-op.

The composition of our Board is made up of Independent Non-Executive Directors (INEDs), Member Nominated Directors (MNDs) and Executive Directors. The diagrams below provide an overview of the Board's composition as at 3 January 2026.



## MEETING ATTENDANCE

Directors' attendance at scheduled Board and Committee meetings in 2025 is set out below. Additional meetings of the Board and Committees were also held as and when circumstances required them to meet at short notice. The table only captures attendance where Directors attended Committee meetings in their capacity as a Committee member.

The number in brackets shows how many meetings each Director could have attended. When we're setting meeting dates, we always take into account Directors' availability. However, with a large Board, we cannot always find dates all can attend.

Director	Board	Risk and Audit Committee	Nominations Committee	Remuneration Committee
Debbie White	7 (7)		2 (2)	
Victor Adebowale <sup>27</sup>	0 (2)	2 (2)		
Moni Mannings	6 (7)		1 (2)	5 (5)
Margaret Casely-Hayford <sup>28</sup>	3 (3)		1 (1)	2 (2)
Luke Jensen	7 (7)	5 (5)		
Rahul Powar <sup>29</sup>	2 (2)			
Sarah McCarthy-Fry	7 (7)	5 (5)	1 (1)	
Christine Tacon	7 (7)	3 (3)		
Kate Allum	7 (7)		2 (2)	5 (5)
Shirine Khoury-Haq	7 (7)			
Adrian Marsh	7 (7)	5 (5)		5 (5)
Rachel Izzard	7 (7)			
Wais Shaifta <sup>30</sup>	3 (4)		0 (1)	
Simon Woolley <sup>31</sup>	6 (7)	2 (3)		
Mitch Oliver <sup>32</sup>	4 (4)			
Denise Scott-McDonald <sup>33</sup>			2 (2)	

<sup>27</sup> Reached end of their term on 27 March 2025.

<sup>28</sup> Reached end of their term on 17 May 2025.

<sup>29</sup> Stepped down from the Board on 25 February 2025.

<sup>30</sup> Stepped down from the Board on 18 August 2025.

<sup>31</sup> Appointed to the Board on 25 February 2025.

<sup>32</sup> Appointed to the Board on 17 May 2025.

<sup>33</sup> Not a Director but is a member of the Nominations Committee by virtue of her role as Council President.

# OUR DIRECTORS' SKILLS AND EXPERIENCE

All of our Directors, whether INEDs or MNDs, are required to meet strict membership and eligibility criteria. We look for expertise in running a business of the size and complexity of our Co-op, as well as a strong commitment to Co-operative Values and Principles.



## Debbie White

### Chair

Appointed as Chair in January 2024

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

### Committee Membership

Nominations Committee

*(Committee Chair from 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 sits on the boards of Xanitos LLC, PAVmed Inc, Lucid Diagnostics Inc and APCOA.

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. Debbie is also a Trustee of Place2Be, a children's mental health charity with over 30 years' experience working with pupils, families and staff in UK schools.



## Shirine Khoury-Haq

### Chief Executive Officer

Shirine will step down as CEO and Executive Director on 29 March 2026

Appointed as CEO in August 2022

*(Interim CEO from March 2022)*

### Skills and experience

Shirine will be Group CEO until 29 March 2026, and will have acted as a Director on the Board from August 2019 until 29 March 2026. 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, comprising 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, McDonalds 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, and has responsibility for Finance, Property and Sustainability functions.

An experienced board leader, Rachel has a strong background in financial stewardship and developing and leading teams through complex change to land strategic business outcomes.

Rachel has over 30 years' experience in both consumer-facing and business-to-business organisations, including as CFO and Chief Information Officer at Aer Lingus, where she played a key role in a successful turnaround of both customer proposition and financial performance. She was also CFO of IAG Cargo, co-founding the business following the separation of the cargo operations of British Airways and Iberia.

Earlier in her career, Rachel also held a range of senior airline leadership roles across Australia, Asia and North America. She is a Non-Executive Director of Raspberry Pi, having joined their board in 2022, also chairing their Audit and Risk Committee.



## Moni Mannings OBE

### Senior Independent Director

Appointed in January 2024

### Committee Membership

Nominations Committee

Remuneration Committee (*Interim Committee Chair from 30 March 2026*)

### Skills and experience

Moni is a qualified solicitor who, until March 2016, held the position of senior partner at Olswang LLP, an international law firm. With over 30 years of experience in legal practice as a banking and finance lawyer, Moni established and led Olswang's international banking and finance division and served on the firm's Board for 13 years.

Moni is the Independent Chair of the Honours Diversity and Outreach Committee, Senior Independent Director at Land Securities Group plc and a member of The Takeover Panel.

Moni has held Non-Executive Director roles at several major companies including easyJet plc, Hargreaves Lansdown plc, Investec Bank plc, Polypipe Group plc, Dairy Crest Group plc, Breedon Group plc and Cazoo Group Ltd, and served as Deputy Chair of Barnardo's.

Moni founded EPoC, a network promoting people of colour on boards, and sits on both the Parker Review Committee and the board of St Mark's Hospital Foundation charity.



## Kate Allum

### Member Nominated Director

(*until 29 March 2026*)

Elected in May 2021

Kate will assume the role of Interim Chief Executive Officer and Executive Director effective 30 March 2026

### Committee Membership

Nominations Committee  
(*until 29 March 2026*)

Remuneration Committee  
(*Committee Chair until 29 March 2026*)

### 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's previous executive experience includes serving as Chief Executive of Cedo Limited and First Milk Limited, the largest UK-owned dairy co-operative. She has also held a number of non-executive directorships and is currently on the board of Business Stream, Chair of Ballater Community Trust and Chair of The Scottish SPCA.



## Sarah McCarthy-Fry

### Member Nominated Director

Elected in May 2019

### Committee Membership

Risk and Audit Committee

Nominations Committee  
(*from 25 March 2025*)

### Skills and experience

As a committed co-operator for over 25 years, Sarah has previously served as a local Councillor and as a Labour and Co-operative 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 businesses and schools.

She 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 in May 2023

#### Committee Membership

Risk and Audit Committee (*Chair*)  
Remuneration Committee

#### 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 ten years. Prior to this, Adrian held senior finance positions at Tesco plc, AstraZeneca plc and Pilkington plc.

Adrian's previous directorships include John Wood Group, Greenery 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 in February 2024

#### Committee Membership

Risk and Audit Committee

#### Skills and experience

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

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 all online and customer-facing digital activities. Luke was previously a Non-Executive Director of Asos plc.



## Christine Tacon CBE

### Member Nominated Director

Elected in May 2024

#### Committee Membership

Risk and Audit Committee  
(*from 25 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 Chair of MDS Ltd, a two-year management training scheme in the food industry for graduates, and 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. 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 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.

# BOARD BIOGRAPHIES



## Michele ('Mitch') Oliver

### Member Nominated Director

Elected on 17 May 2025

### Committee Membership

Remuneration Committee  
(from 19 February 2026)

### Skills and experience

Mitch (she/they) is an experienced Chair, Vice-Chair, Trustee and executive and non-executive board member in the commercial and not-for-profit sectors.

She is currently the Chair of UN Women UK, leading the Board to deliver the vision that every woman and girl should have 'safety, choice and a voice', influencing stakeholders from the United Nations HQ to the UK Government and working together with the grassroots UK community.

She was previously Vice Chair at Stonewall, the UK's largest LGBTQ+ non-governmental organisation. Mitch is Executive-in-Residence at Oxford University's Saïd Business School with a focus on Strategy, Brand and Environmental, Social and Governance. She is also Chair of The Project PT, an inclusive health and wellbeing local social enterprise which empowers young people at risk through movement and exercise.

Previously Global Vice President of Brand and Purpose at Mars, Mitch moved the reputation of Mars Incorporated into the top quartile of global peer companies. She has a track record of building billion-dollar brands that stand the test of time.



## Lord Simon Woolley

### Independent Non-Executive Director

Appointed on 25 February 2025

### Committee Membership

Risk and Audit Committee  
(from 25 March 2025)

Nominations Committee  
(from 19 November 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 an Equality and 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.



## Ronny Gottschlich

### Independent Non-Executive Director

Appointed on 29 January 2026

### Skills and experience

Ronny Gottschlich is a seasoned international retail executive and former CEO of Lidl UK (2010-2016), where he led a major market repositioning that doubled market share and revenue.

With over 16 years at the Schwarz Group, he has held senior leadership roles across multiple European markets before founding Heunadel Retail Advisory in 2017. Today, he advises leading retailers globally - from Europe to the Middle East, Asia and Latin America - and serves on several supervisory boards, bringing a sharp focus on operational excellence, growth and pragmatic disruption.

# EXECUTIVE BIOGRAPHIES



## Shirine Khoury-Haq

**Chief Executive Officer**  
*(until 29 March 2026)*

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.



## Kate Allum

**Interim Chief Executive Officer**  
*(from 30 March 2026)*

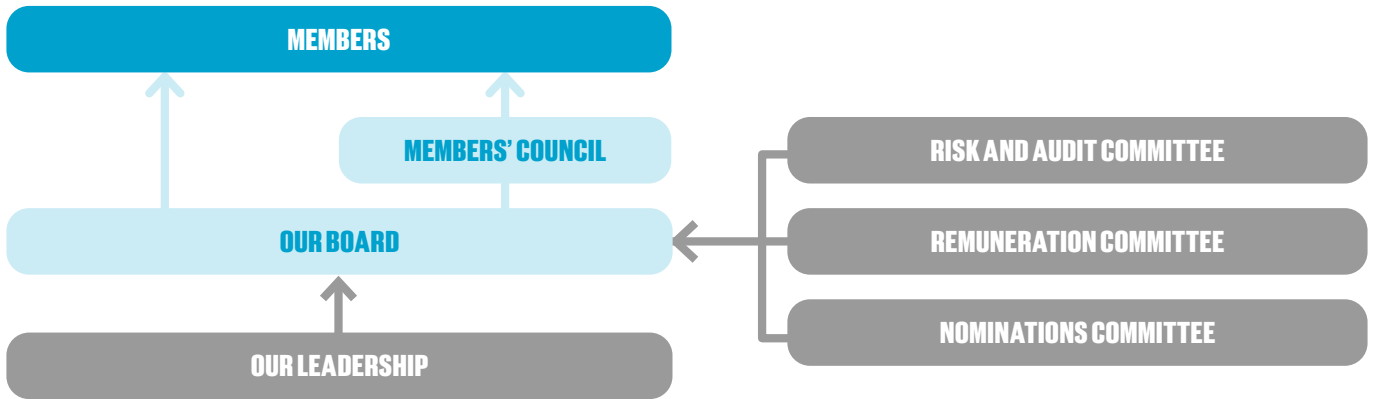
See Board biographies

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

- Rahul Power served as an Independent Non-Executive Director until 25 February 2025
- Lord Victor Adebowale served as an Independent Non-Executive Director until 27 March 2025
- Margaret Casely-Hayford served as a Member Nominated Director until 17 May 2025
- Wais Shaifta served as an Independent Non-Executive Director from 25 February 2025 until 18 August 2025

## OUR LEADERSHIP AND GOVERNANCE STRUCTURE

As a co-operative, we're owned by and run for our member owners, not a small group of shareholders. The more members choose us, the more value we create for our member owners and their communities. With our members being at the heart of our business, our unique governance structure has been carefully constructed to ensure they remain at the forefront of our decision-making.



## ROLE OF THE BOARD

Our Board is collectively responsible for promoting the long-term success of our Co-op for the benefit of our members and the communities it serves. It is responsible for setting the strategy of our Co-op and overseeing its implementation by our Operating Board, and it is committed to ensuring the delivery of the Group's strategic priorities which are aligned to our Purpose and Co-operative Values and Principles.

To achieve this, our Board makes decisions at the highest level that are commercially sensible and meet the needs of our members. The Board is also responsible for ensuring that effective internal controls and risk management systems are in place.

While there are several matters reserved for Board decision only, the Board is supported by three Board Committees which the Board has formally delegated certain governance arrangements to.

## ROLES OF OUR COMMITTEES

Our *Risk and Audit Committee* has oversight of our Co-op's financial reporting and how well we are managing risk.

Our *Remuneration Committee* ensures our senior leaders are fairly and appropriately rewarded, taking into account the wider pay policy across our Co-op.

Our *Nominations Committee* ensures we have the right Independent Non-Executive Directors and Executive Directors in place and that the Board as a whole works well.

Further detail on the responsibilities of each Committee can be found in their respective reports or in the Committee Terms of Reference which are available on our website.

## EXECUTIVE TEAM AND OPERATING BOARD

The Executive team comprise our CEO, CFO and Group Secretary who are collectively responsible for managing the day-to-day business of the Society. The Executive team form part of a wider Operating Board which brings together our most senior leaders and decision makers, working collaboratively on what we need to do to run our businesses effectively and at pace.

## NATIONAL MEMBERS' COUNCIL

Our National Members' Council is a democratically elected body of 100 members. The Council acts as a guardian of our Co-operative Values and Principles and as our members' representative, holding our Board to account for how the business performs. Council highlights from 2025 can be found in the [Council's Annual Statement](#).

## WIDER MEMBER ENGAGEMENT

Outside of formal governance, there are a number of ways we ensure our member owners' views and needs are considered when making decisions:

- The President of the Council attends Board meetings at least once a year and is also a member of the Nominations Committee, ensuring the views of the Council are represented.
- Co-op leaders attend Council meetings to provide business updates and respond to questions.
- The Group Secretary attends Senate meetings.
- Meetings are held between our Council leadership team and MNDs.
- Board Directors regularly attend Council meetings and are represented on the Council's Values and Principles Committee and on the Business Performance Committee.
- Members of the Council and the Board together serve on the Member Nominated Director Joint Selection and Approvals Committee (MNDJC), to ensure the right candidates are put forward for election by our members.
- More details on stakeholder engagement can be found in our [Section 172 Report](#).

## ROLE OF OUR DIRECTORS

ROLE	RESPONSIBILITIES	
Chair	The primary job of the Chair is to be responsible for the leadership of the Board and ensure its effectiveness in all aspects of its role. The Chair: <ul style="list-style-type: none"> <li>• Takes overall responsibility for composition and capability of the Board and its Committees</li> <li>• Ensures Co-operative Values and Principles are at the heart of what we do and that business decisions are both ethical and sustainable</li> <li>• Continues to develop the relationship with our National Members' Council</li> <li>• Sets the tone from the top and makes sure business culture is clear</li> <li>• Makes sure the Board effectively holds leadership to account</li> </ul>	<i>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.</i>
Chief Executive Officer (CEO)	The CEO is responsible for the leadership and the operational and performance management of our organisation within the strategy agreed by the Board.	
Chief Financial Officer (CFO)	The CFO supports the CEO and is responsible for managing our organisation's funding strategy, financial and non-financial reporting, risk management and internal controls and leadership of our finance functions.	

ROLE	RESPONSIBILITIES
<b>Senior Independent Director (SID)</b>	The SID: <ul style="list-style-type: none"> <li>• Uses their experience to advise, guide and provide feedback to the Chair</li> <li>• Deals with any governance-related issues relating to the Board or the Chair's performance and any matters which are not appropriate for the Chair to deal with</li> <li>• Leads on the annual Board performance process and is responsible for leading the Chair's annual performance review</li> <li>• Acts as the Board's primary point of contact for stakeholder views and regularly liaises with our Council</li> </ul>
<b>Independent Non-Executive Directors (INEDs)</b> and <b>Member Nominated Directors (MNDs)</b>	Our INEDs and MNDs provide independent constructive challenge and external focus to Board discussions using their professional industry knowledge. They help set our strategy, oversee commercial and financial performance and meet with members and our Council to hear their views.

## 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 of our Co-op, and to make the best use of the Board's time.

The Board had eight scheduled meetings during the year, held in person and in 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 2025. Not all of the matters the Board considered are listed.



Key \* = Deep Dives

## DECISIONS OF OUR BOARD

Our Board makes 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 that 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 CEO, the Executive and the Operating Board. The Board then monitors progress and holds leadership to account.

Our Board uses an Ethical Decision-Making Tool when making material decisions to consider the impact on, and impact of our members and their communities.

## 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' document, approved by the Board.

## APPOINTMENTS TO OUR BOARD

Appointments to our Board, whether as an INED, Executive Director or MND, go through a rigorous selection process. Our recruitment process for Independent Non-Executive Directors and Member Nominated Directors is governed by our Rules and Board Composition Charter which 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.

For INED selections, our Nominations Committee leads the process, and more details can be found in our Nominations Committee Report.

The Nominations Committee is also responsible for making recommendations to our Board in respect of Executive Director appointments. No appointments of Executive Directors were made during 2025.

Our 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 2025 MND election process was supported by Warren Partners, an executive search firm.

## TERMS OF OFFICE AND ELECTIONS

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 all subject to election by our members at the first AGM following appointment and then subject to re-election every three years. The following Directors will stand for election or re-election at our 2026 AGM:

- Our newly appointed INED, Ronny Gottschlich.
- Our SID, Moni Mannings. Whilst Moni is not technically due to stand for re-election until 2027, in accordance with our Rules and governance best practice, members will be asked to re-elect Moni at our 2026 AGM to help avoid a situation where over half of our Board (excluding MNDs) are due to stand for re-election in 2027.
- Following her appointment as Interim CEO on 30 March 2026, Kate Allum will stand for election as an Executive Director.

## TIME COMMITMENT AND CONFLICTS OF INTEREST

Conflicts of interest are situations in which Directors have, may have, or could be perceived to have, divided loyalties on any issue. All Directors have a duty to avoid conflicts of interests.

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 must also confirm that they will have sufficient time to do the role. This obligation continues while Directors remain on the Board and is kept under review. A year-end disclosures exercise is carried out annually and, as part of this, Directors disclose any changes or updates to their interests.

There are specific provisions in our Rules to cover any real or potential Director conflicts of interest. There's also a Board Conflicts Toolkit which gives guidance on what to do in potential conflict of interest situations.

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

## BOARD SUCCESSION AND PERFORMANCE

A succession plan is maintained for the Board and Executives. This plan is based on merit and objective criteria, as well as promoting diversity. Further information on succession planning can be found in our Nominations Committee report.

An evaluation of the Board and its Committees' performance is conducted annually, considering composition, diversity and performance. Further detail on our annual performance review can be found in our Nominations Committee report.

## RISK MANAGEMENT

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 risk-based policies and practices are consistent with our Purpose and Co-operative Values and Principles.

More information on risk management at our Co-op and our principal risks and uncertainties can be found under [Risk Management](#).

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. More detail is provided within our [Directors' Report](#).

## ADDITIONAL GOVERNANCE INFORMATION

### *Whistleblowing*

Our Board remains comfortable that there are sufficient processes in place to enable colleagues to raise any issues that they feel uncomfortable about, or that are not in line with Co-operative Values and Principles. Further detail can be found in the [Report of the Risk and Audit Committee](#).

### *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 and Co-op Funeral Plans Limited are regulated by the Financial Conduct Authority (FCA). Co-operative Legal Services Limited is regulated by the Solicitors Regulation Authority (SRA). Each subsidiary has 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.

Because 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 the Co-op's UK Code is undertaken annually with the results considered by the Risk and Audit Committee. There are a few areas where we have chosen not to comply with the Code during the year:

- In accordance with our Rules, our Directors are not subject to annual re-election to avoid a situation where all our Directors leave the Board at the same time. It ensures we maintain continuity and allows for staggering and succession planning.
- We choose not to adopt one of the methods set out in the Code in relation to workforce engagement, however, we remain satisfied with the other engagement mechanisms in place. Examples are included in the section 'Promoting the Success of our Co-op'.
- Our INEDs and MNDs chose not to meet during the year without the Chair present as there were no matters relating to the Chair's performance or arising from the previous annual evaluation requiring such a discussion. Our SID gathered feedback on the Chair's performance directly from Directors as part of one-to-one discussions.

### *Our compliance with the Co-operative Corporate Governance Code*

We annually review our compliance with the Co-operative Governance Code and are comfortable that our practices remain consistent with it, are appropriate and offer the necessary protection to our members.

# 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 2025 financial year.

I would like to start by thanking our members for their continued engagement and support with our Co-op's remuneration matters. At our 2025 AGM, our Executive Remuneration Report and our Executive Pay Policy motions were both passed by our members.

The following report outlines the key decisions made by the Committee in the year. It sets out how we have implemented our Executive Pay Policy in 2025 and how we intend to implement it for the coming year to align with our strategy. It also provides an overview of both Executive Director and wider colleague pay for the year.

The report is divided into the following sections:

- Remuneration at a glance
- A summary of the key elements of the Executive Pay Policy, which was approved at the 2025 AGM
- Annual report on remuneration for 2025

## HOW THE COMMITTEE WORKS

The Committee is responsible for determining our Co-op's pay strategy and 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 development 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 Co-op Chair. This ensures there is alignment with broader Board decisions.

In 2025, the Committee held five meetings, and the attendance of the Non-Executive Directors is detailed [in our Governance Report](#).

## 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 throughout 2025:

### FEBRUARY

- Assess 2024 performance of Executive Directors and nominated Operating Board members
- Approve outcome of 2024 bonus plan
- Approve Directors' Remuneration Report
- Approve payment of 2022 deferred bonus plan awards
- Agree 2025 objectives for Executive Directors and nominated Operating Board members

### MARCH

- Approve measure and performance expectations for 2025 long-term incentive plan
- Update on wider workforce pay

### NOVEMBER

- Review measures and performance expectations for 2026 bonus plan
- Review of Committee terms of reference

### SEPTEMBER

- Review business performance against all incentive measures, including understanding the impact from the cyber incident
- Update on wider workforce pay
- Committee effectiveness review

### JUNE

- Review feedback and AGM voting outcomes and pay strategy focus areas
- Review external market trends and updates

### *Other Committee support*

Under its Terms of Reference, the Committee obtains the advice of external independent remuneration consultants and is responsible for their selection and appointment. The Committee appointed Deloitte as its independent remuneration advisors, who advise on market trends and benchmarking for comparable executive roles. Deloitte's fees for the 2025 performance year were £30,150 excluding VAT (2024: £64,200 excluding VAT).

Deloitte are a signatory of the Remuneration Consultant Group's Code of Conduct, which requires their advice to be objective and impartial. The Committee is satisfied that the advice it received during the year was objective and independent, based on the experience of the Committee members.

### *Evaluation of Committee effectiveness*

The performance of the Committee is reviewed annually, along with the Committee's Terms of Reference and its activities of the previous year. The review followed the same process as the main Board and Committee reviews, using the digital evaluation platform BoardClic.

## 2025 BUSINESS PERFORMANCE AND VARIABLE PAY OUTCOMES

Retailers faced continued challenging economic conditions in 2025. However, for our Co-op, these challenges were compounded by the cyber attack we faced in the year. While we were able to contain the threat, our actions to safeguard the business severely impacted on our ability to meet the needs of our customers and members. Once our systems were fully operational, we continued to see an impact through the year, largely due to changed buying behaviour in a fast-paced convenience market.

To ensure pay outcomes appropriately reflect individual and business performance together with our Co-op's wider economic, environmental and societal impacts, the Committee has overriding discretion on Executive Directors' pay. Additionally, the Committee has the ability to apply malus, clawback and responsible discretion to override formulaic outcomes of the incentive schemes.

Our 2025 bonus plan has an affordability underpin which must be met to enable any payment to be made under the plan. This underpin was not met in 2025, so no awards were made to our Executive Directors or to other eligible colleagues who participate in the scheme.

The Rewarding Growth incentive plan was launched at the start of 2025 and is Co-op's first incentive that all colleagues can participate in. Its purpose is to incentivise all colleagues to achieve our ambition of growing our operating profit over three years.

The challenges of 2025 mean that on formulaic assessment, the targets to trigger payment under this scheme for the year were not met. However, the Committee is keen to recognise the tremendous hard work and effort of all colleagues in an extremely challenging and difficult year. The way our colleagues responded with resilience and professionalism to an unprecedented malicious cyber attack was truly remarkable.

As this is our Co-op's first all-colleague incentive scheme, we are keen that colleagues are engaged by this scheme and continue to be motivated and focused on recovery and the growth of our Co-op over the next two years. The Committee has therefore decided to exercise discretion, and all qualifying colleagues will receive 10% of their maximum opportunity under the Rewarding Growth incentive plan to recognise all their efforts during 2025.

In addition to launching the Rewarding Growth incentive plan in 2025, our Executive Directors and senior leaders were eligible to join the 2025-27 long-term incentive plan (LTIP). Any decision around the outturn of this plan will not be made until the end of 2027.

The deferred portion of the 2023 bonus plan has now vested and will be due for payment to senior leaders in May 2026, in line with the scheme rules. Further details of the amounts that were paid and deferred can be found below.

### *Looking ahead to 2026*

When considering the base salaries for our Executive Directors, the Committee remains mindful of the increases of the wider colleague population, our fairness principles as well as overall affordability. As a result, from 1 April 2026, the salaries for our Executive Directors and Group Secretary will be increased by 2%, which is less than other colleagues will receive.

For the 2026 bonus plan and 2026-28 long-term incentive plan, there will be no change to opportunity levels. The performance measures for the 2026 bonus plan reflect our increased focus on both building financial stability and customer centricity. The performance measures for the 2026-28 long-term incentive plan continue to focus on growing our Co-op and improving outcomes for our members.

**Committee changes**

Wais Shaifta resigned from the Board as an Independent Non-Executive Director and stepped down from this Committee with effect from August 2025. He has remained with our Co-op, taking up the role of Chief Growth Officer.

**Non-Executive fees**

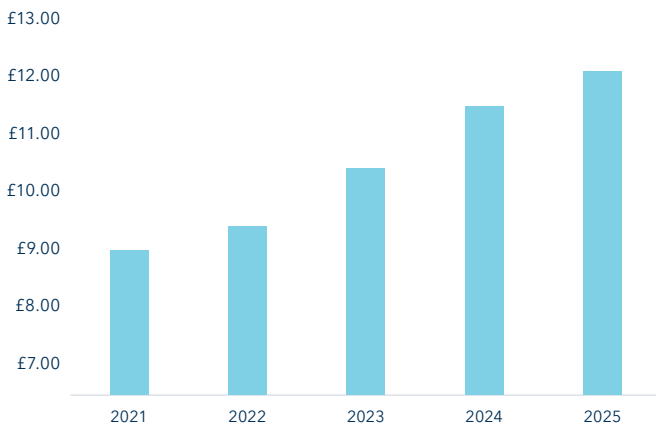
The Non-Executive Director (NED) Fees Committee consists of independent, elected member representatives. It reviews Non-Executive Director fees, and the responsibility of the Remuneration Committee to review Chair fees. The NED Fees Committee determined that an increase of 1.75% from 1 April 2025 was appropriate, in line with the average percentage increase for senior leaders, and below the average pay increase for the wider colleague population.

**WIDER WORKFORCE PAY ARRANGEMENTS**

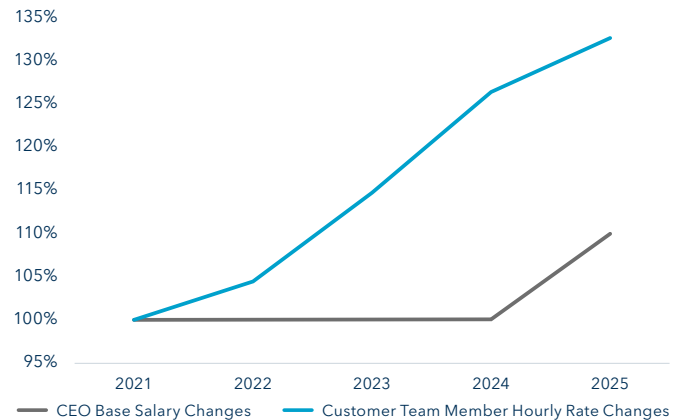
The Remuneration Committee considers the pay and conditions of our wider colleagues when making executive pay decisions. Our remit includes oversight of pay arrangements across our Co-op and we regularly talk about broader colleague pay in our Committee meetings. Members of this Committee also review colleague feedback made through our Talkback surveys and attend colleague listening forums to hear directly from them.

We are proud of the investments we have made and continue to make in colleague pay, along with the wider benefit package. Our customer team members received a 5% pay increase in 2025. Since 2021, the hourly rate paid to customer team members has increased by 33%. Over the same period, the increase in base salary for our CEO has totalled 10%, as illustrated in the charts below:

**CUSTOMER TEAM MEMBER HOURLY RATE PROGRESSION**



**% CHANGE IN PAY FOR CUSTOMER TEAM MEMBERS AND CEO**



In addition to paying all colleagues competitively for their role, we provide them with additional financial and wellbeing support:

- Giving colleagues access to a market-leading 30% discount on Co-op own-brand products.
- £100 Rewarding Growth incentive plan payment for full-time, frontline colleagues who were employed for all of 2025.
- A generous pension scheme with a matched contribution of up to 10%. Over 75% of colleagues are members of the pension scheme, up from 72% at the end of 2024. Further information is available in [our Social Value and Sustainability Report](#).
- As at the end of 2025, over 14,350 colleagues have signed up to the Stream app, with 4,810 colleagues now enrolled into saving towards a rainy-day fund, which is a key step in creating financial security and independence.

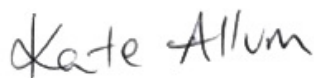
## PAY GAP REPORTING

In addition to our statutory reporting of our gender pay gap, we also chose to voluntarily report our ethnicity pay alongside our socioeconomic pay gap report.

## CLOSING REMARKS

The Remuneration Committee remains committed to rewarding our Executive Directors for acting in the interest of all our members, colleagues and other stakeholders, and for delivering in line with our Co-op's Purpose, strategy and values.

On behalf of the Committee, I would like to thank our members for their input and engagement throughout the year. We welcome any comments you may have on this report and hope to receive your support at the 2026 AGM on our remuneration resolution.



**Kate Allum**  
**Chair of Remuneration Committee**

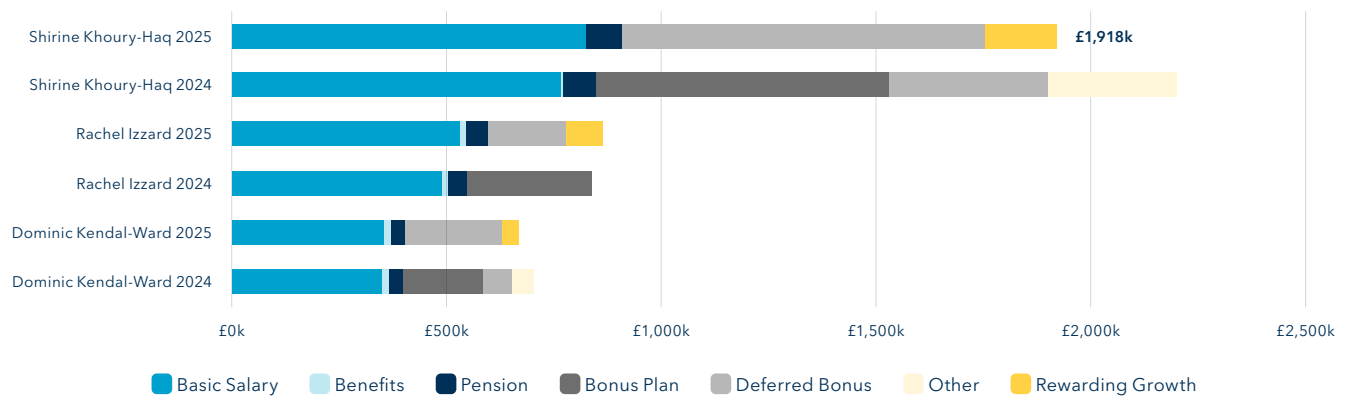
Kate Allum will step down from the Committee on 29 March 2026 to assume the role of Interim Chief Executive Officer. Moni Mannings will become Interim Committee Chair, effective 30 March 2026.

# REMUNERATION AT A GLANCE

## SUMMARY OF REMUNERATION DECISIONS FOR 2025

ELEMENT	2025 DECISIONS
Salary	<ul style="list-style-type: none"> <li>Chief Executive (Shirine Khoury-Haq): salary increased to £825,000, effective 1 January 2025 (7.3% increase)</li> <li>Chief Financial Officer (Rachel Izzard): salary increased to £535,000, effective 1 April 2025 (3.9% Increase)</li> <li>Group Secretary and General Counsel (Dominic Kendal-Ward): salary increased to £356,125, effective 1 April 2025 (1.75% increase)</li> </ul>
2025 bonus plan	The scheme underpins were not satisfied, and therefore there are no bonus awards for the Executive or other eligible colleagues in relation to the 2025 annual bonus plan
Rewarding Growth incentive plan	The Remuneration Committee exercised discretion to award all colleagues, including the Executive, 10% of their maximum Rewarding Growth incentive plan opportunity for the 2025 performance year

Summary of 2025 remuneration outcomes compared with 2024



A full breakdown of the total remuneration for each Executive is reported in the single figure table below.

## SUMMARY OF REMUNERATION OPPORTUNITIES FOR 2026

ELEMENT	EXECUTIVE	OTHER COLLEAGUE GROUPS
Salary	<ul style="list-style-type: none"> <li>Kate Allum will be appointed as Interim Chief Executive Officer, effective 30 March 2026 with a salary of £825,000. This increases to £841,500, effective 1 April 2026 (2% increase)</li> <li>Chief Financial Officer (Rachel Izzard): £545,700, effective 1 April 2026 (2% increase)</li> <li>Group Secretary and General Counsel (Dominic Kendal-Ward): £363,300, effective 1 April 2026 (2% increase)</li> </ul>	2%: senior leaders Pay negotiations with our trade union partners for all other colleagues are yet to be concluded for 2026
Benefits	Includes colleague discount, life assurance (4x salary), company car cash allowance (or car) and private medical cover The Interim CEO will not receive a company car cash allowance (or car)	All colleagues are eligible for Co-op discount and life assurance (between 1x and 6x salary) Eligibility for other benefits is dependent on seniority/work level

ELEMENT	EXECUTIVE	OTHER COLLEAGUE GROUPS																								
<b>Pension</b>	<p>Pension and/or cash supplement totalling 10% of salary</p> <p>The Interim CEO will not receive a pension or cash supplement</p>	<p>Participation in a pension plan is offered to all colleagues on a contributory basis. The maximum contribution is 10% of salary</p>																								
<b>Annual bonus plan</b>	<p>Performance is based on 90% business metrics and 10% on achievement of personal objectives</p> <p>Maximum award opportunities of:</p> <ul style="list-style-type: none"> <li>• CEO: 200% of salary<sup>34</sup></li> <li>• CFO: 170% of salary</li> <li>• Group Secretary and General Counsel: 110% of salary</li> </ul> <table border="1"> <thead> <tr> <th colspan="2">2026 ANNUAL BONUS PLAN MEASURES</th> <th>WEIGHTING</th> </tr> </thead> <tbody> <tr> <td colspan="2">Operating profit</td> <td>60%</td> </tr> <tr> <td colspan="2">Colleague engagement</td> <td>10%</td> </tr> <tr> <td rowspan="4">Customers and members</td> <td>Food transactions</td> <td>5%</td> </tr> <tr> <td>More active members</td> <td>5%</td> </tr> <tr> <td>Member participations</td> <td>5%</td> </tr> <tr> <td>Customer experience</td> <td>5%</td> </tr> <tr> <td colspan="2">Personal performance</td> <td>10%</td> </tr> </tbody> </table>	2026 ANNUAL BONUS PLAN MEASURES		WEIGHTING	Operating profit		60%	Colleague engagement		10%	Customers and members	Food transactions	5%	More active members	5%	Member participations	5%	Customer experience	5%	Personal performance		10%	<p>All work level colleagues and store managers are eligible to participate in the annual bonus plan</p> <p>Maximum award varies by role</p>			
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<b>Long-term incentive plan</b>	<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"> <li>• CEO: 200% of salary<sup>35</sup></li> <li>• CFO: 170% of salary</li> <li>• Group Secretary and General Counsel: 110% of salary</li> </ul> <table border="1"> <thead> <tr> <th colspan="2">2026/2028 LTIP MEASURE</th> <th>WEIGHTING</th> </tr> </thead> <tbody> <tr> <td>Run our Co-op efficiently</td> <td>Return on capital employed (ROCE)</td> <td>30%</td> </tr> <tr> <td>Grow our Co-op</td> <td>Gross merchandising value (GMV)</td> <td>30%</td> </tr> <tr> <td rowspan="2">Our member owners</td> <td>Member net promoter score</td> <td>10%</td> </tr> <tr> <td>Total member spend</td> <td>10%</td> </tr> <tr> <td rowspan="3">Supporting our colleagues</td> <td>Female representation</td> <td>WL1-5 2.5%</td> </tr> <tr> <td>Ethnic minority representation</td> <td>WL1-5 2.5%</td> </tr> <tr> <td>Colleague advocacy / Proud to work for our Co-op</td> <td>10%</td> </tr> <tr> <td>Sustainability measure</td> <td>Reduce Scope 1 and 2 emissions</td> <td>5%</td> </tr> </tbody> </table>	2026/2028 LTIP MEASURE		WEIGHTING	Run our Co-op efficiently	Return on capital employed (ROCE)	30%	Grow our Co-op	Gross merchandising value (GMV)	30%	Our member owners	Member net promoter score	10%	Total member spend	10%	Supporting our colleagues	Female representation	WL1-5 2.5%	Ethnic minority representation	WL1-5 2.5%	Colleague advocacy / Proud to work for our Co-op	10%	Sustainability measure	Reduce Scope 1 and 2 emissions	5%	<p>Colleagues in work levels 1-3 participate in this plan</p> <p>Maximum award varies by role</p>
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<b>Rewarding Growth incentive plan</b>	<p>Maximum award opportunities over the remaining two years of the plan:</p> <ul style="list-style-type: none"> <li>• CEO<sup>36</sup>: Their maximum opportunity over three years is £1,650,000 and 10% or £165,000 was awarded for 2025. Their remaining opportunity for the last two years is £1,485,000</li> <li>• CFO: Their maximum opportunity over three years is £875,500 and 10% or £87,550 was awarded for 2025. Their remaining opportunity for the last two years is £787,950</li> <li>• Group Secretary and General Counsel: Their maximum opportunity over three years is £385,000 and 10% or £38,500 was awarded for 2025. Their remaining opportunity for the last two years is £346,500</li> </ul>	<p>All colleagues are eligible to participate in the Rewarding Growth incentive plan</p> <p>Maximum award varies by role. For full-time, frontline colleagues, their maximum opportunity over three years is £1,000</p> <p>As 10% will be awarded for 2025, the remaining maximum opportunity over two years is £900</p>																								
<b>Recovery positions</b>	<p>The Executive Director incentive arrangements are all subject to malus and clawback provisions</p>	<p>Malus and clawback provisions apply to the Bonus Plan and LTIP for colleagues in work levels 1-3</p>																								

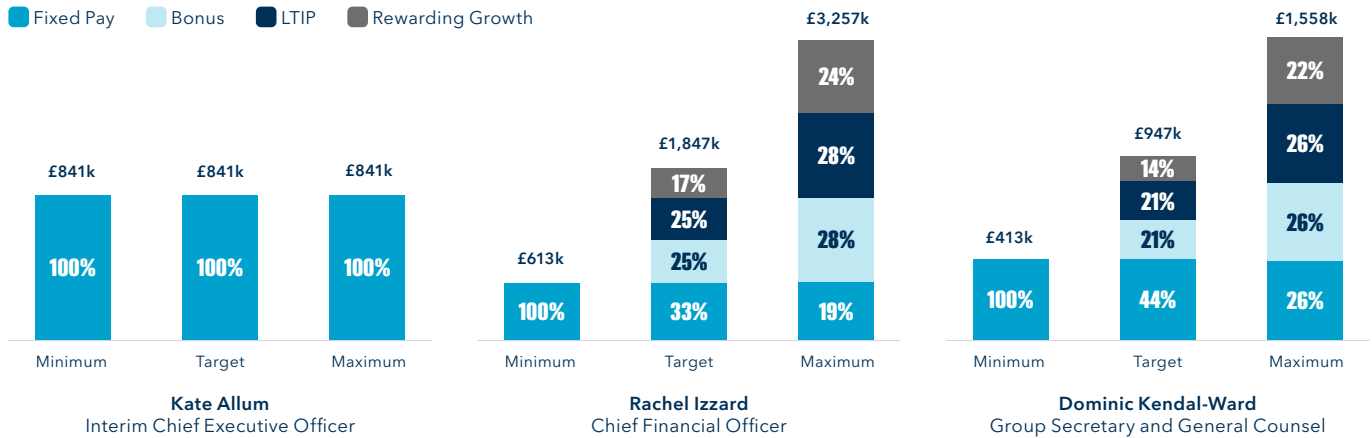
<sup>34</sup> The Interim CEO will not participate in the annual bonus plan.

<sup>35</sup> The Interim CEO will not participate in the long-term incentive plan.

<sup>36</sup> The Interim CEO will not participate in the Rewarding Growth incentive plan.

## PAY SCENARIO CHARTS

The chart below provides an illustration of what could be received by each Executive Director based on the implementation of the Executive Pay Policy for the 2026 performance year. These charts are purely illustrative as the actual values will be dependent on the business performance at the end of the year. The table below the chart details the assumptions used in each of these scenarios.



<b>MINIMUM</b>	Fixed pay only (including base salary, benefits and pension)
<b>TARGET</b>	Includes fixed pay plus 50% of the maximum annual bonus, 62.5% vesting of the maximum LTIP, 35% achievement of maximum three-year Rewarding Growth incentive plan opportunity
<b>MAXIMUM</b>	Includes fixed pay plus 100% of the maximum annual bonus, 100% vesting of the maximum LTIP, 90% achievement of maximum three-year Rewarding Growth incentive plan opportunity

# EXECUTIVE PAY POLICY

## HOW WE LOOK AT EXECUTIVE PAY

We are committed to the following approach to pay:

- We want to pay our Executives at a level that reflects the job they do, but do not want to overpay. We look at what other similar organisations pay and take this into account.
- We want to reward our Executives for achieving stretching goals as well as for their commitment to our Co-operative Values and Principles.
- We want a benefits package that reflects our co-operative Purpose.

## SUMMARY OF EXECUTIVE PAY POLICY

Our current Executive Pay Policy, which was approved by members at the 2025 AGM is summarised below:

ELEMENT	POLICY AND OPERATION	OPERATION AND PERFORMANCE CONDITIONS
<b>Base salary</b> Supports the attraction and retention of the best talent	Salaries are normally reviewed annually by the Committee, with the change being effective on or around 1 April  Salary increases take account of: <ul style="list-style-type: none"> <li>• Individual performance</li> <li>• Role, skills and experience</li> <li>• Increases being awarded to other colleagues across the Co-op Group</li> </ul> Salary levels for Executives are benchmarked against the median of FTSE 50-150 firms	Base salary is paid four-weekly
<b>Benefits</b> Provides market competitive and cost-effective benefits to support the attraction and retention of the best talent	Co-op 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 enable recruitment, retention or relocation	Normal benefit provisions apply to our Executive Directors, including car allowance, private medical cover and life insurance
<b>Pension</b> To provide a competitive level of retirement income to support attraction and retention to both 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
<p><b>Annual bonus plan (BP)</b> Encourages improved operational and financial performance and aligns the interests of Executive Directors to those of our members</p>	<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<sup>37</sup>, 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</p> <p>Any adjustments will be disclosed in the relevant Annual Report on Remuneration</p>
<p><b>Long-term incentive plan (LTIP)</b> 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>	<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<sup>38</sup>, 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>
<p><b>Rewarding Growth incentive plan</b> 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 (2025-2027)</p>	<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"> <li>• CEO: £1,650,000 over three years<sup>39</sup></li> <li>• CFO: £875,500 over three years</li> <li>• Group Secretary and General Counsel: £385,000 over three years</li> </ul>	<p>In addition to how much of our growth ambition we've achieved, the scheme includes performance underpins. For a Rewarding Growth incentive plan 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 Rewarding Growth incentive plan, 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.

<sup>37</sup> The interim CEO will not participate in the annual bonus plan.

<sup>38</sup> The interim CEO will not participate in the long-term incentive plan.

<sup>39</sup> The interim CEO will not participate in the Rewarding Growth incentive plan.

## 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' include 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 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 our 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. The Interim CEO's contract can be terminated by a maximum of one month's notice. Other current Executive contracts can be terminated by a maximum of six months' notice. Where it is better for our Co-op for an individual to remain under a contract of employment but not to work their notice, they are placed on garden leave and only contractual payments are made. Where an individual is not required to work their notice and receives a payment in lieu, our Co-op is only obliged to pay base salary. The payment in lieu would not include any benefits or bonuses.

The Committee can agree that the salary in lieu of the whole or part of the notice period can be paid in instalments. The Committee has the right to reduce the payments of salary in lieu of notice by the amount of income from a new role.

The Committee has discretion to determine whether, and to what extent, any part of the 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 below.

# ANNUAL REPORT ON REMUNERATION

## WHAT DID OUR EXECUTIVES EARN IN TOTAL IN THE YEAR?

The 'single figure' table below shows the pay received by our Executives during the 2025 financial year.

	Shirine Khoury-Haq		Rachel Izzard		Dominic Kendal-Ward	
	2025	2024	2025	2024	2025	2024
<b>Fixed pay</b>						
Basic salary	£824K	£766K	£530K	£489K	£355K	£350K
Taxable benefits <sup>40</sup>	£3K	£5K	£14K	£14K	£14K	£14K
Pension benefits <sup>41</sup>	£82K	£77K	£53K	£45K	£35K	£35K
<b>Total fixed pay</b>	<b>£909K</b>	<b>£848K</b>	<b>£597K</b>	<b>£548K</b>	<b>£405K</b>	<b>£399K</b>
<b>Performance-related pay</b>						
Bonus plan <sup>42</sup>	£0K	£682K	£0K	£290K	£0K	£188K
Deferred bonus plan <sup>43</sup>	£844K	£372K	£179K	£0K	£226K	£65K
Other <sup>44</sup>	£0K	£296K	£0K	£0K	£0K	£52K
Rewarding Growth incentive plan	£165K	£0K	£88K	£0K	£39K	£0K
<b>Total variable pay</b>	<b>£1,009K</b>	<b>£1,350K</b>	<b>£266K</b>	<b>£290K</b>	<b>£264K</b>	<b>£305K</b>
<b>Single total figure of remuneration</b>	<b>£1,918K</b>	<b>£2,197K</b>	<b>£864K</b>	<b>£838K</b>	<b>£669K</b>	<b>£704K</b>

<sup>40</sup> Taxable benefits include car, fuel, car cash allowance and healthcare (where applicable).

<sup>41</sup> Pension includes Co-op Defined Contribution pension plan or cash allowance in lieu of pension provision.

<sup>42</sup> 2024 bonus plan amounts shown represent 50% of the 2024 bonus plan earned award and was 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. Subject to the deferred portion vesting, this will be reported in the single figure table for 2026.

<sup>43</sup> Deferred bonus awards relate to the 2023 bonus plan.

<sup>44</sup> 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 other leaders who were employed during 2021. The retention bonus vested in December 2024. Rachel Izzard was not employed at the time of grant and therefore did not qualify for an award.

## 2025 BASE SALARIES

Shirine Khoury-Haq's salary was increased by 7.3% on 1 January 2025 to £825,000. Rachel Izzard's salary was increased by 3.9% to £535,000 on 1 April 2025. Dominic Kendal-Ward's salary was increased by 1.75% to £356,125 on 1 April 2025.

## 2025 BONUS PLAN

While our Co-op exceeded its target for 'increasing members' and achieved its stretch target for the member participation measure in 2025, the affordability underpins of the 2025 BP were not met. Therefore, no bonus awards were made to our Executives or any other eligible colleagues under the 2025 BP.

Performance measure	Weighting	Threshold (25% payout)	Target (50% payout)	Stretch (100% payout)	Actual performance		Shirine Khoury-Haq	Rachel Izzard	Dominic Kendal-Ward
Operating profit	50%	£130m	£150m	£170m	(£35m)	Below threshold	0%	0%	0%
Colleague engagement	10%	73%	74%	75%	71%	Below threshold	0%	0%	0%
Member participation		302,000	317,000	331,000	335,900	Stretch			
Member perception	20%	52%	53%	54%	47%	Below threshold	0%	0%	0%
Increasing members		6.66m	6.97m	7.38m	7.21m	Above target			
Member spend		£3,458m	£3,646m	£4,001m	£3,453m	Below threshold			
Individual performance	20%						0%	0%	0%
<b>Total % of maximum</b>							<b>0%</b>	<b>0%</b>	<b>0%</b>

## REWARDING GROWTH INCENTIVE PLAN

For the 2025 performance year, the Remuneration Committee exercised its discretion to pay all eligible colleagues 10% of their maximum three-year opportunity in relation to the 2025 performance year. The table below details the Rewarding Growth incentive plan awards for our Executives. Kate Allum will not participate in the Rewarding Growth incentive plan as Interim CEO.

The payment of the remaining Rewarding Growth incentive plan opportunity depends on how much our Co-op can grow our operating profit in 2026 and 2027. As the Rewarding Growth incentive plan is only in place for three years (2025-27), at the end of 2027 any remaining opportunities under the plan will lapse.

	Maximum three-year Rewarding Growth incentive plan opportunity (£'000)	Rewarding Growth incentive plan award for 2025 <sup>45</sup> (£'000)	Remaining Rewarding Growth incentive plan opportunity <sup>46</sup> (£'000)
Shirine Khoury-Haq	£1,650k	£165k	£0
Kate Allum	£0	£0	£0
Rachel Izzard	£876k	£88k	£788k
Dominic Kendal-Ward	£385k	£39k	£347k

<sup>45</sup> Rewarding Growth incentive plan award for 2025 is equivalent to 10% of the maximum three-year opportunity and is payable in May 2026.

<sup>46</sup> The remaining Rewarding Growth incentive plan opportunity is the total potential award which can be earned in the 2026 and 2027 performance years.

## WHAT DEFERRED BONUS PLAN DOES THE EXECUTIVE HOLD?

Prior to 2025, any bonus awarded to our Executive Directors was subject to a 50% deferral for two years. The deferred bonus awards relating to the 2023 performance year have been reported in the single figure table above, while the table below details the unvested deferred awards held by our Executive Directors.

	Bonus plan year	Value of deferred bonus award (£'000)	Vesting date
Shirine Khoury-Haq	2024	£682k	May 2027
Rachel Izzard	2024	£290k	May 2027
Dominic Kendal-Ward	2024	£188k	May 2027

## UNVESTED LONG-TERM INCENTIVE PLAN AWARDS

The measures, weightings and performance targets for the 2025-27 long-term incentive plan (LTIP) are set out in the table below. The scheme will vest at the end of 2027, with any payments being made in May 2028. Kate Allum will not participate in the long-term incentive plan as Interim CEO.

Performance measure		Weighting
Grow our Co-op	<b>Gross merchandising value (GMV)</b> - compound annual growth rate (CAGR) %	25%
Run our Co-op efficiently	<b>ROCE %</b> - return on capital employed	25%
Our members	<b>Total member spend</b> - £	12.5%
	<b>MNPS %</b> - member net promoter score (as measured over four quarters)	12.5%
Sustainability measures	<b>Scope 1 and 2 emissions</b> - reduction in CO <sub>2</sub> emissions versus 2016 baseline	15%
	<b>Diversity</b> - % female representation (WL1-3)	2.5%
Supporting our colleagues	<b>Diversity</b> - % female representation (WL1-5)	2.5%
	<b>Diversity</b> - % ethnic minority representation (WL1-3)	2.5%
	<b>Diversity</b> - % ethnic minority representation (WL1-5)	2.5%

## LONG-TERM INCENTIVE PLAN MAXIMUM OPPORTUNITIES HELD BY OUR EXECUTIVE AT YEAR-END 2025

	Award scheme	Maximum award opportunity at the year-end (£000)	% of salary	Vesting date
Shirine Khoury-Haq	2025-27	£1,650k	200%	May 2028
Rachel Izzard	2025-27	£875.5k	170%	May 2028
Dominic Kendal-Ward	2025-27	£385k	110%	May 2028

## CHIEF EXECUTIVE PAY RATIO

The following table provides pay ratio data in respect of the CEO's total remuneration (as reported in the single figure table above) compared with the remuneration of the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile of UK colleagues.

Year	Method	25 <sup>th</sup> percentile ratio	50 <sup>th</sup> percentile ratio	75 <sup>th</sup> percentile ratio
2025	Option C	72:1	71:1	64:1
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 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> 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 25<sup>th</sup> percentile and the median comparators are customer team members in our Food stores.

The Government pay ratio calculation is based on actual pay received. Therefore, it can change a lot, as bonus payments are likely to vary each year, given that they are linked to both business and personal performance.

## CHAIR AND NON-EXECUTIVE DIRECTOR (NED) FEES

The fees for the Board Chair, Independent Non-Executive Directors (INED) and Member Nominated Directors (MNDs) are reviewed each year by the NED Fees Committee (which is a Committee of the Council). The members of the NED Fees Committee agreed that from April 2025, the fees for Directors should be increased by 1.75%, which was lower than the salary increase for the wider colleague population. The table below details the change in fee structure in 2025.

	4 Jan 2025 to 31 Mar 2025	From 1 Apr 2025	% increase
Board Chair	£256,250	£260,734	1.75%
Independent Non-Executive Directors (INEDs)	£61,500	£62,576	1.75%
Member Nominated Directors (MNDs)	£61,500	£62,576	1.75%

### Additional fees

Senior Independent Director	£15,375	£15,644	1.75%
Chair of Risk & Audit Committee	£15,375	£15,644	1.75%
Chair of Remuneration Committee	£15,375	£15,644	1.75%

## NON-EXECUTIVE MEMBERS OF OUR BOARD AS OF 3 JANUARY 2026

The table below sets out the fees paid to the Non-Executive Directors during the year. Non-Executive Directors are not paid a pension and do not participate in any of the Company's variable incentive schemes. All Non-Executive Directors 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. The NED letters of appointment are available for inspection on request.

	Committee memberships	Date of appointment	2025			2024		
			NED fees £'000	Committee Chair / Snr. INED fees £'000	Total £'000	NED fees £'000	Committee Chair / Snr. INED fees £'000	Total £'000
Kate Allum <sup>47</sup>	Nominations Remuneration <sup>48</sup>	May 2021	£62	£16	£78	£61	£8	£69
Luke Jensen	Risk and Audit	Feb 2024	£62	-	£62	£54	-	£54
Moni Mannings	Nominations Remuneration Senior INED <sup>48</sup>	Jan 2024	£62	£16	£78	£61	£15	£76
Adrian Marsh	Risk and Audit <sup>48</sup> Remuneration	May 2023	£62	£16	£78	£61	£15	£76
Sarah McCarthy-Fry	Risk and Audit Remuneration	May 2019	£62	-	£62	£61	-	£61
Mitch Oliver	-	May 2025	£40	-	£40	-	-	-
Christine Tacon	Risk and Audit	May 2024	£62	-	£62	£39	-	£39
Debbie White	Nominations <sup>49</sup>	Aug 2023	-	£260	£260	£255	-	£255
Lord Simon Woolley	Risk and Audit Nominations	Feb 2025	£54	-	£54	-	-	-

<sup>47</sup> Kate Allum will assume the role of Interim CEO on 30 March 2026.

<sup>48</sup> Indicates a Committee Chair or Senior Independent Non-Executive Director.

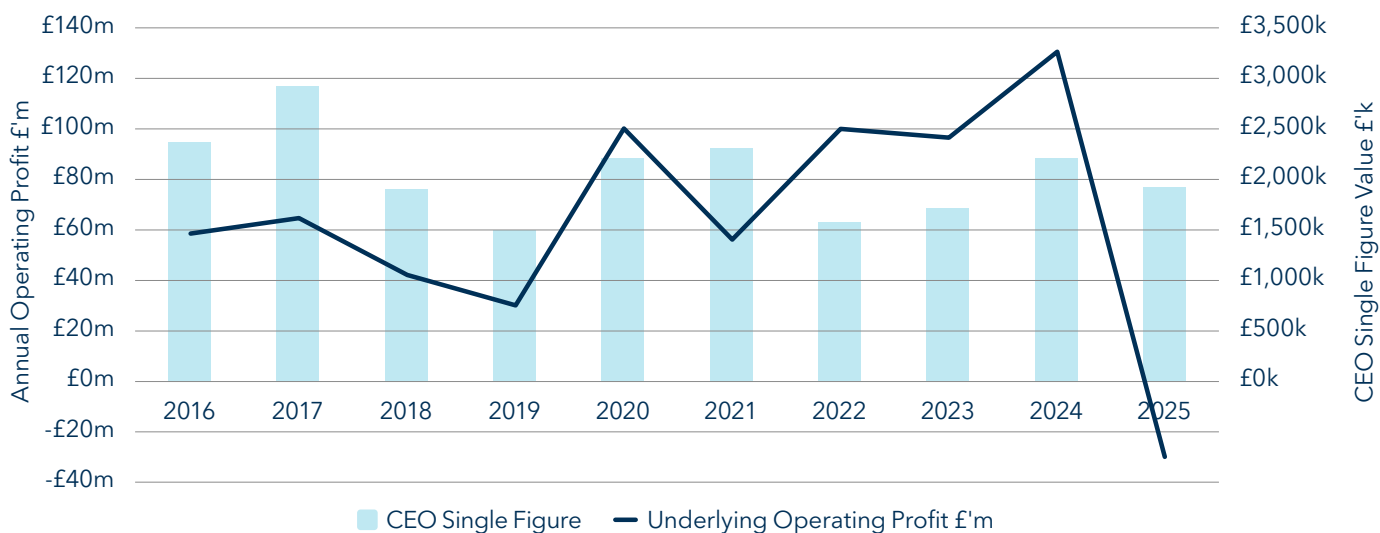
<sup>49</sup> No additional fee is paid to the Chair of the Nominations Committee.

## FORMER NON-EXECUTIVE DIRECTORS WHO LEFT DURING THE 2025 FINANCIAL YEAR

	Committee memberships	Date of appointment	NED fees £'000	2025 Committee Chair / Snr. INED fees £'000	Total £'000	NED fees £'000	2024 Committee Chair / Snr. INED fees £'000	Total £'000
Lord Victor Adebowale	Risk and Audit Nominations	Apr 2016 (Mar 2025)	£14	-	£14	£61	-	£61
Margaret Casely-Hayford	Nominations Remuneration	May 2016 (May 2025)	£23	-	£23	£61	-	£61
Rahul Powar	Risk and Audit Remuneration	Jul 2018 (Feb 2025)	£9	-	£9	£61	-	£61
Wais Shaifta	Remuneration	Feb 2025 (Aug 2025)	£27	-	£27	-	-	-

Dates shown in brackets () indicate the date the stepped down from the Board.

## CO-OP PERFORMANCE AND CHANGE IN CHIEF EXECUTIVE PAY



Reported actuals	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Underlying operating profit/(loss) - £'m	£59m	£65m	£43m	£31m	£100m	£57m	£100m	£97m	£131m	£(35)m
Shirine Khoury-Haq	-	-	-	-	-	£836	£1,571	£1,689	£2,197	£1,918
Steve Murrells		£2,046	£1,895	£1,485	£2,220	£1,469	-	-		
Richard Pennycook	£2,373	£872								
<b>CEO single figure</b>	<b>£2,373</b>	<b>£2,918</b>	<b>£1,895</b>	<b>£1,485</b>	<b>£2,220</b>	<b>£2,305</b>	<b>£1,571</b>	<b>£1,689</b>	<b>£2,197</b>	<b>£1,918</b>

## MEMBER VIEWS ON REMUNERATION

At the 2025 AGM, members approved motions for both the 2025 Remuneration Policy and the 2025 Directors' Remuneration Report. The voting results at the 2025 AGM were as follows:

■ number of Votes For   ■ number of Votes Against

<b>35,096 (87.25%)</b>	<b>5,130</b>	<b>31,697 (81.76%)</b>	<b>7,070</b>
<b>Motion 2 - Directors' Remuneration Report</b>		<b>Motion 3 - Executive Pay Policy</b>	

# REPORT OF THE RISK AND AUDIT COMMITTEE

# INTRODUCTION FROM YOUR COMMITTEE CHAIR



In 2025, our Co-op dealt with and responded to an external cyber threat, increasing competitive pressures and delaying the deployment of our new finance system.

These events had significant potential to impact our Co-op, our member owners and wider stakeholders. Throughout the year, the Committee has continued to monitor the integrity of our financial reporting, review and monitor internal controls and risk management, and oversee the work of our internal and external audit teams.

In April 2025, our Co-op experienced a significant cyber incident that disrupted operations and exposed vulnerabilities in our resilience framework. The actions of management helped contain the impact of the incident. The Committee has reviewed the lessons learned from the attack, as well as the actions taken to strengthen preparedness and future response. The continuing programmes of activity will remain a priority for us. Similarly, the Committee continued its oversight of the finance function's technology (SAP) programme. 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.

During the year, the Committee has kept a focus on activity to strengthen governance and ensure robust risk management. The Committee has considered the progress of management activity undertaken in response to corporate governance reforms, and to complete the risk transformation activities that will enhance internal control and ensure compliance with Provision 29 of the UK Corporate Governance Code when it becomes applicable for the year ending 2 January 2027.

The creation of a Group Commercial and Logistics division is a major development and is intended to generate future growth. As management further develops its plans, the Committee will monitor how these are implemented to ensure that associated regulatory and operational risks are managed appropriately.

During the year, we were advised of a concern regarding the operation of the whistleblowing hotline. We engaged PwC to perform a review on our behalf. At its March meeting, the Committee reviewed the findings and have actioned the recommendation to improve the early flow of information to the Committee Chair.

I remain very grateful for the support of my fellow Committee members who bring their diverse and deep range of experiences to the work and deliberations of the Committee.

A handwritten signature in black ink, appearing to read 'Adrian Marsh', written in a cursive style.

**Adrian Marsh**  
Chair, 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 2025.

Details of the Committee members and their attendance at meetings during 2025 are provided in our [Governance Report](#). Rahul Powar and Lord Victor Adebowale left the Committee when they stepped down from the Board (February and March 2025 respectively). Lord Simon Woolley and Christine Tacon joined the Committee 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 2025, colleagues regularly attended Committee meetings, including the Chief Executive Officer, Chief Financial Officer, Group Secretary and General Counsel, Assistant Secretary, Director of Risk and Internal Audit, Head of Internal Audit, Director of Financial Control and Reporting 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

### Financial and regulatory reporting

The Committee ensures that our Co-op's Annual Report and accounts, along with other information on its financial performance, are professionally prepared, and that the report itself is fair, balanced and understandable. It reviews our financial statements, ensuring management has followed appropriate accounting standards and made appropriate key judgements and estimates. 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 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 quality, effectiveness and independence of our external auditor and approves their remuneration. It reviews the findings of the audit including management's response to any recommendations. It also monitors the provision of non-audit services and associated fees in line with the Group's policy on non-audit services.

### 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 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](http://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 2025

This year, the Committee:

- Reviewed the financial information we provide to our members. The Committee ensures this information is prepared professionally; that our annual and interim reports are fair, balanced and understandable; and that the disclosures and key accounting judgements and estimates are appropriate.
- Reviewed the findings of the external audit and management's response to any recommendations and received regular updates on financial control.
- Discussed Co-op's SAP implementation with the programme team, sponsors and assurance provider to understand progress and any key risks or challenges to delivery.
- Received updates from management on the cyber incident, including the impact and actions taken.
- Reviewed the ongoing activity to transform risk management and internal controls optimisation, including measures to ensure compliance with Provision 29 of the UK Code.
- Approved Internal Audit's assurance priorities, reviewed the work of Internal Audit and progress against priorities, and monitored management's completion of audit actions.
- Received updates on key topics including the Groceries Supply Code of Practice (GSCOP), data protection, sustainability, whistleblowing and modern slavery.

Also, an internal review of the Committee's effectiveness was undertaken again this year. 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 2026. 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 2025 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 Co-op's liquidity, 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, taking into account the Group's cashflow forecasts, current levels of debt and availability of future finance. 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.

#### *Cyber impact*

Our Co-op was the victim of a sophisticated cyber attack in April 2025. The Committee has reviewed management's assessment of the estimated financial direct impact of the incident and judgement over the presentation of directly incremental costs as non-underlying items. The Committee also received reports from management around the work performed on system recovery and reconstruction of data, as well as controls established to ensure the accuracy and completeness of our financial records.

#### *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, including our Food store estate. 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 the impairment reviews carried out at balance sheet date, 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 rate and judgement taken over the impairment of new stores and impairment reversals. The Committee also reviewed the relevant disclosures in the Annual Report and Accounts.

#### *Property, regulatory, 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.

#### *Valuation of insurance contract liabilities (funeral plans)*

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 reviewed management's key assumptions including economic assumptions on discount and inflation rates, calculating using actuarial advice. The Committee 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 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 of 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 2025 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

In 2025, Colin Brown succeeded Chris Voogd as the partner responsible for the audit.

### EY non-compliance with rules related to audit partner rotation requirements

On 27 January 2026, EY advised the Chair of the Risk and Audit Committee that the time limitations under the UK Financial Reporting Council's Ethical Standard (2019) regarding rotation of partners had been exceeded. After an internal review, EY had determined that the partner who led the audit for the 52-week period ending 4 January 2025 had inadvertently exceeded the period allowed under UK audit partner rotation rules and was not eligible to serve as lead engagement partner for that audit. On 25 February 2026, EY presented the RAC an overview of its findings and steps to address the matter. The RAC concluded that EY's independence and objectivity in respect of the audit for the 52 week period ending 4 January 2025 had not been compromised.

## Risk management and internal controls

Our Board and senior leaders are responsible for identifying and evaluating our Co-op's main business risks, supported by systems designed to manage these risks efficiently and effectively. We proactively assess what could go wrong and implement measures to prevent it, safeguarding our members' interests, protecting our reputation, ensuring regulatory compliance and achieving our business objectives.

To support this, we adopt the 'three lines' approach. The first line establishes and maintains appropriate structures and processes for managing operations and risks, including controls. The second line provides complementary expertise, support, monitoring and challenge to strengthen risk management. Internal Audit acts as the third line, providing independent assurance. Our Board holds overall responsibility for ensuring that effective internal controls are in place, so our Co-op operates in compliance with policies.

Throughout 2025, the Committee reviewed key aspects of the Group's risk management framework, including updates on principal and emerging risks, alignment of risk appetite to our principal risks, and a deep dive into the execution of strategy and change risk.

In January 2024, the Financial Reporting Council announced revisions to the UK Code. We 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. The Committee 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 (Provision 29). The Board declaration will be made for financial years beginning on or after 1 January 2026, i.e. for financial statements our Co-op will publish for the period ending 2 January 2027.

The Committee has received management updates on the progress of its programme of work to transform risk management and internal controls optimisation to ensure compliance with Provision 29 of the UK Code for the period ending 2 January 2027.

The Committee reviewed management plans for a 'dummy declaration' in 2026 and a full declaration in 2027. In addition, the Committee reviewed and endorsed a plan to strengthen IT General Controls (ITGCs) including establishing a robust and secure IT control environment, defining the ITGC framework and controls mapping, and setting a roadmap to achieve resilience.

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 2025 audit and complex judgement areas, as discussed above, under 'significant issues relating to the financial statements'.

### *About our internal control framework*

- 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.
- We have policies, procedures and training for colleagues, co-ordinating the way things are done across our Co-op through regular management meetings and other forums. We also set policies for how we spend our money and how we make sure that the right approvals are in place. The Committee received updates on mandatory colleague training during 2025.
- Our Co-op has a Code of Business Conduct, which sets out how colleagues should act with members, customers, other colleagues, suppliers, the community and competitors, in line with Co-operative Values and Principles. This code tells colleagues how they can report any serious wrongdoing confidentially. Several policies support this code, such as an anti-fraud and theft policy and an anti-bribery and corruption policy. These policies are also supported by role-specific mandatory training modules.
- 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](https://coop.co.uk/colleagues).

## INTERNAL AUDIT

Internal Audit is an independent function authorised by our Board through the Committee. Its main role is to provide professional, objective assurance and insight to improve the way our Co-op is managed and controlled. Internal Audit continued to adopt a flexible, dynamic approach to planning in 2025 and regularly re-assessed Co-op's assurance priorities. The Committee reviewed and approved these priorities during the year. The Committee received reports 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 food buying, value for money, Franchise brand standards, Funeralcare health and safety and competition law. The Committee also reviewed several reports on key technology areas including a 'purple team' exercise (a collaborative effort which simulates active cyber attack scenarios), cloud governance, legacy technology estate management and technology risk management. The Committee also received 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 external quality assessment, carried out by the Chartered Institute of Internal Auditors, which assessed the team's conformance with the Global Standards and UK Code of Practice. The Committee is satisfied that the Internal Audit team have appropriate resources and continue to be impactful and effective.

## ETHICS AND COMPLIANCE

### **Whistleblowing procedure**

To ensure our Co-op follows best practice and operates in line with Co-operative Values and Principles, a whistleblowing policy 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 directly to colleagues at our Co-op. We benchmarked our external service provider against competitors in 2025 and re-contracted with the incumbent supplier.

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 2025, 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 2025 ranked Co-op seventh out of 14 retailers for overall Code compliance, with 96% of direct suppliers responding positively. 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 available in [our Directors' Report](#).

### **Our Social Value and Sustainability Report and climate-related financial disclosures (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.

### **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.

# REPORT OF THE NOMINATIONS COMMITTEE

# INTRODUCTION FROM YOUR 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 2025, our Committee focused on Board recruitment, Board performance and onboarding new Non-Executive Directors.

## BOARD CHANGES

There were several changes to the Board during the year.

Lord Simon Woolley and Wais Shaifta joined the Board as Independent Non-Executive Directors in February 2025, aligning with the departures of Rahul Powar in February 2025 and Lord Victor Adebowale in March 2025. In August 2025, Wais moved to a leadership role in the Group, and the Nominations Committee subsequently recruited Ronny Gottschlich as an Independent Non-Executive Director.

Mitch Oliver was elected as a Member Nominated Director in May 2025, following the conclusion of the term of office of Margaret Casely-Hayford. Sarah McCarthy-Fry was re-elected as a Member Nominated Director in May 2025.

## BOARD PERFORMANCE REVIEW

The Nominations Committee is responsible for overseeing an annual Board performance review. According to our Rules, this review should be conducted by an external firm every two years unless the Nominations Committee and the Chair agree otherwise. Currently, the Nominations Committee and the Chair have agreed to conduct external reviews every three years with the next external review due during 2026.

The 2025 Board review was conducted internally using the digital evaluation platform, BoardClic, and was overseen by our Senior Independent Director, Moni Mannings. The Committee reviewed its own effectiveness and remained satisfied in this regard.

## DIRECTOR INDUCTION

Following feedback from the Board, the Committee reviewed and refreshed the structure and approach for Director inductions. This ensured inductions remain comprehensive and that newly appointed Directors are equipped quickly for their role.

## 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 election of 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 2025 are provided earlier in this report.

Lord Victor Adebowale 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. Wais Shaifta subsequently left the Committee in August 2025 and was replaced by Lord Simon Woolley. Where appropriate, the CEO is also invited to attend meetings.

The Committee formally met twice 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](http://www.co-operative.coop/investors/rules).

## 2025 FOCUS AREAS

### *Board recruitment*

The Committee engaged the services of Russell Reynolds during the year to recruit our new INED, Ronny Gottschlich.

The only connection Russell Reynolds has with our Co-op is as recruitment consultants and there are no relevant connections with individual Directors.

The search firm met with various stakeholders to understand the role requirements and a candidate brief was subsequently agreed. The Committee ensured that the process was formal, rigorous and transparent, and that it was 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 process 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 appointment of Ronny Gottschlich.

#### ***Board Skills Matrix***

An effective Board requires the right mix of skills and experience. The Committee continues to utilise an external platform (Board Outlook) to maintain a Board Skills Matrix.

#### ***Succession planning***

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 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 observe our Co-op's operations.

The Committee used the experiences of the recently appointed INEDs and MNDs to further enhance the induction offering and to ensure it remains aligned with the demands of directorship at a large co-operative.

#### ***Board performance***

The Board performance review provides our Board with an opportunity to reflect on its performance. In line with best practice, this is carried out annually. 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 during Q1 2026, with an action plan subsequently collated.

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

A review of each Board Committee was also undertaken and results discussed with the respective Committees during February 2026. 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.

The Committee reviewed those fees and recommended fees payable to Group Board Directors be increased by a cost-of-living element of up to 1.75%. Further detail can be found in the Remuneration Report.

### ***Re-appointment of Directors***

There were no INEDs due for re-appointment during the year.

The Member Nominated Director Joint Selection and Approvals Committee (MNDJC) was responsible for the MND election process during 2025. This saw Sarah McCarthy-Fry being re-elected for an additional term and Mitch Oliver elected in May 2025.

### ***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, Russell Reynolds are signatories to the Enhanced Code of Conduct for Executive Search Firms and were given clear direction to create a diverse longlist.

### ***Reviewing our Directors' eligibility***

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

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 Board Composition Charter.

The Committee considers all our INEDs and MNDs to be independent in character and judgement as per the criteria set out in the UK Code, and therefore at least half the Board is considered to be independent.

# **DIRECTORS' REPORT**

**The Directors present their report,  
together with the audited financial statements  
for the period ending 3 January 2026.**

## RESULTS AND DISTRIBUTIONS

The loss before taxation from continuing operations was £43m (2024: £161m profit). No interim dividend has been paid for 2025, and members are not being asked to approve any distribution of profits for the year.

## GOING CONCERN

As explained 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 12 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 going concern assessment period, up to 31 December 2027.

The key assumptions underpinning our forecasts are detailed in the going concern basis of preparation section of the financial statements. Included in these assumptions is the raising of additional funding in 2026 of £300m from the bond market, to boost our liquidity position and to keep our Co-op protected from known and unknown business risks that may arise in the future. This is removed as a sensitivity in our severe but plausible downside scenarios.

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.

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 2028 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.

Excluding restricted cash, our cash at balance sheet date stands at £93m. Together with £348m of the Group’s revolving credit facility (“RCF”) that remained undrawn at year end, we maintain gross liquidity headroom of £441m providing resilience through continued market volatility. At the balance sheet date, we had £417m of borrowings including accrued interest still to repay, with £362m falling due in June 2026.

The Group intends to use the term loan secured in June 2025 to repay the upcoming 2026 bond maturity of £350m.

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 2026 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 the table below:

Principal risk	Sensitivity applied
Competitiveness and External Environment, Brand and Reputation	<p>Food sales volumes reduced to reflect impact of customer transactions not returning to the levels achieved before the cyber attack and further contraction in the convenience market and food margin rates.</p> <p>Wholesale volume growth held flat to 2025.</p> <p>Funeralcare volumes reduced as results of lower-than-expected national death rate and reduction in market share.</p> <p>Funeralcare average sales price reduced to reflect increase in sales mix towards direct cremations.</p>
Execution of Strategy and Change, Supply Chain and Operational Resilience	Transformation and operating cost out programme sensitivity.
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 2028.

Taking into account the Group’s current prospects, 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 2028.

## GREENHOUSE GAS EMISSIONS

In 2025, the carbon emissions from running our business continued to reduce by a further 9% compared to 2024. This means that we have now reduced our Scope 1 and 2 emissions by 65% since 2016.

We have made significant improvements in energy efficiency and reduced electricity consumption by 4% and gas consumption by 13% in 2025, compared to 2024. Despite a 2% reduction in diesel use, emissions from the Food Logistics network rose slightly (0.4%) due to higher emissions per litre of diesel. We continued to improve vehicle efficiency, refrigeration plug-in compliance and transport network optimisation to help us drive down emissions.

In line with Greenhouse Gas (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 <sub>2</sub> e	2017 ktCO <sub>2</sub> e	2018 ktCO <sub>2</sub> e	2019 ktCO <sub>2</sub> e	2020 ktCO <sub>2</sub> e	2021 ktCO <sub>2</sub> e	2022 ktCO <sub>2</sub> e	2023 ktCO <sub>2</sub> e	2024 ktCO <sub>2</sub> e	2025 ktCO <sub>2</sub> e
649	543	439	393	347	318	288	263	252	230

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

2016 ktCO <sub>2</sub> e	2017 ktCO <sub>2</sub> e	2018 ktCO <sub>2</sub> e	2019 ktCO <sub>2</sub> e	2020 ktCO <sub>2</sub> e	2021 ktCO <sub>2</sub> e	2022 ktCO <sub>2</sub> e	2023 ktCO <sub>2</sub> e	2024 ktCO <sub>2</sub> e	2025 ktCO <sub>2</sub> e
338	298	250	229	204	197	181	348	343	338

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

SOURCE	2022 ktCO <sub>2</sub> e	2023 ktCO <sub>2</sub> e	2024 ktCO <sub>2</sub> e	2025 ktCO <sub>2</sub> e
Scope 1 - refrigeration	66	50	49	47
Scope 1 - fuel	95	91	86	86
Scope 1 - gas	19	17	17	15
Scope 2 - electricity	107	105	100	83
Scope 1 and 2 - <b>total</b> (location-based)	288	263	252	230

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

SOURCE	2022 ktCO <sub>2</sub> e	2023 ktCO <sub>2</sub> e	2024 ktCO <sub>2</sub> e	2025 ktCO <sub>2</sub> e
Scope 1 - refrigeration	66	50	49	47
Scope 1 - fuel	95	91	86	86
Scope 1 - gas	19	17	17	15
Scope 2 - electricity	1	190	191	190
Scope 1 and 2 - <b>total</b> (market-based)	288	348	343	338

**Annual energy consumption (GWh)**

SOURCE	2022 GWh	2023 GWh	2024 GWh	2025 GWh
Electricity (location-based)	555	507	485	467
Gas	105	95	94	82
Fuel	400	391	366	352

**Carbon intensity**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Tonnes CO <sub>2</sub> -equivalent (location-based) GHG emissions per £m revenue	68.3	57.2	43	36.1	30.2	28.4	25	23.3	22.3	20.1

2025 carbon intensity figure is based on a figure of 230 ktCO<sub>2</sub>e (230,289 tCO<sub>2</sub>e) for total direct emissions from running our business, location-based accounting: Scope 1 and 2 GHG emissions (ktCO<sub>2</sub>e) and 2025 revenue: £11,027m.

## 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. In 2025, we made donations totalling £598,600 (2024: £598,600) to The Co-operative Party, in line with our members' approval at the Annual General Meeting in 2024.

This is our financial subscription to the Party for 2025. 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.

At the 2025 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 2026.

## 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 2025, 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 [the Report of the Risk and Audit Committee](#) for more details.

### Working with the GCA

During 2025, our Co-op engaged and worked collaboratively with Mark White, the Groceries Code Adjudicator (GCA). The GCA met with the Chair of the Risk and Audit Committee and the Code Compliance Officer.

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.

Our Co-op once again showed a strong compliance performance in the GCA's Annual Survey. In 2025, 95.94% of suppliers told us that we mostly or consistently comply with the code (2024: 98.22%). We were pleased to see that suppliers recognised our continued focus on compliance and improvement plans.

### Training

We provide GSCOP training to all colleagues who deal with suppliers, not just the buying teams. In 2025, 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 2025, we trained 2,348 colleagues (2024: 2,207).

### 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 2025, some of the ways we did this were:

- Enhancing our SAP system and processes to increase the number of error-free transactions.
- Refreshed our supplier hub and supplier communication strategy to ensure suppliers are informed and engaged in our business strategy and change initiatives.

**Disputes**

During 2025, our 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 70 (2024: 83) new incidents of alleged breach or reference to potential non-compliance issues and brought forward seven issues from 2024. Of the issues raised, 14 were raised directly with the CCO and 63 were raised to the business and sent onwards to the CCO internally by Co-op colleagues.

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (CRFD)

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

Our Co-op complies with the Climate-Related Financial Disclosures (CRFD) Regulations 2022. We have aligned our strategy with CRFD recommendations 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.

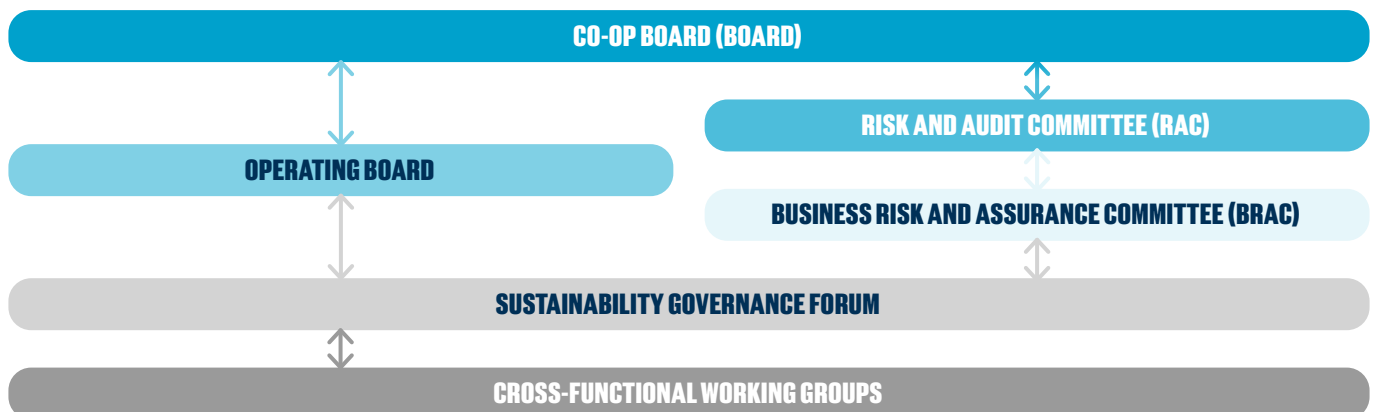
## GOVERNANCE

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

Effective corporate governance is critical to protect and grow value for our members, customers and the communities we serve. It helps our Co-op grow while securing our sustainability commitments.

Our governance structure and risk management framework enable our Co-op to manage our climate-related risks effectively, ensuring robust controls are in place to achieve our sustainability ambitions while continuing to exercise sound commercial decision-making.

This structure empowers colleagues at all levels to understand and proactively respond to climate-related risks and opportunities effectively. Periodic reporting across our enabling functions, businesses and different governance forums provides assurance to our Board and senior leaders. This supports them in ensuring that our controls, actions and resources are effective.



Each of our climate-related risks (below) is owned by a senior leader in our Group with the expertise to understand what is needed to mitigate the risk and to realise opportunities. Senior leaders discuss climate-related threats, issues and opportunities across our Group's risk management forums and cross-functional working groups and develop co-ordinated plans of action in our Sustainability Governance Forum.

Our Sustainability Leadership Forum (SLF) has evolved into the Sustainability Governance Forum (SGF), with a stronger focus on decision-making. The SGF consists of Group leaders who oversee and coordinate sustainability activity across our Co-op. It brings together business leaders, department heads and function subject matter experts, connecting the cross-functional 'spokes' to strengthen accountability for strategic decisions on climate-related risks and opportunities. The SGF also oversees our Sustainability Principal Risk, with business leaders across the Group responsible for the controls, actions and assurance required to deliver our sustainability plan.

Periodic updates on our principal risks, including sustainability, are provided to the Operating Board, Group Board, the Risk and Audit Committee (RAC) and the Business Risk and Assurance Committee (BRAC). These groups scrutinise our principal risks and the activity undertaken to mitigate them, monitor the delivery of risk management plans against our objectives, assess emerging risks and opportunities, including key climate-related ones and, when required, challenge action taken to keep us within risk appetite.

Our Board has ultimate responsibility for risk management, including the sustainability principal risk, for our Co-op. Our Board periodically monitors action plans and is briefed on material climate-related risks and opportunities on at least an annual basis, reflecting the importance that our Co-op gives to our sustainability commitments. For more information on Co-op's principal risks, read our [Risk Management](#) section above.

## STRATEGY

We continue to prioritise action where our Co-op can make the most impact against, as well as be impacted by, climate change. Our commitment is to reach Net Zero in our operations by 2035 and across our full value chain by 2040. We are investing in the activities and governance needed to achieve these goals. Read [our Social Value and Sustainability report](#) for more.

Collaboration is at the core of our climate plan. We won't achieve our Net Zero commitments unless we all play our part. We collaborate with external bodies, our suppliers, like-minded organisations, colleagues and members to build partnerships, share knowledge, innovate and campaign for change. This collaboration helps us mitigate climate-related risks and make the most of sustainable growth opportunities.

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

In 2025, we reviewed our key physical and transitional climate-related risks, which have not materially changed from the previous year. We assessed material internal and external changes around them and analysed individual and aggregate changes to their materiality and likelihood. These in-depth analyses, alongside discussions with cross-functional leaders, enabled us to enhance our controls to mitigate them and to act on opportunities. The risks will continue to be managed according to our Group's risk management framework.

For the purposes of identifying and managing our climate-related risks and opportunities, we have used the following definitions of time horizons:

- **Short.** Less than four years: aligns with our business strategy and financial planning.
- **Medium.** Four to ten years: near-term target of addressing current and emerging climate-related risks.
- **Long-term.** Ten years or more: aligned with the long-term nature of climate-related risks.

Through this review, we reconfirmed the seven inherent physical and transitional climate-related risks that could impact the financial position of our Co-op over the medium-term and long-term, as outlined below.

Risks	2025-26 (no change from prior year)
Physical	Raw material availability (acute/chronic)
	Access to key facilities (acute)
Transitional	Reputational (public sentiment)
	Policy and legal (compliance and legislative requirements)
	Market (investment sentiment)
	Market (consumer sentiment)
	Technology (asset impairment)

In 2025, we considered:

- Trusted information on social, political and economic activities shaping climate-related events and actions
- Data on our Group’s assets, products and services, and their interdependencies with climate-related developments
- The risk modelling we undertook in 2023

From this, we identified the two most material climate-related risks to our Co-op as:

- Technology
- Market (consumer sentiment)

We have performed in-depth scenario analyses on these, using two climate pathways as part of our scenario analysis.

**3°C by 2100 - current policy** - under this scenario, existing policies are implemented to limit global warming. This is a high greenhouse gas emissions scenario with extreme weather events and substantial 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 by 2100 - Paris Agreement ambition** - under this scenario, we see aggressive global action to limit warming. This is a low greenhouse gas emissions 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 climate change issues, with proactive policy and market shifts to low carbon.

The remaining key climate-related 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 milestones is currently unavailable or unaffordable, we expect that new innovations will become progressively more reliable and accessible.

For example, we are incorporating new compressed natural gas (CNG), electric and hydrogen vehicles into our fleets, alongside the supporting infrastructure. We are also investigating greener alternatives to high global warming potential (GWP) refrigerants.

While current regulation doesn't prevent the use of fossil fuel dependent assets, we know that continuing to use them won't help us meet our Net Zero targets. We'll need to phase out most of them to hit Net Zero across 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 significantly higher value at risk under the 1.5°C scenario. In this scenario, action to reduce greenhouse gas (GHG) emissions is timelier and more aggressive than under the 3°C scenario, which leads to a much bigger reduction in 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 commitments, informed by our science-based targets (SBTs).
- **Funeralcare plans to replace its fleet with lower carbon 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 sized vehicles, routes and alternative fuel sources.

Our Co-op is committed to achieving our sustainability ambitions. 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 preference and demand for lower carbon products and services are expected to increase, particularly across younger generations, and 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 therefore 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. We would also need to see a significant change in consumer habits, including a shift away from red meat and dairy products (which are carbon intensive) and a reduction in 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, and as affordability and other factors continue to impact customer preferences.

In a scenario where volumes reduced to this scale, our 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.

To manage this consumer sentiment risk, we have established controls that enable continuous insight and benchmarking on market trends. We are also:

- Collaborating with suppliers to develop healthy and sustainable offerings
- Horizon scanning for new developments in farm production and technologies
- Developing proactive category management plans to meet changing consumer demands

'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.

## OPPORTUNITIES

Our Co-op is committed to prioritising action where we can make the most impact. Our sustainable delivery plan, updated in June 2025, reaffirmed our continued focus on clear near-term and science-based targets. It also mapped out the rapid reduction of carbon from our operations and supply chains.

By delivering on our sustainable delivery plan and commitments, we enhance our reputation in the market and are better able to innovate. Our 'test and trial' approach allows us to pivot at the right time to maximise economic and social outcomes for our members.

We have also introduced a carbon metric into business cases submitted for consideration and approval to our investment forums and are exploring how this can be used in prioritisation exercises in our budgeting and forecasting processes.

In addition, as part of our investment decisions, we consider potential opportunities to develop new revenue streams (e.g. electric vehicle charging) which deliver commercial returns.

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.

We are regularly assessing our 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 and nature-related challenges, reducing costs across the value chain and improving the quality of the products and services we provide.
- Working with other retailers to agree on a consistent sustainability dataset from suppliers enables a reduction in complexity of data gathering and facilitates knowledge sharing across a complex landscape.
- Taking proactive measures to reduce our carbon footprint and transparently sharing our sustainability plans provides us with lower capital costs.

**Raw material**

Building strong relationships with supply chains, as well as having a focus on British sourcing and Fairtrade programmes, enables better control of risks to the supply chain and establishes our Co-op as a preferred buyer.

**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 lower carbon intensive meat and dairy products, we can improve the availability and range of plant-based and less carbon intensive products 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, reduces our operating costs and helps us meet our sustainability commitments. Installation of solar photovoltaic (PV) systems also provides a level of energy security and resilience of supply.

**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 engaging with Government officials and other key stakeholders in the sustainability field, we are 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 external advisors 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.

For the purposes of this disclosure, we are focused on the 3°C and 1.5°C scenarios explained above.

In 2025, we have continued to assess internal capability to model financial risk and forecast future emissions to inform future business or strategic decisions. This has provided greater insight to the impact of mitigation actions over the short, medium and long-term.

We have undertaken another risk identification cycle in the current year, giving 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 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. We have 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 in our food, Funeralcare and e-commerce businesses.
- Replacement of high-fluorinated gas (F-GAS) refrigerators in our food business and Funeralcare.
- 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.

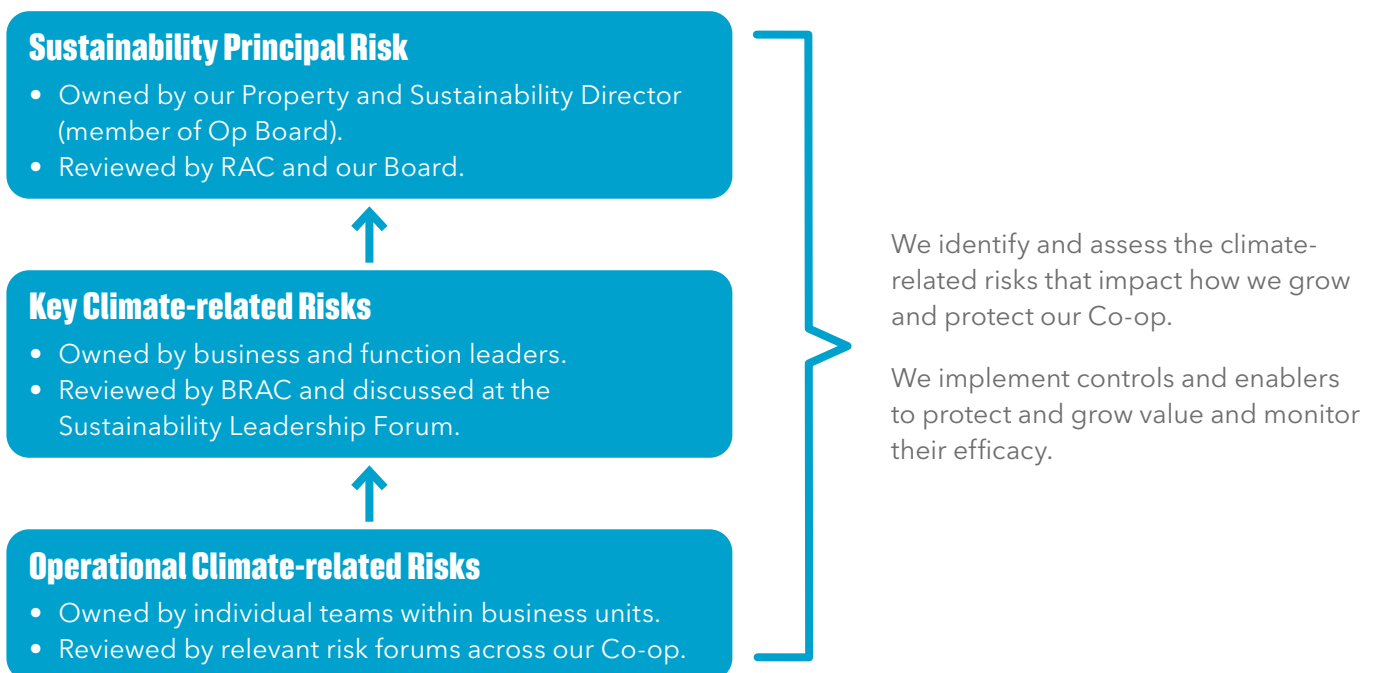
Our physical risks are more significant under the higher global warming scenario (3°C). However, we have strong mitigations in place to remain resilient to these risks.

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 against this, 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 climate-related risks are managed through our risk management framework as described earlier in this report. This framework enables our colleagues across the Group to identify and manage our climate-related risks and opportunities within the risk appetite set by our Board.



This framework contributes to ensure 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 financial and operational planning.

For example, in 2025, we conducted several internal discussion groups with subject matter experts from across our Group to review our climate-related risks and opportunities and associated controls, providing assurance to our Sustainability Governance Forum 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	2025 ACTUAL	CHANGE VS BASELINE (%)
Our operations	Scope 1 and 2	649 ktCO <sub>2</sub> e	230 ktCO <sub>2</sub> e	-65%
Our value chain	Scope 3	5,409 ktCO <sub>2</sub> e	3,926 ktCO <sub>2</sub> e	-27%

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 emissions 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 emissions targets were validated in early 2024 by the Science Based Targets initiative (SBTi). 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.

DESCRIPTION	2023 BASELINE	2025 ACTUAL
% of Scope 3 Category 1 emissions covered by suppliers with validated science-based targets	36%	72%

To ensure the accuracy of our GHG emissions reporting over time, we re-baselined our Scope 3 inventory as methods and data improve.

A detailed description of how our KPIs are calculated is disclosed in our [Basis of Reporting document](#).

### 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 2030<sup>50</sup>

### 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 our purchased goods and services emissions (Scope 3, Category 1) are from suppliers with independently validated science-based targets by the end of 2025, rising to 77% by the end of 2026.

<sup>50</sup> 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 ending 3 January 2026 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 in our Governance Report 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

EY LLP have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the forthcoming 2026 Annual General Meeting.

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 central to our Co-op Difference is doing right by you.

Your National Members' Council is elected from across the UK to represent and champion your interests and to ensure our Co-op delivers value for you, our member owners, and the things that you care about most.

We act to make your voice heard, influence our Co-op's plans and strategies with your views in mind, and hold the Board to account, ensuring that Co-operative Values and Principles are at the heart of what we do and how we do it. 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 2025, we:

- Continued to ensure that our Co-op responds to our members' concerns about the ongoing cost-of-living crisis, with our Co-op now price-matching key items to Aldi while delivering Co-op standards.
- Supported our Safer Colleagues, Safer Communities activity, with some key successes following sustained campaigning and investments in keeping our colleagues and communities safer in our stores. Violence against retail workers will become a standalone offence under law: overall levels of crime in our Co-op stores declined by 21% compared to the previous year and the number of violent incidents reduced by 31%.
- Welcomed over one million new members to our Co-op. We're recruiting the next generation of co-operators too, with an 11% increase year-on-year in the recruitment of members under 25 and helping to shape what Co-op membership provides for our young members.
- Successfully influenced the Board to create an Ownership Hub for members to find information and opportunities to get involved in their Co-op, launched in early 2026.
- Showcased to our members the value they received by trading with our Co-op through our end-of-year Co-op Wrapped. Through personalised member communications, Co-op Wrapped highlighted the economic, social and ownership value our member owners received in the year.
- Made sure that our Co-op focused on serving our members - especially in our lifeline stores where our members rely on us most - in the immediate aftermath of the criminal cyber attack on our Co-op. We also met with our Board and business leaders on behalf of our members to raise challenges and gain assurance about our Co-op's response to the attack, its impact and the measures taken to protect members.
- Worked with our Board and leaders to develop our future strategy and how we focus on delivering even more value for you, our members - including making sure you can get the products and services you need from Co-op, when you need them.
- Met with thousands of member owners across the UK to hear what you like about your Co-op and what more you want from us through our dedicated member engagement events - locally, nationally and online.
- Made changes so that more than 1.5m more members had the opportunity to vote in 2025, making it easier for our members to exercise their ownership through joint control of our Co-op. We saw the number of member owners choosing to vote increase again by 22%.
- Commissioned a review of how we make sure that member ownership and democracy in our Co-op focuses on what our members want and need (now and in the future) and identified changes to the rules and policies of our Co-op to work on with our Board through 2026.

Although we are proud of the progress our Co-op has made, our ambitions for our member owners and our Co-op's future are high. We're focused on what comes next.

In 2026, we will continue to champion the importance of delivering value, quality and convenience for our member owners as the cost-of-living crisis continues, and in the context of ongoing global volatility. We'll continue to make our Co-op difference clear through the causes we support - for example, our On Your Corner, In Your Corner campaign seeks to make a real difference to our member owners' day-to-day lives. We'll keep going on our commitments to British sourcing, sustainability and ethical leadership, and we'll look for more opportunities to support our communities through the work we do on social mobility and skills.

We'll also continue to push for greater information for member owners to help you engage with and influence our Co-op, whether that's through our community causes, participating in our democratic processes or simply having your voice heard about the choices we make in stores as a consumer co-operative.

We'll keep making it easier for you to see and feel the value you get as a member owner, and for you to take part in member conversations about the future of our Co-op, with other member owners and elected representatives on Council and Board.

[Find out more about your Council here.](#)

## YOUR COUNCIL, YOUR VOICE

The National Members' Council is made up of 100 Co-op member owners, elected from across our membership of over seven million active members. Council members come from all walks of life, including Co-op colleagues and people from other retail societies.

The Council works alongside the Board (our Directors) and Operating Board (our business leaders) to help shape the direction of our Co-op and the way we do things. We are elected by our fellow member owners to speak for you to the Board and senior business leaders, and to ensure our Co-op is delivering value for our members. We meet regularly to support and challenge our Board and business leaders to ensure your needs are at the heart of the decisions we make, and that our Co-op is successful for its member owners.

Your Council has focused its work on three key matters for our member owners in 2025:

- Building member value every day
- Empowering members, developing leaders
- Engaging member owners in our Co-op

## WHAT HAVE WE ACHIEVED THIS YEAR?

### Building member value every day

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 receive as a member owner.	Championing our Co-op difference and working with the Board and business leaders to deliver member value - economic, social or ownership - to ensure member value is considered in every decision our Co-op makes.	Modernising and improving our democracy to support members to exercise their member owners' rights and have their voices heard.

Our vision is to build more value for our member owners every day. As a member of our Co-op, every purchase you make with us helps to grow the value of our Co-op, whether that's in economic, social or ownership value - supporting us to take action on the things you care about. In 2025, we:

- Influenced how our Co-op measures and reports on performance, ensuring that member value is considered and reported on across our Co-op alongside other important measures such as revenue and profit. Your Co-op regularly reports to the Council, as your elected representatives, on how it achieves value for our member owners in a variety of ways, across different parts of the business, with Council members championing your interests.
- Worked with our Board and business leaders to refresh our commercial strategy, ensuring members remain at the heart of our approach to our Co-op's ambitions in the short, medium and longer term, and strengthening our Co-op for the future.
- Influenced the development of new approaches to member rewards, taking part in trials and focus groups to strengthen the focus on what members want.
- Scrutinised our Co-op's sustainability plan for 2025 and the ways in which we set out to achieve our targets, including our new sustainability hub model.
- Supported and challenged the business through the development and implementation of our social mobility, diversity and inclusion strategy, ensuring we're working to build value for all of our members, regardless of background.
- Reviewed the outcomes and impact of our social value strategy, and our Co-op's approach to embedding and sharing these.

**Empowering members, developing leaders**

<b>Supporting members to find out what it means to be a co-op</b>	<b>Empowering our people to lead a modern co-operative</b>	<b>Developing the modern co-operative leaders of the future</b>
Making it easier for our members to learn about co-operation as a way of doing business and to see how the Co-op Difference benefits them.	Ensuring that our Values and Principles are embedded into the culture of our Co-op - the way we do things differently.	Empowering our members, Council and Board to act as ambassadors for our Co-operative Values and Principles and the Co-op Difference.

As a consumer co-operative, our members make the biggest difference in how we run our Co-op, from individual member owners to colleague members and leaders at all levels. Our focus on empowering members and developing leaders is a commitment to our Co-op's continued success, now and for future generations. In 2025, we:

- Listened and responded to what members told us through our Big Survey, developing an online Ownership Hub that acts as a one-stop shop to provide members with all the information you need to play a full part in the business you own. Our members can now find resources, information and the latest ways to engage with and influence our Co-op on the Ownership Hub. This was a direct response to what we heard from members and the motions passed at the 2025 AGM.
- Raised awareness of the co-operative difference in partnership with organisations such as Co-ops UK, hosting the Festival of Co-operation in Manchester as part of the UN's second International Year of Co-operation and sharing lessons in co-operation with co-operatives from around the world and our members.
- Championed a programme of online activities and resources to help members learn about your Co-op and its difference to empower you to start, use, choose and grow co-ops across the UK.
- Responded to members' concerns around a more divided society and approved our Co-op's Hate Divides Communities, Co-operation Builds Them campaign.

- Challenged our Board and business leaders over ethical sourcing of products to ensure we continue to maintain our standards and values in relation to animal welfare and farming.
- Developed a new learning framework (Co-op Journeys) to help to grow the next generation of modern co-operative leaders, strengthening our Co-op for years to come.

**Engaging member owners in our Co-op**

<b>Championing our member voice in decision-making</b>	<b>Improving how we communicate and engage with our member owners</b>	<b>Growing the co-operative movement</b>
Ensuring our Co-op listens to the voices of members and puts them at the heart of the decisions we make.	Finding more effective ways to hold conversations with member owners and to strengthen engagement with our democracy and governance.	Working with others as part of a global movement to show governments a different, more co-operative way of doing business.

Our Co-op belongs to you, its members. It's jointly owned and democratically controlled, and your National Members' Council works to ensure these values are lived every day. As part of that, we have been strengthening the ways in which we engage with our member owners. Whether our Council is raising issues on your behalf or looking to develop our Co-op for the future, we're focused on your priorities and your needs. In 2025, we:

- Met with thousands of members over the year, including national, local and online events during the autumn to hear what you had to say about our Co-op and the things that matter to you most. Together with Board directors and business leaders, we met members across all four nations, with over 1,800 attending our Co-op community cafés in London, Belfast, Cardiff, Edinburgh and Manchester - an increase of 28% on the previous year.
- Pushed for a new two-way member engagement platform to support better, more dynamic conversations between members and their local elected representatives within the National Members' Council. The work on this has started behind the scenes and we are expecting exciting developments for 2025.
- Strengthened our understanding of what members care about through the Big Co-op Survey and other dedicated insight work, reaching over 37,000 of our members to find out more about the big things on your minds and your priorities now and in the future.
- Celebrated Fairtrade Fortnight with members in our stores and our communities, with over 10,000 member owners attending in-person events and a further 36,800 taking part online. Our Co-op supported the Fairtrade Foundation's campaign Do It Fair, Brew It Fair, with greater promotion in stores, activities within our Co-op Academies and support for members to petition MPs on workers' rights in tea supply chains.
- Developed a new framework for member engagement for the year ahead, driving more opportunities for members to benefit from their ownership of our Co-op through a series of 'touchstone' points intended to support members to be empowered, inspired and to belong as part of our Co-op community. We're working with our member activator network across the country to reach members and promote the value of member ownership and opportunities to get involved.
- Represented our Co-op externally to continue to raise awareness of the power of co-operatives, engaging with the UK Government on their commitment to double the size of the co-operative sector and working in partnership with others from across the sector to develop and advocate for the changes in policy needed to deliver this.

# REPORT OF THE SCRUTINY COMMITTEE

## OUR REVIEW OF BOARD APPOINTMENTS AND ELECTIONS

In 2025, our members elected a new Member Nominated Director, Mitch Oliver, and re-elected Sarah McCarthy-Fry as Member Nominated Director to serve a third term.

Wais Shaifta and Lord Simon Woolley were appointed as Independent Non-Executive Directors in February 2025. Wais subsequently stepped down from the Board in August 2025 to assume the role of Chief Growth Officer for our Co-op.

As part of the process for Director appointments and elections, 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 2025.

Further details on our Board and how Directors are appointed can be found in the section *Our Leadership and Governance Structure*.

## 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. The Committee checks:

- The selection process for the ballot is fair, transparent and objective
- The background information gathered on the candidates is satisfactory

In 2025, two Member Nominated Directors were elected by our members and two Independent Non-Executive Directors were appointed by the Board.

## OUR FINDINGS

### Member Nominated Directors

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 the 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 and process.

As a result, the committee can confirm that the selection process leading to the shortlisting of Sarah McCarthy-Fry, Mitch Oliver and Ian Craig to go forward to a ballot of members was fair, transparent and objective and that all proper background checks were made.

More broadly, as a committee, we discussed the importance of ensuring that all of our processes continue to attract suitably qualified candidates from within our membership to stand for election as a Member Nominated Director. We look forward to taking part in the review of these processes led by the Member Nominated Director Selection and Approvals Committee during 2026, in time for the next Member Nominated Director elections in 2027.

### **Independent Non-Executive Director**

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.

For these appointments, the Scrutiny Committee reviews the adequacy of background checks and information from standard recruitment searches carried out on potential candidates. We also check the decision made by the Nominations Committee to ensure that all the criteria have been met (such as skills and experience, and commitment to Co-operative Values and Principles).

It is important that any appointment is fair, transparent and objective, so we look into this on behalf of our members to give that extra level of assurance.

The Committee acknowledged the benefits of changes made to the INED search process and received assurance regarding the application of diversity considerations, including the balance of skills required for our Board.

We sought and received assurance that the Board had satisfied itself regarding the capacity of candidates to undertake the INED role and the due diligence search process undertaken.

The Committee can confirm that they were satisfied that the selection processes that led to the appointments of Wais Shaifita and Lord Simon Woolley as Independent Non-Executive Directors were fair, transparent and objective and that all proper background checks were made.

Finally, we have received confirmation that all Directors met our Co-op's trading requirements.

## **COMMITTEE MEMBERSHIP**

The Committee membership for the 2024/5 Council year was:

David Paterson (Chair)

Rachel Ayungunna

June Morrison

Louise Walker

# 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 making its key strategic decisions during the year.

### OUR MEMBERS

Our Co-op is owned by more than seven million active members 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 members 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 members 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.
- Ahead of our 2025 AGM, our National Members' Council tried something different for its motions drafting process. For the first time, two online events were held in February, where we brought members and Council members together to discuss themes that members had raised to shape what our Co-op tackles next.

- Our 2025 AGM marked a first for our Co-op, as we continued to make it easier than ever to participate by holding six local events around the UK with member activators and Council members. This meant that members outside of Manchester could feel part of our event at Co-op Live, with a chance to hear the latest updates on our businesses, put questions directly to Directors and Co-op leaders through our live Q&A, and take part in members' discussions on the issues that matter most.
- Building on our 2025 AGM and local events, we also held a members' discussion as part of our online Q&A for Co-op's 2025 interim results for the first time. The discussion focused on three topics that members told us were their top priorities for our Co-op, including what more they would want to see from our products and services and how we can support their communities to thrive.
- In autumn, our local pop-ups were back in capital cities, alongside online conversations and over 100 local events. We showcased how our Co-op is both on your corner and in your corner with food tastings, exclusive goodies for members and plenty of opportunities to share views and ideas for our businesses to explore. We increased in-person attendance at pop-ups by 28% and at our local events by an incredible 105%.

Our member activator network throughout the UK is 87 Co-op colleagues strong and has been in place for over 18 months. Member activators have been working closely with our members, leading the charge in raising awareness of economic, social and ownership value.

In 2025, our member activators have carried out over 300,000 interactions with our members and colleagues to deliver initiatives on the issues that matter to communities. Some key highlights from 2025 have been:

- Running 130 events with our members in October. We asked our members for feedback on our products and services and ideas on how we can work together locally
- Delivered over 400 events on our sustainability commitments including Food Waste Action Week in March and Fairtrade Fortnight in September with over 23,000 interactions with members
- Promoting membership value through Community Celebrations with member owners and local groups in November

## OUR NATIONAL MEMBERS' COUNCIL

Our Members' Council met with our Board and the business regularly during 2025, during Council Meetings, committees and working groups. Examples during 2025 include:

- Director attendance at Council sessions to update on developments relating to our Co-op
- Director and leader Q&A sessions where Council members ask questions and hold the Board to account in relation to our priorities and how we're building a successful modern co-operative business
- Breakout sessions where our Council and Directors work together to shape plans
- Regular director attendance at Council committees to update on topics within the committee's remit. Directors answer questions regarding our KPIs and performance scorecard to support our refreshed Group strategy. This promotes a unified approach within our governance structure
- Council President attendance at Board meetings
- Online video updates and communications focused on helping members understand how their vote makes a difference to our Co-op

## OUR CUSTOMERS

We continue to embed a customer and member-focused culture. As a result, we're committed to understanding our customers' experiences of our products and services, their wants and needs, and how behaviour is evolving.

Across 2025, we have used the knowledge, skills and expertise of our Advanced Analytics and Insights teams at every level of our Co-op to ensure decisions are evidence-led.

Example projects which have supported the business this year include:

- Our biggest ever survey of Co-op members
- AI enabled exploration of new concepts in stores
- Understanding the impact of promotions in our stores
- Detailed analysis to define behaviour-based cohorts within our member base
- Analysis of performance drivers
- Econometrics studies

Within Advanced Analytics and Insights, we have improved our technical capability with AI tools. We continue to explore the opportunities this offers to cascade insights and data more interactively, make greater use of unstructured data, and synthesise data from different sources.

## OUR COLLEAGUES

Our Board recognises the importance of listening to, and engaging with, our 53,000 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 2025, at least two of our Directors attended our National Colleague Voice listening sessions. This has proven valuable for both the Board and Co-op colleagues, and this will continue throughout 2026. In addition, a Member Nominated Director attends our Members' 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.

For all the colleague engagement activities that contributed to this, [read our Social Value and Sustainability report](#).

## OUR SUPPLIERS

A strong, trusted and transparent supply chain is integral to our success. 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. We work to build our understanding of issues, developing 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. For example, in 2025 we:

- Provided £760,000 of funding to farmers in our supply chain to support them in reducing emissions and promoting nature on their farms.
- Tracked the carbon reduction activity of our top suppliers and worked with the most impactful of these suppliers to agree shared plans and progress. As of 2025, the majority of our purchased goods emissions are now from suppliers with validated science-based targets.
- Collaborated with Soil Association Exchange (SAX) to support UK wheat farmers to reduce their impact and improve resilience. We also worked with our Co-op Dairy Group farmers to participate on a SAX project, to gain deeper insight into their soils and the habitats on their farms.
- Continued our focus on building supplier capability on Human Rights and Ethical Trade. We delivered a Strategic Supplier Forum this year, as well as sponsoring in-country forums in Spain, Egypt and South Africa. In addition, we continued our collaborative work with the Food Network for Ethical Trade, Stronger Together and the Ethical Trading Initiative by hosting stakeholder events in the UK and online.

You can read more about our approach to responsible sourcing [in our Social Value and Sustainability Report](#). The way we prevent modern slavery is detailed in our [Modern Slavery Statement](#).

## FAIRTRADE PARTNERS

In 2025, we continued our efforts supporting Fairtrade. For more than three decades we've stood with farmers and workers for fairer terms of trade, supporting them to improve their livelihoods and invest in their communities. In 2025, we have expanded our successful Productivity Improvement Programme (PIP) from bananas into our Peruvian cocoa supply chain. PIP aims to support over 1,100 cocoa producers in increasing their resilience and livelihoods.

Read more about [how we work with our suppliers](#) and the impact we have in Fairtrade communities.

## RIGHT BY YOUR COMMUNITY

Our members have a say 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 our members and their communities.

The way we create social value builds on the work of the Rochdale Pioneers in 1844. The reason our Co-op exists is to deliver value for our members and the communities around us. This means we provide access to opportunities and resources for people to thrive in the communities that we serve and trade with.

We do this by supporting local causes in our members' communities and charity partnerships that provide access to opportunities, sustainable futures and peace of mind and wellbeing.

Co-op membership also means member owners can get involved in opportunities such as supporting our community activities, campaigning on issues that matter to them or helping to develop Co-op products.

For examples of how we have engaged with and supported our members' communities during 2025, 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). These ISMs 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. In 2025, we marked the United Nations International Year of Co-operatives by hosting the International Co-operative Alliance General Assembly in Manchester involving over 400 delegates from 60 countries. Our CEO has also played a prominent role in the Co-operatives and Mutuals Leadership Circle (CM50), a forum which brings together leaders from the world's largest and most successful co-ops.

We continue to support and fund a wide range of bodies representing different aspects of the Co-operative movement, including the apex body, Co-operatives UK.

Finally, we have been pleased to support the work of the Co-operatives and Mutual Sector Business Council, of which our Co-op is one of four founding business members. This Council was 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 a sponsor, our Co-op 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 the Co-op as well as from the educational and charity sector.

During 2025, Directors and senior leaders across all parts of our Co-op visited Co-op Academies and supported a wide range of enrichment activities benefitting the Trust's 21,000 students. Our Co-op has continued to provide £1m support for vulnerable students and community engagement by our academies, as well as wider in-kind support, including from our suppliers.

## 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 members' money.  
Here, we share our accounting information  
for 2025 with you.



## Consolidated income statement

for the 52 week period ended 3 January 2026

	Notes	2025 £m	2024 £m
Revenue (excluding funeral plans)	2	<b>10,923</b>	11,188
Insurance revenue (funeral plans)	2, 20	<b>102</b>	91
<b>Total Revenue</b>	2	<b>11,025</b>	11,279
Operating expenses (excluding funeral plans)	3	<b>(11,032)</b>	(11,115)
Insurance service expenses (funeral plans)	20	<b>(89)</b>	(81)
Other income	5	<b>39</b>	68
<b>Operating (loss) / profit</b>	1	<b>(57)</b>	151
Finance income	6	<b>148</b>	154
Finance costs (excluding funeral plans)	7	<b>(114)</b>	(126)
Insurance finance expenses (funeral plans)	7, 20	<b>(20)</b>	(18)
<b>(Loss) / profit before tax</b>	1	<b>(43)</b>	161
Taxation	8	<b>(4)</b>	(63)
<b>(Loss) / profit for the period</b>		<b>(47)</b>	98

The accompanying notes on pages 135 - 203 form an integral part of these financial statements.

## Reconciliation to Alternative performance measures (APMs\*)

for the 52 week period ended 3 January 2026

Continuing Operations	Notes	2025 £m	2024 £m
Operating (loss) / profit - as above	1	<b>(57)</b>	151
Add back / (deduct):			
- Property disposals and closures	1	<b>(11)</b>	(19)
- Impairment of non-current assets	1	<b>29</b>	18
- Change in value of investment properties	23	<b>(10)</b>	(14)
- Cyber attack (incremental costs)	1	<b>21</b>	-
- Other non-underlying items	1	<b>(7)</b>	(5)
<b>Underlying operating (loss) / profit*</b>	1	<b>(35)</b>	131
Less underlying net interest on loans and deposits	6, 7	<b>(27)</b>	(22)
Less underlying net interest expense on leases	6, 7	<b>(64)</b>	(64)
<b>Underlying (loss) / profit before tax*</b>		<b>(126)</b>	45

\*Refer to Note 1 for a definition of Underlying operating (loss) / profit and Underlying (loss) / profit before tax. Further detail on the Group's alternative performance measures (APMs) is given in the Glossary on page 222.

## Consolidated statement of comprehensive (loss) / income

for the 52 week period ended 3 January 2026

	Notes	2025 £m	2024 £m
<b>(Loss) / profit for the period</b>		<b>(47)</b>	98
<b>Items that will never be reclassified to the income statement:</b>			
Remeasurement (losses) / gains on employee pension schemes	24	<b>(3)</b>	8
Related tax on items above	8	<b>1</b>	(2)
		<b>(2)</b>	6
<b>Items that are or may be reclassified to the income statement:</b>			
Revaluation gain on properties prior to transfer to Investment properties	23	-	3
Insurance finance (expense) / income on funeral plans	20	<b>(57)</b>	94
Tax on funeral plan liabilities (insurance contracts)	8	<b>14</b>	(24)
		<b>(43)</b>	73
<b>Other comprehensive (loss) / income for the period net of tax</b>		<b>(45)</b>	79
<b>Total comprehensive (loss) / income for the period</b>		<b>(92)</b>	177

The accompanying notes on pages 135 - 203 form an integral part of these financial statements.

## Consolidated balance sheet

as at 3 January 2026

	Notes	2025 £m	2024 £m
Property, plant and equipment	10	1,591	1,556
Right-of-use assets	11	797	805
Goodwill and intangible assets	12	950	924
Investment properties	23	50	51
Investments in associates and joint ventures		4	5
Funeral plan investments	13	1,513	1,414
Pension assets (net pension assets for schemes in surplus)	24	270	328
Trade and other receivables	16	6	6
Finance lease receivables	11	29	20
<b>Total non-current assets</b>		<b>5,210</b>	5,109
Inventories	15	483	457
Trade and other receivables	16	719	602
Finance lease receivables	11	6	6
Short-term investments	17	-	100
Cash and cash equivalents	17	98	320
<b>Total current assets</b>		<b>1,306</b>	1,485
<b>Total assets</b>		<b>6,516</b>	6,594
Interest-bearing loans and borrowings	18	50	358
Lease liabilities	11	987	1,020
Trade and other payables	19	2	9
Insurance and re-insurance contract liabilities (funeral plans)	20	1,001	932
Derivative liabilities	26	1	6
Provisions	21	51	47
Pension liabilities (net pension liabilities for schemes in deficit)	24	3	3
Deferred tax liabilities	14	27	38
<b>Total non-current liabilities</b>		<b>2,122</b>	2,413
Overdrafts	17	2	-
Interest-bearing loans and borrowings	18	367	126
Lease liabilities	11	191	173
Trade and other payables	19	1,622	1,555
Insurance and re-insurance contract liabilities (funeral plans)	20	81	77
Derivative liabilities	26	3	3
Provisions	21	20	49
<b>Total current liabilities</b>		<b>2,286</b>	1,983
<b>Total liabilities</b>		<b>4,408</b>	4,396
Members' share capital	22	79	77
Retained earnings	22	2,017	2,109
Other reserves	22	12	12
<b>Total equity</b>		<b>2,108</b>	2,198
<b>Total equity and liabilities</b>		<b>6,516</b>	6,594

The accompanying notes on pages 135 - 203 form an integral part of these financial statements.

### Board's certification

The financial statements on pages 130 - 203 are hereby signed on behalf of the Board pursuant to Section 80 (1) (a) of the Co-operative and Community Benefit Societies Act.

**Debbie White** - Chair  
27 March 2026

**Rachel Izzard** - Chief Financial Officer

**Dominic Kendal-Ward** - Group Secretary

## Consolidated statement of changes in equity

for the 52 week period ended 3 January 2026

For the 52 weeks ended 3 January 2026		Members' share capital	Retained earnings	Other reserves	Total equity
	Notes	£m	£m	£m	£m
<b>Balance at 4 January 2025</b>		<b>77</b>	<b>2,109</b>	<b>12</b>	<b>2,198</b>
Loss for the period		-	(47)	-	(47)
<u>Other comprehensive income / (loss):</u>					
Remeasurement losses on employee pension schemes	24	-	(3)	-	(3)
Tax on remeasurement losses (pension schemes)	8	-	1	-	1
Insurance finance income (funeral plans)	20	-	(57)	-	(57)
Tax on funeral plan liabilities (insurance contracts)	8	-	14	-	14
<b>Total other comprehensive loss</b>		<b>-</b>	<b>(45)</b>	<b>-</b>	<b>(45)</b>
Shares issued less shares withdrawn	22	2	-	-	2
<b>Total of items taken directly to retained earnings</b>		<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Balance at 3 January 2026</b>	22	<b>79</b>	<b>2,017</b>	<b>12</b>	<b>2,108</b>

The accompanying notes on pages 135 - 203 form an integral part of these financial statements.

For the 52 weeks ended 4 January 2025		Members' share capital	Retained earnings	Other reserves	Total equity
	Notes	£m	£m	£m	£m
<b>Balance at 6 January 2024</b>		<b>76</b>	<b>1,935</b>	<b>9</b>	<b>2,020</b>
Profit for the period		-	98	-	98
<u>Other comprehensive income / (loss):</u>					
Remeasurement gain on employee pension schemes	24	-	8	-	8
Tax on items taken directly to other comprehensive income	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
<b>Total other comprehensive income</b>		<b>-</b>	<b>76</b>	<b>3</b>	<b>79</b>
Shares issued less shares withdrawn	22	1	-	-	1
<b>Total of items taken directly to retained earnings</b>		<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<b>Balance at 4 January 2025</b>	22	<b>77</b>	<b>2,109</b>	<b>12</b>	<b>2,198</b>

## Consolidated cash flow statement

for the 52 week period ended 3 January 2026

Group cash flow	Notes	2025 £m	2024 £m
<b>Net cash from operating activities</b>	9	<b>243</b>	456
<u>Cash flows from investing activities:</u>			
Purchase of property, plant and equipment		<b>(265)</b>	(248)
Proceeds from sale of property, plant and equipment		<b>22</b>	24
Purchase of intangible assets		<b>(53)</b>	(25)
Disposal of businesses		-	5
Disposal of petrol forecourts		-	5
Purchase of investments for pre-paid funeral plan sales	13	<b>(97)</b>	(90)
Receipts from funds for pre-paid funeral plans performed or cancelled	13	<b>108</b>	110
Purchase of short-term investments	17	-	(100)
Proceeds from sale of short-term investments	17	<b>100</b>	200
Dividends received from investments		-	1
Interest received on subleases		<b>2</b>	2
Rent received on subleases		<b>7</b>	8
Interest received on deposits		<b>18</b>	28
<b>Net cash used in investing activities</b>		<b>(158)</b>	(80)
<u>Cash flows from financing activities:</u>			
Interest paid on borrowings		<b>(45)</b>	(53)
Interest paid on lease liabilities	11	<b>(66)</b>	(67)
Repayment of borrowings	18	<b>(112)</b>	(204)
Cash inflow from increase in borrowings	18	<b>50</b>	-
Payment of lease liabilities	11	<b>(137)</b>	(126)
Derivative settlements		<b>(2)</b>	(2)
Share capital	22	<b>2</b>	1
<b>Net cash used in financing activities</b>		<b>(310)</b>	(451)
<b>Net foreign exchange difference</b>		<b>1</b>	-
Net decrease in cash and cash equivalents		<b>(224)</b>	(75)
Cash and cash equivalents at beginning of period		<b>320</b>	395
<b>Net Cash and cash equivalents at end of period</b>	17	<b>96</b>	320
Overdrafts (per balance sheet)		<b>(2)</b>	-
Cash and cash equivalents (per balance sheet)		<b>98</b>	320
		<b>96</b>	320

The accompanying notes on pages 135 - 203 form an integral part of these financial statements.

Group net debt (APM*)	Notes	2025 £m	2024 £m
Interest-bearing loans and borrowings	18	<b>(417)</b>	(484)
Lease liabilities	18	<b>(1,178)</b>	(1,193)
<b>Total debt</b>		<b>(1,595)</b>	(1,677)
- Group cash **	17	<b>93</b>	320
- Overdrafts	17	<b>(2)</b>	-
- Short-term investments	17	-	100
<b>Group net debt</b>		<b>(1,504)</b>	(1,257)
<u>Add back:</u> accrued interest on amortised debt		<b>9</b>	9
<b>Group net debt (excluding accrued interest on amortised debt)*</b>	18	<b>(1,495)</b>	(1,248)
<b>Group net debt (excluding lease liabilities and accrued interest on amortised debt)*</b>	18	<b>(317)</b>	(55)

\* Further detail on the Group's net debt APMs (alternative performance measures) is given in the Glossary on page 222.

\*\* Group cash in our Net debt APM metric excludes £5m of restricted cash relating to receipts to be invested in funeral plan investments.

## 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 support functions.

2025	Food Retail	B2B		Life Services			Support functions	Total
		Federal (e)	Wholesale	Funeral	Legal	Insurance		
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Revenue from external customers</b>	<b>7,256</b>	<b>1,964</b>	<b>1,387</b>	<b>309</b>	<b>83</b>	<b>26</b>	-	<b>11,025</b>
Cost of goods and services	(5,016)	(1,964)	(1,211)	(50)	(4)	-	-	(8,245)
Employee benefits expense	(1,221)	-	(19)	(111)	(36)	(5)	(156)	(1,548)
Distribution and other costs and income	(985)	-	(171)	(141)	(21)	(9)	60	(1,267)
<b>Underlying operating (loss) / profit (c)</b>	<b>34</b>	-	<b>(14)</b>	<b>7</b>	<b>22</b>	<b>12</b>	<b>(96)</b>	<b>(35)</b>
Property disposals and closures (c) (i)	-	-	-	-	-	-	11	11
(Impairment) / reversals of non-current assets	(37)	-	-	-	-	-	8	(29)
Change in value of investment properties	-	-	-	-	-	-	10	10
Cyber attack (incremental costs) (iii)	(10)	-	-	-	-	-	(11)	(21)
Other non-underlying items (c) (iv)	(4)	-	(1)	(1)	-	2	11	7
<b>Operating (loss) / profit (a)</b>	<b>(17)</b>	-	<b>(15)</b>	<b>6</b>	<b>22</b>	<b>14</b>	<b>(67)</b>	<b>(57)</b>
Profit before tax (Funerals only) (f)				116				
Depreciation and amortisation	301	-	6	31	1	-	23	362
<b>EBITDA*</b>	<b>284</b>	-	<b>(9)</b>	<b>37</b>	<b>23</b>	<b>14</b>	<b>(44)</b>	<b>305</b>
<b>Underlying EBITDA*</b>	<b>335</b>	-	<b>(8)</b>	<b>38</b>	<b>23</b>	<b>12</b>	<b>(73)</b>	<b>327</b>
Additions to non-current assets (d)	257	-	7	18	-	-	36	318

Funeral revenue comprises £102m (2024: £91m) in relation to pre-need funeral plans and £207m (2024: £198m) for at-need funerals. Wholesale revenue includes sales of £91m (2024: £74m) generated by our franchise business.

\*Details of the Group's APMs (alternative performance measures) including EBITDA can be found in the Glossary on page 222.

2024	Food Retail	B2B		Life Services			Support functions	Total
		Federal	Wholesale	Funeral**	Legal	Insurance		
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Revenue from external customers</b>	7,403	2,076	1,399	289	84	28	-	11,279
Cost of goods and services	(5,056)	(2,076)	(1,220)	(59)	(8)	-	-	(8,419)
Employee benefits expense	(1,181)	-	(18)	(106)	(35)	(5)	(174)	(1,519)
Distribution and other costs and income	(965)	-	(162)	(125)	(14)	(8)	64	(1,210)
<b>Underlying operating profit / (loss) (c)</b>	<b>201</b>	-	<b>(1)</b>	<b>(1)</b>	<b>27</b>	<b>15</b>	<b>(110)</b>	<b>131</b>
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) (iv)	19	-	(1)	(8)	-	-	(5)	5
<b>Operating profit / (loss) (a)</b>	<b>210</b>	-	<b>(2)</b>	<b>(9)</b>	<b>27</b>	<b>15</b>	<b>(90)</b>	<b>151</b>
Profit before tax (Funerals only) (f)				103				
<b>Depreciation and amortisation</b>	<b>293</b>	-	<b>6</b>	<b>29</b>	<b>1</b>	-	<b>21</b>	<b>350</b>
<b>EBITDA*</b>	<b>503</b>	-	<b>4</b>	<b>20</b>	<b>28</b>	<b>15</b>	<b>(69)</b>	<b>501</b>
<b>Underlying EBITDA*</b>	<b>494</b>	-	<b>5</b>	<b>28</b>	<b>28</b>	<b>15</b>	<b>(89)</b>	<b>481</b>
Additions to non-current assets (d)	194	-	6	31	-	-	42	273

\*\*Certain costs have been reclassified in the table above between Cost of goods and services and Distribution and other costs and income.

## 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. Transactions between operating segments excluded in the analysis are £10m (2024: £125m) of sales of goods by Food to Wholesale net of supplier income and £101m (2024: £136m) of pass through recharges (e.g. payroll and transport costs) made by Food to Wholesale. Food also provides a wholesale service to other independent co-operative societies on a cost recovery basis. The cost of this service amounting to £159m (2024: £158m) 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 £210m (2024: £208m) are included within the Distribution and other costs and income line.

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 (loss) / profit is a non-GAAP measure of operating (loss) / profit before the impact of non-underlying items, as detailed in notes (i) - (iv) below. Underlying (loss) / profit before tax includes charges for underlying interest on our borrowings and leases. The Directors believe that these Alternative Performance Measures ("APMs") help our members understand our Group's and business segments underlying performance. Further details on the Group's APMs is given in the Glossary section (page 222). The difference between underlying operating (loss) / profit and operating (loss) / profit includes:

(i) Gains from property and business disposals of £11m (2024: £19m) comprise a £11m gain (2024: £11m gain) on non-trading properties held in our central supporting function segment and £nil gain (2024: £7m gain) on Food stores and £nil gain (2024: £1m gain) in Wholesale.

(ii) Net impairment charges of £29m (2024: £18m) relate to an impairment charge over our Food stores of £37m (2024: £17m in Food and £1m in Wholesale) offset by a net £1m impairment reversal relating to our support centre (2024: £nil), and a further reversal of £7m of the previously recognised impairment on our sub-leased estate (2024:£nil).

(iii) During the period our Co-op was the victim of a cyber attack (April 2025). Our proactive cyber containment, defensive action and subsequent recovery has impacted our financials in the period across multiple areas. Incremental, non recurring costs relating to additional activities and costs incurred as a direct result of the cyber attack totalling £21m (2024: £nil) have been recognised within non-underlying items. These mainly relate to incremental stock losses (£4m) and stock wastage (£6m) in our Food business (totalling £10m), incremental third party costs incurred with our professional services partners as well as incremental payroll costs incurred as part of the cyber recovery process (£11m). Full analysis of the cyber impact on our Co-op is included in the Financial Review section of this report.

(iv) Other non-underlying items totalling a £7m gain (2024: £5m gain) comprises £13m of net gains from releases and charges to legal and regulatory provisions, a £2m gain following a change in accounting treatment of deferred acquisition costs in our Insurance business, net of a £8m charge relating to a multi-year business restructuring activity.

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.

f) 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. Additionally, the net cash from operating activities is included in the table below to further aid a reader's understanding of the performance of that business.

Funerals segment (£m)	2025	2024
Operating profit / (loss)	6	(9)
Finance income (funeral plans)	110	102
Finance cost (funeral plans)	(20)	(18)
Finance income (other)	22	30
Finance costs (other)	(2)	(2)
Profit before tax	116	103
Net cash from operating activities	17	20

## Notes to the financial statements continued

### 1 Operating segments continued

g) A reconciliation between Underlying operating (loss) / profit, Underlying (loss) / profit before tax and Loss / (profit) before tax is provided below:

	Notes	2025 £m	2024 £m
<b>Underlying operating (loss) / profit</b>		<b>(35)</b>	131
Underlying net interest on loans and deposits	6, 7	<b>(27)</b>	(22)
Underlying net interest expense on leases	6, 7	<b>(64)</b>	(64)
<b>Underlying (loss) / profit before tax</b>		<b>(126)</b>	45
Property disposals and closures	1	<b>11</b>	19
Impairment of non-current assets (net)	1	<b>(29)</b>	(18)
Change in value of investment properties	23	<b>10</b>	14
Cyber attack (incremental costs)	1	<b>(21)</b>	-
Other non-underlying items	1	<b>7</b>	5
Finance income (net pension income)	6	<b>18</b>	17
Fair value movement on foreign exchange contracts and commodity derivatives (net)	6	<b>1</b>	(1)
Fair value movement on interest rate swaps not designated for hedge accounting	6	<b>2</b>	3
Fair value movement on quoted Group debt	6	<b>1</b>	(3)
Finance income (funeral plans)	6	<b>110</b>	102
Finance costs (funeral plans)	7	<b>(20)</b>	(18)
Other non-underlying finance income	6	-	5
Other non-underlying finance interest	7	<b>(7)</b>	(9)
<b>(Loss) / profit before tax</b>		<b>(43)</b>	161

### 2 Revenue

	2025 £m	2024 £m
Retail sales	<b>7,256</b>	7,403
Provision of services	<b>316</b>	310
Insurance revenue (funeral plans)	<b>102</b>	91
Wholesale sales (excluding Franchise sales)	<b>1,296</b>	1,325
Franchise sales	<b>91</b>	74
Federal sales	<b>1,964</b>	2,076
<b>Total Revenue</b>	<b>11,025</b>	11,279

## 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. Incremental costs that are directly incurred securing new business (such as aggregator fees from price comparison websites) are deferred and held on the balance sheet (within Trade and Other Receivables) as an asset when we expect to recover those costs through future income on the new business. The deferred costs are subsequently charged to the Income statement on a systematic basis that is consistent with the revenue that is expected to be earned from the customer of the services to which the asset relates over the average life of the relationship with the customer.

#### 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.

#### 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. The Group also administers the invoicing for the supply of certain goods direct from suppliers to the independent co-operative societies. Although the Group does not have control of the goods, it negotiates the supply contracts and bears the bad debt risk, so is acting as principal under IFRS 15.

## Notes to the financial statements continued

### 3 Operating expenses

Operating (loss) / profit is stated after (charging) / crediting the following:

	2025	2024
	£m	£m
Cost of goods and services recognised as an expense	(8,245)	(8,419)
Employee benefits expense (see below)	(1,548)	(1,519)
Impairment of plant, property and equipment and goodwill	(17)	(15)
Impairment of plant, property and equipment and goodwill (reversals)	-	7
Impairment of right-of-use assets	(23)	(10)
Impairment of right-of-use assets (reversals)	3	-
Impairment of subleases (reversals)	8	-
Cyber attack (incremental costs) - see Note 1 (c iii)	(21)	-
Depreciation of plant, property and equipment	(217)	(208)
Depreciation of right-of-use assets	(112)	(110)
Amortisation of intangible assets	(33)	(32)
Charge on allowance for expected credit losses on trade receivables	(3)	(8)
Credit on allowance for expected credit losses on trade receivables	1	9
Subscriptions and donations	(8)	(9)

#### Employee benefits expense

	2025	2024
	£m	£m
Wages and salaries	(1,346)	(1,355)
Social security costs	(132)	(97)
Pension costs - defined benefit schemes	(6)	(6)
Pension costs - defined contribution schemes	(64)	(61)
<b>Total employee benefits expense</b>	<b>(1,548)</b>	<b>(1,519)</b>

Employee benefits expense includes executive directors.

#### Employee numbers

The average number of people employed by the Group in the UK during the year (including executive directors) was:

	2025	2024
	Number	Number
Full-time	16,938	17,373
Part-time	36,477	37,482
<b>Total average employees</b>	<b>53,415</b>	<b>54,855</b>

As at the balance sheet date (3rd January 2026) there were 53,131 employees; comprising 16,807 (full-time) and 36,324 (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 69 - 85.

## Notes to the financial statements continued

### 3 Operating expenses continued

Auditor remuneration	2025	2024
	£m	£m
Audit of these financial statements	3.3	3.2
Audit of financial statements of subsidiaries	0.9	0.9
Non-audit services	0.1	0.1
<b>Total fees</b>	<b>4.3</b>	<b>4.2</b>

#### 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	2025	2024
	£m	£m
Food - Long-term agreements	159	166
Food - Bonus income	115	130
Food - Promotional income	242	258
<b>Total Food supplier income</b>	<b>516</b>	<b>554</b>
Wholesale - Long-term agreements	21	26
Wholesale - Bonus income	13	10
Wholesale - Promotional income	73	69
<b>Total Wholesale supplier income</b>	<b>107</b>	<b>105</b>
<b>Total supplier income</b>	<b>623</b>	<b>659</b>

Percentage of Cost of Sales before deducting Supplier income	2025	2024
Food - Long-term agreements	3.0%	3.0%
Food - Bonus income	2.1%	2.4%
Food - Promotional income	4.5%	4.7%
<b>Total Food supplier income percentage</b>	<b>9.6%</b>	<b>10.1%</b>
Wholesale - Long-term agreements	1.7%	2.1%
Wholesale - Bonus income	1.1%	0.8%
Wholesale - Promotional income	6.1%	5.5%
<b>Total Wholesale supplier income percentage</b>	<b>8.9%</b>	<b>8.4%</b>

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

	2025	2024
	£m	£m
Rental income from non-investment properties	4	7
Rental income from investment properties	3	2
Gain on property, business disposals and closures (before impairments)	11	19
Change in value of investment properties	10	14
Impairment reversals of non-current assets	11	7
Net gain on other plant and equipment disposals	-	2
Gain on one-off fair value adjustment *	-	17
<b>Total other income</b>	<b>39</b>	<b>68</b>

\* In the prior year; this related 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

	2025	2024
	£m	£m
<i>Underlying finance income:</i>		
Interest income from finance lease receivables	2	2
Interest receivable on deposits	14	25
<b>Total underlying finance income</b>	<b>16</b>	<b>27</b>
<i>Non-underlying finance income:</i>		
Net pension finance income	18	17
Fair value movement on interest rate swaps*	2	3
Fair value movement on foreign exchange contracts and commodity derivatives	1	-
Fair value movement on quoted Group debt	1	-
Unrealised fair value movement on funeral plan investments	110	102
Other non-underlying finance income**	-	5
<b>Total non-underlying finance income</b>	<b>132</b>	<b>127</b>
<b>Total finance income</b>	<b>148</b>	<b>154</b>

\*The fair value movement noted in the Finance income table above relates to the £105m of interest rate swaps that are not designated for hedge accounting. The effective portion of the fair value movement on the £175m of swaps designated for hedge accounting has been reflected in the Hedge Reserve (see Note 22).

\*\* The £5m gain noted in the prior year related to the net impact of a refinement of our actuarial model during that year (following the adoption of IFRS 17 in 2023) resulting in a one-off adjustment to plan liabilities of £19m (Note 20) and £14m of investments relating to fixed monthly payment plans (FMPs) that were de-recognised during the prior year (Note 13).

### 7 Finance costs

	2025	2024
	£m	£m
<i>Underlying finance costs:</i>		
Interest on loans (all repayable within five years)	(41)	(47)
Interest expense on lease liabilities	(66)	(66)
<b>Total underlying finance cost</b>	<b>(107)</b>	<b>(113)</b>
<i>Non-underlying finance costs:</i>		
Fair value movement on foreign exchange contracts and commodity derivatives	-	(1)
Fair value movement on quoted Group debt	-	(3)
Other non-underlying finance interest	(7)	(9)
Insurance finance expenses (funeral plans)	(20)	(18)
<b>Total non-underlying finance cost</b>	<b>(27)</b>	<b>(31)</b>
<b>Total finance costs</b>	<b>(134)</b>	<b>(144)</b>

Total interest expense on financial liabilities (including lease liabilities) that are not at fair value through the income statement was £99m (2024: £104m).

## Notes to the financial statements continued

### 8 Taxation

	Footnote	2025 £m	2024 £m
Current tax credit - current period	(i)	-	-
Current tax credit - adjustment in respect of prior periods		-	-
Net current tax credit - in respect of continuing operations		-	-
Net current tax charge - in respect of discontinued operations		-	-
<b>Total current tax charge</b>		-	-
Deferred tax charge - current period	(ii)	(1)	(74)
Deferred tax credit - adjustments in respect of prior periods	(iii)	(3)	11
Deferred tax charge - impact of rate change (see note below)	(ii)	-	-
<b>Total deferred tax charge</b>		(4)	(63)
Total tax charge reported in the income statement		(4)	(63)
<b>Total tax charge</b>		(4)	(63)

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% (2024: 25.0%) as follows:

	Footnote	2025 £m	2024 £m
(Loss) / profit before tax from continuing operations		(43)	161
Profit before tax from discontinued operation		-	-
Total (loss) / profit before tax		(43)	161
<b>Tax credit / (charge) at 25.0% (2024: 25.0%)</b>		<b>11</b>	(40)
<b>Current tax reconciliation:</b>			
Expenses not deductible for tax (including one-off costs)	(iv)	(1)	(20)
Depreciation and amortisation on non-qualifying assets	(v)	(11)	(12)
Capital gains arising on property disposals	(vi)	-	(2)
Impact on current tax for movement in temporary tax differences (see below)		1	74
<b>Total current tax charge</b>		-	-
<b>Deferred tax reconciliation:</b> (Utilisation) / increase of temporary tax differences - see Note 14 footnote (vii)			
Utilisation of capital allowances in excess of depreciation on qualifying assets		(7)	(78)
Utilisation of brought forward tax losses		(1)	(1)
Pension timing differences		13	10
Unwind of restatement adjustment on adoption of IFRS 16		(6)	(5)
IFRS 17 Funeral plan liabilities		-	-
Unrealised gains on investment properties, rolled-over gains and historic business combinations		-	-
<b>Subtotal of deferred tax reconciling items</b>		<b>(1)</b>	(74)
<b>Other deferred tax items:</b>			
Adjustment in respect of previous periods	(iii)	(3)	11
Impact of restatement of deferred tax to enacted rate	(vii)	-	-
<b>Total deferred tax charge</b>		<b>(4)</b>	(63)
<b>Total tax charge</b>		<b>(4)</b>	(63)

## Notes to the financial statements continued

### 8 Taxation continued

#### Tax expense on items taken directly to consolidated statement of comprehensive income:

	2025 £m	2024 £m
Actuarial gains and losses on employee pension scheme	1	(2)
IFRS 17 Funeral plan liabilities	14	(24)
<b>Tax on items taken directly to consolidated statement of comprehensive income</b>	<b>15</b>	<b>(26)</b>

Of the £15m tax taken directly to the consolidated statement of comprehensive income, £1m credit (2024: £2m debit) arises on the actuarial movement on employee pension schemes with the main movement through OCI being the £14m credit 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.

#### 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 2025 (2024: not tax-paying) 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 (£366m gross claimed in 2025) and tax losses (£5m gross utilised in 2025) that offset its taxable profits for the period (2024: £373m gross claimed and £5m gross utilised). 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 2025, giving rise to a small current tax liability of £0.3m (2024: £0.2m). This is the Group's only non-UK resident entity for tax purposes, which employs 71 part-time and 128 full-time colleagues out of our total Group headcount figure (2024: 89 part-time and 147 full-time). All other income in the consolidated income statement is generated by UK activities and all other colleagues are employed in the UK.

The 2025 revenue of Manx Co-operative Society is £32m (2024: £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 3 January 2026 were £14m (4 January 2025: £16m, compared to net assets of the consolidated Group of £2,108m (2024: £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 2025 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 £4m 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 £3m credit adjustment in respect of prior years.

## Notes to the financial statements continued

### 8 Taxation continued

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.

### 9 Reconciliation of operating (loss) / profit to net cash flow from operating activities

	2025	2024
	£m	£m
<b>Operating (loss) / profit</b>	<b>(57)</b>	151
Depreciation and amortisation charges	<b>362</b>	350
Non-current asset impairments	<b>40</b>	25
Non-current asset impairment reversals	<b>(11)</b>	(7)
Profit on closure and disposal of businesses and non-current assets	<b>(11)</b>	(19)
Change in value of investment properties	<b>(10)</b>	(14)
Other non-underlying items *	-	(17)
Retirement benefit obligations	<b>72</b>	56
Increase in inventories	<b>(26)</b>	(17)
Increase in receivables	<b>(133)</b>	(12)
Increase / (decrease) in expected credit losses on trade receivables	<b>2</b>	(3)
Increase in insurance contract liabilities (funeral plans)	<b>(4)</b>	(2)
Increase / (decrease) in payables and provisions	<b>19</b>	(35)
<b>Net cash flow from operating activities</b>	<b>243</b>	456

\* In the comparative period; Other non-underlying items reflected 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 was treated as a non-underlying item in the Income statement.

#### 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 3 January 2026	Property £m	Plant and equipment £m	Total £m
<u>Cost or valuation:</u>			
At 4 January 2025	1,326	2,782	4,108
Additions	49	220	269
Disposals	(9)	(31)	(40)
<b>At 3 January 2026</b>	<b>1,366</b>	<b>2,971</b>	<b>4,337</b>
<u>Depreciation:</u>			
At 4 January 2025	593	1,959	2,552
Charge for the period	32	185	217
Impairment	-	17	17
Disposals	(9)	(31)	(40)
<b>At 3 January 2026</b>	<b>616</b>	<b>2,130</b>	<b>2,746</b>
<u>Net book value:</u>			
<b>At 3 January 2026</b>	<b>750</b>	<b>841</b>	<b>1,591</b>
At 4 January 2025	733	823	1,556
Capital work in progress included above	3	78	81

The impairment charge of £17m (2024: £8m) reflects impairment charges on our Food stores impacted by the underlying performance of our Food business (see also Critical accounting estimates and judgements section of this note).

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)
<b>At 4 January 2025</b>	<b>1,326</b>	<b>2,782</b>	<b>4,108</b>
<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)
<b>At 4 January 2025</b>	<b>593</b>	<b>1,959</b>	<b>2,552</b>
<u>Net book value:</u>			
<b>At 4 January 2025</b>	<b>733</b>	<b>823</b>	<b>1,556</b>
At 6 January 2024	728	815	1,543
Capital work in progress included above	-	23	23

## Notes to the financial statements continued

### 10 Property, plant and equipment continued

#### Critical accounting estimates and judgements

##### Impairment

An impairment review as at 3 January 2026 has been performed over our Food and Funeralcare estate with a total net impairment charge amounting to £37m (2024: £18m), relating to £17m for Property, plant and equipment (2024: £8m) and £20m for Right of use assets (2024: £10m). The impairment charge relates to our Food stores and is driven by the underlying performance of our Food business. Gross impairment recognised in respect of Property, plant and equipment amounted to £17m (2024: £12m), offset by impairment reversals of £nil (2024: £3m), whilst the gross impairment relating to right of use assets was £23m (2024: £13m) offset by impairment reversals of £3m (2024: £4m). The key assumptions in the value in use calculations are:

Assumption	Food Segment	Funeral Segment
<b>Structure of a CGU</b>	Each individual food store is deemed to be an individual cash generating unit (CGU).	A cash generating unit (CGU) is deemed to be a local network of interdependent branches, known as a Funeralcare Hub.
<b>Cash flow assumptions</b>	<p>Future cash flows for FY26 and FY27 are derived from Board approved plan cash flow assumptions. The plan reflects updated growth assumptions following the impact of the recent cyber attack on underlying trading performance and ongoing cost headwinds.</p> <p>For leasehold stores the forecasts are then subject to a growth rate of 0% for the remainder of the lease period. After the lease period, a long-term growth rate of 1.9% (2024: 1.9%) is applied into perpetuity (adjusted for rent expense given the impact of IFRS 16 leases) 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 for the growth rate of 0% aligns with the average store refit cycle of 10 years, with cash flows taken to perpetuity at 1.9% long-term growth (2024: 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>In general, new stores in their early months of operations are considered to be on a maturity curve and therefore excluded from our impairment assessment. Where appropriate, due to site-specific trading circumstances, individual such stores are included in the assessment by exception. Similarly, impairment reversals are considered after a store has completed a two year recovery period.</p>	<p>Future cash flows for FY26 and FY27 are derived from Board approved plan cash flow projections. The plan reflects updated growth assumptions following the impact of the recent cyber attack on underlying trading performance and ongoing cost headwinds.</p> <p>The forecasts are then subject to a long term growth rate of 1.02% (2024: 1.07%) reflecting the UK's long-term death 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>Perpetuities are included in cash flows with 1.02% growth (2024: 1.07%) 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 106 - 113. 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 plan underpinning our property, plant and equipment and 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
<b>Discount rate and Sensitivity analysis</b>	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 11.4% (2024: 10.3%). 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 10.2% (2024: 9.7%). 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 in the long term growth and b) no growth assumed in the first two years of forecasts. The sensitivities have not resulted in a material movement in the impairment calculated. The sensitivity analysis performed considers reasonably possible changes in these key assumptions and was modelled using cashflows that included and excluded the impact of the cyber attack. Sensitivity analysis has also been performed on our goodwill impairment testing, see note 12.	Sensitivity analysis has been performed against the key assumptions used in our Funeralcare Hub impairment testing as follows: a) 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.

#### 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 (CGU) 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 CGUs, 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.

## Notes to the financial statements continued

### 10 Property, plant and equipment continued

#### Impairment - continued

#### Accounting policies - continued

#### Impairment - continued

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 inflows 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
<b>Balance at 4th January 2025</b>	<b>740</b>	<b>65</b>	<b>805</b>
Depreciation charge for the year	(93)	(19)	(112)
New leases and modifications	110	29	139
Disposals	(15)	-	(15)
Net Impairment	(20)	-	(20)
<b>Balance at 3rd January 2026</b>	<b>722</b>	<b>75</b>	<b>797</b>

The net impairment charge of £20m (2024: £10m) comprises a £20m (2024: £10m) impairment charge against food stores where future cashflow forecasts do not support the carrying value of the right-of-use assets and a £3m (2024: £nil) charge against non-trading properties net of a reversal of £3m (2024: £nil) of previously recognised impairment for one of the floors in our support centre. In the context of impairment, the critical accounting estimates and judgements set out in Note 10 (Property, plant and equipment) are also applicable for right-of-use assets.

Balance at 6th January 2024	774	53	827
Depreciation charge for the year	(89)	(21)	(110)
New leases and modifications	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

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 (2024: 1 and 20 years), and leases of funeral branches are typically between 1 and 10 years in length (2024: 1 and 10 years). Vehicle and equipment leases are typically between 1 and 4 years in length (2024: 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.

Lease liabilities	2025 £m	2024 £m
Current	(191)	(173)
Non-current	(987)	(1,020)
<b>Lease liabilities included in the Consolidated balance sheet</b>	<b>(1,178)</b>	<b>(1,193)</b>

Lease liabilities	2025 £m	2024 £m
At the start of the period	(1,193)	(1,233)
New leases and modifications	(139)	(121)
Disposals	17	35
Interest expense	(66)	(67)
Payments	203	193
<b>Total lease liabilities</b>	<b>(1,178)</b>	<b>(1,193)</b>

## 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 3 January 2026, potential discounted future cash outflows of £176m (2024: £179m) 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 £97m (2024: £102m) where the group holds termination options but it is not reasonably certain to execute those termination options. In addition, an estimated £71m (2024: £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 £3m (2024: £2m).

#### B. As a lessor

Lease income from lease contracts in which the Group acts as a lessor is as below:

	2025 £m	2024 £m
<b>Operating lease (i)</b>		
<b>Lease income</b>	7	8
<b>Finance lease (ii)</b>		
<b>Finance income on the net investment in the lease</b>	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.

	2025 £m	2024 £m
Less than one year	5	5
One to two years	4	4
Two to three years	3	4
Three to four years	3	4
Four to five years	2	4
More than five years	28	26
<b>Total undiscounted lease payments receivable</b>	<b>45</b>	<b>47</b>

#### 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

	2025 £m	2024 £m
Less than one year	7	6
One to two years	6	6
Two to three years	6	6
Three to four years	5	5
Four to five years	5	4
More than five years	19	22
<b>Total undiscounted lease payments receivable</b>	<b>48</b>	49
Less: Unearned finance income	(10)	(11)
<b>Present value of minimum lease payments receivable</b>	<b>38</b>	38
Impairment loss allowance	(3)	(12)
<b>Finance lease receivable (net of impairment allowance)</b>	<b>35</b>	26

	2025 £m	2024 £m
Current	6	6
Non-current	29	20
<b>Total finance lease receivable</b>	<b>35</b>	26

The average term of finance leases entered into is 10 years (2024: 10 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 3 January 2026	Goodwill £m	Computer software £m	Other intangibles £m	Total £m
<u>Cost:</u>				
At 4 January 2025	1,123	387	43	1,553
Additions	-	59	-	59
Disposals	-	-	-	-
<b>At 3 January 2026</b>	<b>1,123</b>	<b>446</b>	<b>43</b>	<b>1,612</b>
<u>Accumulated amortisation and impairment:</u>				
At 4 January 2025	383	206	40	629
Charge for the period	-	32	1	33
Disposals	-	-	-	-
<b>At 3 January 2026</b>	<b>383</b>	<b>238</b>	<b>41</b>	<b>662</b>
<u>Net book value:</u>				
<b>At 3 January 2026</b>	<b>740</b>	<b>208</b>	<b>2</b>	<b>950</b>

Computer software includes £15m (2024: £25m) of intangible work in progress. Other intangibles relates to acquired customer relationships arising on acquisition of businesses.

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)
<b>At 4 January 2025</b>	<b>1,123</b>	<b>387</b>	<b>43</b>	<b>1,553</b>
<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)
<b>At 4 January 2025</b>	<b>383</b>	<b>206</b>	<b>40</b>	<b>629</b>
<u>Net book value:</u>				
<b>At 4 January 2025</b>	<b>740</b>	<b>181</b>	<b>3</b>	<b>924</b>

#### Goodwill

The components of goodwill are as follows:

	2025 £m	2024 £m
Food	720	720
Other businesses	20	20
<b>Total goodwill</b>	<b>740</b>	<b>740</b>

The goodwill within other businesses principally relates to the goodwill recognised in the Funeral and Legal Services businesses.

## 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 - 15 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:	2025 £m	2024 £m
Non-current assets	1,513	1,414
<b>Total Funeral plan investments</b>	<b>1,513</b>	<b>1,414</b>

Funeral plan investments held by the Group are as follows:	2025 £m	2024 £m
<b>Fair value through the income statement:</b>		
Funeral plan investments	1,513	1,414
<b>Total Funeral plan investments</b>	<b>1,513</b>	<b>1,414</b>

Funeral plan investments:	2025 £m	2024 £m
At start of period	1,414	1,346
Net plan investments (including ongoing instalments)	97	90
Plans redeemed	(97)	(96)
Plans cancelled	(11)	(14)
De-recognition of fixed monthly payment plans (FMPs)	-	(14)
Unrealised fair value movement on funeral plan investments (Note 6)	110	102
<b>At end of period</b>	<b>1,513</b>	<b>1,414</b>

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.

Included in the balances above are Low Cost Instalment Funeral Plans (LCIP) of £177m (2024: £140m). This relates to 71,582 (2024: 65,508) live plans. See note 20 for accounting policy for LCIP's.

The assured benefit between the Group and the customer is judged to represent an insurance contract and as such falls under the scope of IFRS 17 (Insurance Contracts). In-line with the requirements of IFRS 17 the Group accounts for the LCIPs in the same way as a normal funeral plan. These plans are assessed annually (gross of any reinsurance) using a liability adequacy test.

See Note 20 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% (2024: 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.

<b>Net deferred tax in the balance sheet:</b>		<b>2025</b>	<b>2024</b>
		<b>£m</b>	<b>£m</b>
Deferred tax asset - continuing operations		<b>301</b>	324
Deferred tax liability - continuing operations		<b>(328)</b>	(362)
<b>Net deferred tax liability</b>		<b>(27)</b>	(38)
<u>Comprised of:</u>			
	Footnote:		
Other temporary differences	(i)	<b>(8)</b>	(3)
Retirement benefit obligations	(ii)	<b>(67)</b>	(81)
Capital allowances on fixed assets	(iii)	<b>240</b>	250
Unrealised gains on investment properties, rolled-over gains and historic business combinations	(iv)	<b>(143)</b>	(148)
Tax losses	(v)	<b>18</b>	19
IFRS 16 adjustment	(vi)	<b>34</b>	38
IFRS 17 Funeral plan liabilities	(vii)	<b>(101)</b>	(113)
<b>Net deferred tax liability</b>		<b>(27)</b>	(38)

The movements in the net deferred tax (liability) / asset during the period are set out below:

<b>Movement in deferred tax:</b>		<b>2025</b>	<b>2024</b>
		<b>£m</b>	<b>£m</b>
<b>At beginning of the period</b>		<b>(38)</b>	52
Income statement charge (see Note 8)		<b>(4)</b>	(63)
Additions / disposals		-	(1)
<u>Reported in other comprehensive income:</u>			
Retirement benefit obligations (see Note 8)	(ii)	<b>1</b>	(2)
<u>Items taken directly to Retained earnings:</u>			
IFRS 17 Funeral plan liabilities	(vii)	<b>14</b>	(24)
<b>At end of the period</b>		<b>(27)</b>	(38)

## 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 2025 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 £57m resulting in a decrease in the corresponding deferred tax liability of £14m. 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 £5m decrease 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 £4m 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 £14m 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:	2025 £m	2024 £m
Raw materials, consumables and work in progress	4	4
Finished goods and goods for resale	479	453
<b>Total inventory</b>	<b>483</b>	457

The period end inventory provision is £16m (2024: £26m) and a net credit of £10m (2024: net credit of £1m) 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

	2025 £m	2024 £m
Non-current	6	6
Current	719	602
<b>Total trade and other receivables</b>	<b>725</b>	608

	2025 £m	2024 £m
Trade receivables	399	344
Prepayments	76	42
Accrued income	161	152
Other receivables	100	79
	<b>736</b>	617
Allowance for expected credit losses	(11)	(9)
<b>Total trade and other receivables</b>	<b>725</b>	608

Trade receivables are non-interest bearing and the Group's standard payment terms are between 7 and 60 days.

Within trade receivables is £95m (2024: £48m) of supplier income that is due from Food and Wholesale suppliers. Accrued income includes £141m (2024: £131m) in relation to supplier income that has been recognised but not yet billed. As at 2 March 2026 (reflecting close of Period 2 for the Group), £53m (2024: £44m) of the trade receivables balance had been invoiced and settled and £106m (2024: £108m) of the accrued income balance has been invoiced and settled.

Other receivables comprises a variety of sundry debtors and includes £18m (2024: £12m) of duty that is automatically applied to goods shipped to the Channel Islands that is recoverable from HMRC. Additionally there is £8m (2024: £7m) in relation to practice disbursements incurred in our legal business to progress client cases that will subsequently be recovered as well as £5m (2024: £nil) of deferred consideration in relation to Investment properties sold during the year

The table below shows the movement in the allowance for expected credit losses for trade and other receivables:

	2025 £m	2024 £m
Opening allowance for expected credit losses	9	12
Charge to the income statement	3	8
Payments	-	(2)
Credit to the income statement	(1)	(9)
<b>Closing allowance for expected credit losses</b>	<b>11</b>	9

## Notes to the financial statements continued

### 16 Trade and other receivables continued

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.

#### Accounting policies

Refer to Note 26 Financial Instruments for the accounting policies relating to trade receivables and allowances for expected credit losses.

### 17 Cash and cash equivalents and short-term investments

Cash and cash equivalents	2025 £m	2024 £m
Cash in hand	48	47
Cash at banks	50	273
<b>Cash and cash equivalents</b>	<b>98</b>	320
Cash and cash equivalents (as above)	98	320
Bank overdrafts	(2)	-
<b>Net cash and cash equivalents</b>	<b>96</b>	320

Through its primary banking provider, the Group operates a single joint account arrangement covering the parent society (Co-operative Group Limited) and its subsidiary entities. Under this arrangement, the Group manages all funds through a single joint MASS (Memorandum Account Statement System) account on behalf of all participating entities, whilst the individual entities have memorandum accounts which are reflected in the header MASS account. All memorandum balances are grouped together in the single MASS account for the purposes of applying interest from a Group perspective, but each entity records its own memorandum balance in its individual financial statements. The entities participating in the joint account arrangement provide a cross-guarantee for all participants in relation to all indebtedness owed to the bank and all participants are jointly and severally liable with the rest of the Group in the event of a default.

As at 3 January 2026, the joint MASS account had an overall overdrawn net balance of £2m (2024: nil). While the Group has a right of set-off across our memorandum accounts as part the joint account arrangement, each Group entity reflects their own individual cash position. The MASS account gross balances comprises positive balances of £699m and overdraft balances of £701m (2024: £421m / (£415m)).

The cash at bank figures include amounts receivable from customers or banks for debit or credit card payment transactions made by customers of £34m (2024: £36m) 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 financial year. In-line with current industry practice; these items are treated as cash equivalents due to their liquidity (based on the short duration before they clear the bank statement and the insignificant risk of a change in value of the balances).

Short-term investments	2025 £m	2024 £m
Cash deposits with banks (> 3 months)	-	100
<b>Total Short-term investments</b>	<b>-</b>	100

#### 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. Cash and cash equivalents also includes £5m (2024: £nil) of restricted cash relating to receipts to be invested in funeral plan investments (these are included in cash and cash equivalents on a statutory basis but are excluded from our net debt APM metric (see Glossary for further details)). 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 (2024: £9m), 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

<b>Non-current liabilities:</b>	<b>2025</b>	2024
	<b>£m</b>	£m
£105m 7.5% Bond Notes due 2026 (fair value)	-	108
£245m 7.5% Bond Notes due 2026 (amortised cost)	-	250
Revolving credit facility (RCF)	<b>50</b>	-
<b>Total (excluding lease liabilities)</b>	<b>50</b>	358
Lease liabilities	<b>987</b>	1,020
<b>Total Group interest-bearing loans and borrowings</b>	<b>1,037</b>	1,378

<b>Current liabilities:</b>	<b>2025</b>	2024
	<b>£m</b>	£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)	<b>106</b>	-
£245m 7.5% Bond Notes due 2026 (amortised cost)	<b>247</b>	-
£245m 7.5% Bond Notes due 2026 (amortised cost) **	<b>9</b>	9
Other borrowings	<b>2</b>	2
Corporate investor shares	<b>3</b>	3
<b>Total (excluding lease liabilities)</b>	<b>367</b>	126
Lease liabilities	<b>191</b>	173
<b>Total Group interest-bearing loans and borrowings</b>	<b>558</b>	299

\* The £109m 11% Final repayment subordinated notes and the remaining balance of the £20m 11% Instalment notes were both repaid in full from cash in December 2025 when they fell due.

\*\* The amortised cost balances in current liabilities includes £9m (2024: £9m) on the 2026 bonds of accruals for interest payments that will be made within 1 year of the balance sheet date. The total accrued interest on debt held at amortised cost of £9m (2024: £9m) is excluded from our Group net debt metric (see Group net debt table on page 134). There is a further £4m of accrued interest on the £105m element of the 2026 bonds that are held at fair value. This is included within Trade and other payables and again is not included in our Group net debt metric.

#### Terms and repayment schedule

The Group has a £350m Bond issued in May 2011, repayable in July 2026. This bond currently has an interest rate of 7.5%.

On the 18th June 2025 the Group agreed a five-year £350m Term Loan facility linked to its ambitious sustainability and social impact targets. The facility remains undrawn at the balance sheet date. The Term Loan provides funding to repay its upcoming 2026 £350m bond which matures in July 2026. Arrangement fees of £2m have been recognised on the balance sheet (within Prepayments) and are being amortised over the combined availability period of the loan. On draw down of the Term Loan the fees will be included within the amortised cost valuation of the borrowings.

On the 29 November 2024, the Group amended and extended its Revolving Credit Facility (RCF) for a 5 year term maturing in November 2029. The facility has a maximum limit of £400m, of which £45m is carved out as an overdraft facility. As at 3 January 2026, £50m of the facility had been drawn (2024: £nil). Furthermore, the joint MASS account had an overall overdrawn net balance of £2m (2024: £nil) which is shown in net cash and cash equivalents (see Note 17).

<b>Total interest-bearing loans and borrowings excluding interest on debt held at amortised cost:</b>	<b>2025</b>	2024
	<b>£m</b>	£m
Interest-bearing loans and borrowings***	<b>408</b>	475

\*\*\* Represents the gross debt figure (excluding lease liabilities and accrued interest) used in the Group's Net debt APM (see page 134).

## 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 3 January 2026	Start of period	Non cash movements		Cash flow	End of period
		New leases	Other		
	£m	£m	£m	£m	£m
<u>Interest-bearing loans and borrowings:</u>					
- current	(126)	-	(353)	112	(367)
- non-current	(358)	-	358	(50)	(50)
<u>Lease liabilities:</u>					
- current	(173)	(23)	(198)	203	(191)
- non-current	(1,020)	(116)	149	-	(987)
<b>Total debt</b>	<b>(1,677)</b>	<b>(139)</b>	<b>(44)</b>	<b>265</b>	<b>(1,595)</b>
<u>Group cash and short term investments:</u>					
- cash *	320	-	-	(227)	93
- overdrafts	-	-	-	(2)	(2)
- short-term investments	100	-	-	(100)	-
<b>Group net debt</b>	<b>(1,257)</b>	<b>(139)</b>	<b>(44)</b>	<b>(64)</b>	<b>(1,504)</b>
<u>Less: interest accrued on debt held at amortised cost</u>	<u>9</u>	<u>-</u>	<u>32</u>	<u>(32)</u>	<u>9</u>
<b>Group net debt (excluding accrued interest)</b>	<b>(1,248)</b>	<b>(139)</b>	<b>(12)</b>	<b>(96)</b>	<b>(1,495)</b>

\* Group Cash used in our Net debt APM metric excludes £5m of restricted cash relating to premium receipts to be invested in funeral plan investments. Further detail on the Group's net debt APM metric can be found in the Glossary on page 224. 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 4 January 2025	Start of period	Non cash movements		Cash flow	End of period
		New leases	Other		
	£m	£m	£m	£m	£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)
<b>Total debt</b>	<b>(1,921)</b>	<b>(121)</b>	<b>(32)</b>	<b>397</b>	<b>(1,677)</b>
<u>Group cash:</u>					
- cash	395	-	-	(75)	320
- short-term investments	200	-	-	(100)	100
<b>Group net debt</b>	<b>(1,326)</b>	<b>(121)</b>	<b>(32)</b>	<b>222</b>	<b>(1,257)</b>
<u>Less: interest accrued on amortised debt</u>	<u>11</u>	<u>-</u>	<u>34</u>	<u>(36)</u>	<u>9</u>
<b>Group net debt (excluding accrued interest)</b>	<b>(1,315)</b>	<b>(121)</b>	<b>2</b>	<b>186</b>	<b>(1,248)</b>

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

#### Banking covenants

We have two key covenants under our banking facilities 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 EBITDAR 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 covenant EBITDA.

Our banking partners agreed to a short-term alleviation to the covenant tests for 2025 and the first half of 2026, reflecting the estimated direct impacts of the cyber attack due to its one-off nature. Both covenants had sufficient headroom at 2025 year end. Further details of covenant EBITDA and EBITDAR are given in the Glossary.

Further details of the Group's remaining banking facilities are given in Note 25.

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).

#### 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 3 January 2026, Corporate Investor Shares borrowings were £3m (2024: £3m).

#### Accounting policies

The Group measures its interest-bearing loans and borrowings in two main ways:

1) Fair value through the income statement. Such debt is restated as its fair value each period with the fair value movement going through the income statement. The £105m of the Group's derivatives that mature in 2026 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. The impact of movements in the fair value of the quoted debt partially offsets any fair value movement in the interest rate swaps (notes 6, 7 and 26). The £175m of interest rate swaps that mature in 2030 have been formally designated as hedging instruments for hedge accounting under IFRS 9 and will provide a cashflow hedge against 50% of the new £350m term loan when it is drawn in July 2026.

The remaining portion of the quoted Bond debt is accounted for at amortised cost in accordance with IFRS 9 (see below). This approach applies to those borrowings taken out prior to the adoption of IFRS 9 in 2018.

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

	2025 £m	2024 £m
Current	1,622	1,555
Non-current	2	9
<b>Total trade and other payables</b>	<b>1,624</b>	<b>1,564</b>

	2025 £m	2024 £m
Trade payables	1,155	1,083
Value Added Tax, PAYE and social security	15	12
Accruals	355	364
Deferred income	16	29
Other payables	83	76
<b>Total trade and other payables</b>	<b>1,624</b>	<b>1,564</b>

Further details on the maturity profile of trade and other payables can be found in Note 25.

Deferred income includes £7m (2024: £15m) in relation to the marketing and distribution arrangement entered into with Markerstudy Insurance Services Ltd (remaining term of 1 year and 4 months) following the sale of our Insurance underwriting business (CISGIL). Accruals includes capital expenditure accruals of £27m (2024: £30m), payroll accruals of £127m (2024: £149m) as well as standard cost accruals of £201m (2024: £185m).

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 £58m (2024: £33m) 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 £39m (2024: £53m) relating to payments due to Co-op suppliers under these arrangements and the suppliers have already taken payments of £33m (2024: £42m) in respect of those balances from the third-party finance provider. During the year ended 3 January 2026, the maximum facility was £108m (2024: £108m). The facility was reduced to £88m at the end of June 2025.

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) 2025	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m	£m	£m	£m
<b>Insurance contract liability as at 4 January 2025</b>	<b>1,001</b>	<b>3</b>	<b>4</b>	<b>1,008</b>
Insurance revenue	(102)	-	-	(102)
<i>Insurance service expenses:</i>				
Incurring claims and other expenses			87	87
Amortisation of insurance acquisition cashflows	5	-	-	5
Losses on onerous contracts and reversals of those losses	-	(3)	-	(3)
<b>Insurance service result</b>	<b>(97)</b>	<b>(3)</b>	<b>87</b>	<b>(13)</b>
Insurance finance expense (Income statement)	20	-	-	20
Insurance finance expense (Other comprehensive income)	57	-	-	57
<b>Total changes in Statement of comprehensive income</b>	<b>(20)</b>	<b>(3)</b>	<b>87</b>	<b>64</b>
<i>Cashflows:</i>				
Premiums received less premiums refunded	109	-	-	109
Claims and other expenses paid	-	-	(86)	(86)
Insurance acquisition flows	(13)	-	-	(13)
<b>Total cashflows</b>	<b>96</b>	<b>-</b>	<b>(86)</b>	<b>10</b>
<b>Insurance contract liability as at 3 January 2026</b>	<b>1,077</b>	<b>-</b>	<b>5</b>	<b>1,082</b>

Insurance contract liabilities (by nature) 2024	Liabilities for remaining coverage		Liabilities for claims incurred	Total
	Excluding loss component	Loss component		
	£m	£m	£m	£m
<b>Insurance contract liability as at 6 January 2024</b>	<b>1,097</b>	<b>1</b>	<b>-</b>	<b>1,098</b>
Insurance revenue	(91)	-	-	(91)
<i>Insurance service expenses:</i>				
Incurring 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
<b>Insurance service result</b>	<b>(101)</b>	<b>2</b>	<b>89</b>	<b>(10)</b>
Insurance finance expenses (Income statement)	18	-	-	18
Insurance finance income (Other comprehensive income)	(95)	-	-	(95)
<b>Total changes in Statement of comprehensive income</b>	<b>(178)</b>	<b>2</b>	<b>89</b>	<b>(87)</b>
<i>Cashflows:</i>				
Premiums received less premiums refunded	91	-	-	91
Claims and other expenses paid	-	-	(85)	(85)
Insurance acquisition flows	(9)	-	-	(9)
<b>Total cashflows</b>	<b>82</b>	<b>-</b>	<b>(85)</b>	<b>(3)</b>
<b>Insurance contract liability as at 4 January 2025</b>	<b>1,001</b>	<b>3</b>	<b>4</b>	<b>1,008</b>

## Notes to the financial statements continued

## 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Insurance contract liabilities (by component) 2025	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin (CSM) £m	Total £m
<b>Insurance contract liability as at 4 January 2025</b>	<b>912</b>	<b>45</b>	<b>51</b>	<b>1,008</b>
<i>Changes that relate to current services:</i>				
CSM recognised for service provided	-	-	(9)	(9)
Risk adjustment for the risk expired	-	(5)	-	(5)
Experience adjustments	3	-	-	3
<i>Changes that relate to future services:</i>				
Contracts initially recognised in the period	(15)	1	14	-
Changes in estimates that adjust the CSM*	(87)	(3)	91	1
Changes in estimates that do not adjust the CSM	(3)	-	-	(3)
<b>Insurance service result</b>	<b>(102)</b>	<b>(7)</b>	<b>96</b>	<b>(13)</b>
Insurance finance expense (Income statement)	18	1	1	20
Insurance finance expense (Other comprehensive income)	52	5	-	57
<b>Total changes in Statement of comprehensive income</b>	<b>(32)</b>	<b>(1)</b>	<b>97</b>	<b>64</b>
<i>Cashflows:</i>				
Premiums received less premiums refunded	109	-	-	109
Claims and other expenses paid	(86)	-	-	(86)
Insurance acquisition flows	(13)	-	-	(13)
<b>Total cashflows</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>10</b>
<b>Insurance contract liability as at 3 January 2026</b>	<b>890</b>	<b>44</b>	<b>148</b>	<b>1,082</b>

\*The uplift in CSM is mainly driven by a reduction in fulfillment costs (£30m) and an improved inflation curve (£60m).

Insurance contract liabilities (by component) 2024	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin (CSM) £m	Total £m
<b>Insurance contract liability as at 6 January 2024</b>	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
<b>Insurance service result</b>	<b>38</b>	<b>10</b>	<b>(60)</b>	<b>(12)</b>
Insurance finance expenses (Income statement)	15	1	2	18
Insurance finance income (Other comprehensive income)	(73)	(21)	-	(94)
<b>Total changes in Statement of comprehensive income</b>	<b>(20)</b>	<b>(10)</b>	<b>(58)</b>	<b>(88)</b>
<i>Cashflows:</i>				
Premiums received less premiums refunded	91	-	-	91
Claims and other expenses paid	(85)	-	-	(85)
Insurance acquisition flows	(8)	-	-	(8)
<b>Total cashflows</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>Insurance contract liability as at 4 January 2025</b>	<b>912</b>	<b>45</b>	<b>51</b>	<b>1,008</b>

## Notes to the financial statements continued

## 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Re-insurance contract liabilities (by nature) 2025	Liabilities for remaining coverage		Amounts recoverable on insured claims	Total
	Excluding loss recovery component	Loss recovery component		
	£m	£m	£m	£m
<b>Net re-insurance contract liability as at 4 January 2025</b>	<b>1</b>	-	-	<b>1</b>
An allocation of re-insurance premium	2	-	-	2
<i>Amounts recoverable from re-insurers for incurred claims:</i>				
Amounts recoverable for incurred claims and other expenses		-	(2)	(2)
<b>Net income from re-insurance contract held</b>	<b>2</b>	-	(2)	-
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance income (Other comprehensive income)	-	-	-	-
<b>Total changes in Statement of comprehensive income</b>	<b>2</b>	-	(2)	-
<i>Cashflows:</i>				
Premiums paid (net of commission)	(3)	-	-	(3)
Amounts received	-	-	2	2
<b>Total cashflows</b>	<b>(3)</b>	-	2	<b>(1)</b>
<b>Net re-insurance contract liability as at 3 January 2026</b>	-	-	-	-

LCIPs can be paid for by instalments 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 Group 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) 2024	Liabilities for remaining coverage		Amounts recoverable on insured claims	Total
	Excluding loss recovery component	Loss recovery component		
	£m	£m	£m	£m
<b>Net re-insurance contract liability as at 6 January 2024</b>	8	-	-	8
An allocation of re-insurance premium	2	-	-	2
<i>Amounts recoverable from re-insurers for incurred claims:</i>				
Amounts recoverable for incurred claims and other expenses	(6)	-	(2)	(8)
<b>Net income from re-insurance contract held</b>	<b>(4)</b>	-	(2)	<b>(6)</b>
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance income (Other comprehensive income)	1	-	-	1
<b>Total changes in Statement of comprehensive income</b>	<b>(3)</b>	-	(2)	<b>(5)</b>
<i>Cashflows:</i>				
Premiums paid (net of commission)	(4)	-	-	(4)
Amounts received	-	-	2	2
<b>Total cashflows</b>	<b>(4)</b>	-	2	<b>(2)</b>
<b>Net re-insurance contract liability as at 4 January 2025</b>	1	-	-	1

## Notes to the financial statements continued

## 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Re-insurance contract liabilities (by component) 2025	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
<b>Net re-insurance contract liability as at 4 January 2025</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
<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)	-
<b>Re-insurance service result</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance expense (other comprehensive income)	-	-	-	-
<b>Total changes in Statement of comprehensive Income</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
<i>Cashflows:</i>				
Premiums and similar expenses paid	(3)	-	-	(3)
Amounts received	2	-	-	2
<b>Total cashflows</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>
<b>Net re-insurance contract liability as at 3 January 2026</b>	<b>1</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

Re-insurance contract liabilities (by component) 2024	Estimates of present value of future cashflows £m	Risk adjustment £m	Contractual service margin £m	Total £m
<b>Net re-insurance contract liability as at 6 January 2024</b>	<b>7</b>	<b>-</b>	<b>1</b>	<b>8</b>
<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)
<b>Re-insurance service result</b>	<b>(4)</b>	<b>(1)</b>	<b>(1)</b>	<b>(6)</b>
Re-insurance finance income (Income statement)	-	-	-	-
Re-insurance finance expense (other comprehensive income)	-	1	-	1
<b>Total changes in Statement of comprehensive Income</b>	<b>(4)</b>	<b>-</b>	<b>(1)</b>	<b>(5)</b>
<i>Cashflows:</i>				
Premiums and similar expenses paid	(4)	-	-	(4)
Amounts received	2	-	-	2
<b>Total cashflows</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>Net re-insurance contract liability as at 4 January 2025</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>

## Notes to the financial statements continued

## 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

Contractual service margin (2025)	Contracts using the fair value approach	All other contracts	Total
	£m	£m	£m
<b>Contractual service margin as at 4 January 2025</b>	<b>35</b>	<b>16</b>	<b>51</b>
<i>Changes that relate to current services:</i>			
Contractual service margin recognised for service provided	(7)	(2)	(9)
<i>Changes that relate to future services:</i>			
Contracts initially recognised in the period	-	14	14
Changes in estimates that adjust the contractual service margin	66	25	91
<b>Sub-total</b>	<b>59</b>	<b>37</b>	<b>96</b>
Insurance finance expenses	-	1	1
<b>Contractual service margin as at 3 January 2026</b>	<b>94</b>	<b>54</b>	<b>148</b>

Plans sold prior to 2020 were fair valued at transition.

Contractual service margin (2024)	Contracts using the fair value approach	All other contracts	Total
	£m	£m	£m
<b>Contractual service margin as at 6 January 2024</b>	<b>85</b>	<b>24</b>	<b>109</b>
<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)
<b>Sub-total</b>	<b>(51)</b>	<b>(9)</b>	<b>(60)</b>
Insurance finance expenses	1	1	2
<b>Contractual service margin as at 4 January 2025</b>	<b>35</b>	<b>16</b>	<b>51</b>

New business (2025)	Profitable contracts issued	Onerous contracts issued	Total
	£m	£m	£m
<i>Insurance contracts:</i>			
Estimate of present value of future cashflows, excluding insurance acquisition costs	72	-	72
Estimate of insurance acquisition cashflows	12	-	12
Estimate of present value of future cash outflows	84	-	84
Estimate of present value of future cash inflows	(99)	-	(99)
Risk adjustment	1	-	1
Contractual service margin	14	-	14
<b>Profit / (loss) on contracts at initial recognition</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements continued

## 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

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
<b>Profit on contracts at initial recognition</b>	-	-	-

Insurance revenue	2025 £m	2024 £m
<i>Amounts relating to changes in liabilities for remaining coverage :</i>		
Contractual service margin recognised for services provided	9	3
Change in risk adjustment for non financial risk for risk expired	5	4
Expected incurred claims and other insurance service	84	81
Recovery of insurance acquisition cash flows	4	3
<b>Total insurance revenue</b>	<b>102</b>	91

Insurance revenue	2025 £m	2024 £m
Contracts using the fair value approach	78	75
All other contracts	24	16
<b>Total insurance revenue</b>	<b>102</b>	91

Plans sold prior to 2020 were fair valued at transition.

Contractual service margin maturity	2025 £m	2024 £m
- Less than 1 year	9	3
- 1 to 2 years	8	3
- 2 to 3 years	8	3
- 3 to 4 years	8	3
- more than 4 years	115	39
<b>Total</b>	<b>148</b>	51

Fulfilment cashflows	2025 £m	2024 £m
- Less than 1 year	62	64
- 1 to 2 years	68	67
- 2 to 3 years	68	67
- 3 to 4 years	67	67
- 4 to 5 years	66	67
- more than 5 years	1,419	1,454
<b>Total</b>	<b>1,750</b>	1,786

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, 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.

**Fulfilment costs** - the Group applies an absorbed fulfilment cost, based on methodology consistent with IAS37, calculated for each year.

**Mortality** - an average 111% loading is applied to the English Life Tables 2017 ("ELT17"). This reflects that mortality rates are deemed to be approximately 10% heavier than those shown in ELT17. The basis is consistent with the mortality analysis used for 2024 (which indicated a 112% loading), adjusted by a 2% reduction to allow for two years of expected future mortality improvements. An allowance for future longevity improvements of 1% per annum is also included.

Financial assumptions			2025	2024
Discount rate	Risk free rate - UK Gilt curve	Year 1	<b>3.75%</b>	4.14%
		Year 2	<b>3.83%</b>	4.21%
		Year 3	<b>4.07%</b>	4.25%
		Year 4	<b>4.36%</b>	4.37%
		Year 5	<b>4.67%</b>	4.54%
		Year 10	<b>5.86%</b>	5.65%
		Year 15	<b>6.18%</b>	5.97%
	Illiquidity premium (credit spread)		<b>0.12%</b>	0.13%
Inflation rate	Bank of England curve less 25 bps plus management view	Year 1	<b>3.02%</b>	4.46%
		Year 2	<b>2.76%</b>	3.42%
		Year 3	<b>2.60%</b>	3.23%
		Year 4	<b>2.55%</b>	3.12%
		Year 5	<b>2.58%</b>	3.08%
		Year 10	<b>3.01%</b>	3.17%
		Year 15	<b>3.21%</b>	3.16%

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	2025	2024
Discount rate - decrease of 1.0%	100	105
Inflation rate - increase of 1.0%	104	109
Fulfilment costs - increase of 5%	50	51
Mortality stress +20%	27	25

Change in Profit before tax - £m	2025	2024
Discount rate - decrease of 1.0%	-	-
Inflation rate - increase of 1.0%	(5)	(58)
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 2025 or 2024.

**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 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.

**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.

## Notes to the financial statements continued

### 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

#### Accounting Policies - continued

(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%.

**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.

## Notes to the financial statements continued

### 20 Insurance and re-insurance contracts (funeral plan liabilities) continued

#### Accounting Policies - continued

##### 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).

##### 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

	2025	2024
	£m	£m
Non-current	51	47
Current	20	49
<b>Total provisions</b>	<b>71</b>	<b>96</b>

2025	Uninsured claims	Property provisions	Regulatory & Legal	Total
	£m	£m	£m	£m
At beginning of the period	35	19	42	96
Credit to income statement	-	-	(15)	(15)
Charge to income statement	20	-	2	22
Payments	(17)	(2)	(13)	(32)
<b>At end of the period</b>	<b>38</b>	<b>17</b>	<b>16</b>	<b>71</b>

2024	Uninsured claims	Property provisions	Regulatory & Legal	Total
	£m	£m	£m	£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)
<b>At end of the period</b>	<b>35</b>	<b>19</b>	<b>42</b>	<b>96</b>

#### 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.

## Notes to the financial statements continued

### 21 Provisions continued

#### Regulatory & Legal - continued

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.

#### 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.

### 22 Members' share capital and reserves

	2025	2024
	£m	£m
Individual shares of £1 each	71	69
Corporate shares of £5 each	8	8
<b>Share capital</b>	<b>79</b>	<b>77</b>
Other reserves	12	12
Cashflow hedge reserve*	-	-
Retained earnings	2,017	2,109
<b>Total Retained earnings and Other reserves</b>	<b>2,029</b>	<b>2,121</b>
<b>Total Capital resources</b>	<b>2,108</b>	<b>2,198</b>

\*The Group has designated £175m of interest rate swaps as hedging instruments to be used for hedge accounting under IFRS 9 (see Note 26). The trade date of the swaps was the 7 July 2025 (with the effective date of the trade aligning with the proposed drawn down date on the new term loan in July 2026).

#### 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% (2024: 21.9%) of the vote at the Annual General Meeting. Each individual member has one vote with individual members totalling 78.1% (2024: 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. The Society's rules allow for the removal of a member from the share register if the member hasn't made any qualifying purchases with the Group for three consecutive years. Five years after any such removal then the share capital would be forfeited to the Society. Individual member share capital increased by £1.5m in the period being the net of new member contributions of £1.5m and withdrawals of £nil. We have 7.2m (2024: 6.2m) 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 (2025)	Revaluation Reserve £m	Cashflow Hedge Reserve £m	Total £m
Balance at 4 January 2025	12	-	12
<b>Balance at 3 January 2026</b>	<b>12</b>	<b>-</b>	<b>12</b>

#### 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.

#### Cashflow hedge reserve - interest rate swaps

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the Cashflow Hedge Reserve within equity. The amount accumulated in the hedge reserve account is limited to the extent that the cumulative gain / loss on the hedging instrument doesn't exceed the cumulative change in fair value of the expected cashflows of the hedged item. Any gain or loss relating to hedge ineffectiveness is recognised immediately in profit and loss. Amounts accumulated in equity are reclassified to Retained earnings in the period when the hedged item affects profit or loss (the gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs at the same time as the interest expense on the hedged borrowings).

#### 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 £318m (2024: £273m). Total member funds decreased during the period by £90m (2024: increased £178m).

## Notes to the financial statements continued

### 23 Investment properties

	2025 £m	2024 £m
Valuation at beginning of period	51	40
Disposals	(11)	(12)
Transfer from Property, plant and equipment (Note 10)	-	4
Transfer from Right of use assets (Note 11)	-	2
Revaluation gain recognised in the Consolidated income statement	10	14
Revaluation gain recognised in the Consolidated statement of other comprehensive income	-	3
<b>Valuation at end of period</b>	<b>50</b>	<b>51</b>

The table above shows the reconciliation of Investment Properties (held at fair value level 3) from the start of the period to the end of the period. There were no transfers between Levels 1 and 2 during the period and no transfers into and out of Level 3 fair value measurements.

A 5% movement in the fair value of the investment properties would result in a £3m (2024: £3m increase / decrease) in the carrying value of the investment properties with a corresponding movement to the Change in value of investment properties in the Income statement.

#### 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 (level 3 under IFRS 13 hierarchy) 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 initially based on observable inputs (such as current prices in an active market for similar properties in the same location and condition) but may include subsequent adjustments (unobservable inputs) to those valuations to reflect site specific conditions not reflected in the market value (such as the precise progression of planning or access permission applications). Significant increases (decreases) in those unobservable input adjustments would result in a significantly higher (lower) fair value of the Investment Properties. 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

	2025	2024
	£m	£m
Pension schemes in surplus	270	328
Pension schemes in deficit	(3)	(3)
<b>Closing net retirement benefit surplus</b>	<b>267</b>	<b>325</b>

#### 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 80% 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 2023 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 largely 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 £170m (2024: £229m). The size of the ongoing liability exposure from the salary link and the uninsured GMP equalisation costs is small relative to this surplus.

	2025	2024
	£m	£m
<b>Schemes in surplus:</b>		
The Co-operative Group Pension Scheme (Pace)	170	229
Somerfield Pension Scheme	66	71
United Norwest Co-operatives Employees' Pension Fund	34	28
<b>Total schemes in surplus</b>	<b>270</b>	<b>328</b>
<b>Schemes in deficit:</b>		
Other unfunded obligations	(3)	(3)
<b>Total schemes in deficit</b>	<b>(3)</b>	<b>(3)</b>
<b>Total schemes (net)</b>	<b>267</b>	<b>325</b>

## 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 80% 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 (as appropriate) 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 an independent, professional trustee director (via a representative 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 2025 financial year in respect of the United Norwest scheme expenses (total 2024 contributions: £1.5m). 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 3 Jan 2026 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 that brought into question the validity of amending deeds that didn't carry section 37 actuarial certification. During 2024, the Co-op undertook some initial analysis of historic deeds which showed a small number of instances where 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 (though it remains possible certification was undertaken and exists elsewhere). The government has recognised this potential issue and has now moved to provide for a legislative solution to validate historic scheme changes and this is expected to come into force later in the year. Consequently, no further work is being undertaken at this time. We will review the legislation when final and assess whether section 37 certification can be retrospectively applied or not.

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
<b>Risk of changes in contribution requirements</b> - 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.
<b>Interest rate risk</b> - 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.
<b>Risk associated with volatility in asset value</b> - 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.
<b>Inflation risk</b> - 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.
<b>Risk associated with changes in life expectancy</b> - 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	2025	2024
Discount rate	5.65%	5.54%
RPI inflation rate	3.14%	3.39%
Pension increases in payment (RPI capped at 5% p.a.)	2.99%	3.17%
Future salary increases	3.39%	3.64%

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) 2024 projections and a long-term future improvement rate of 1.00% p.a. (2024: CMI 2023 with long term future improvement rate of 1.00% 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	2025	2024
Male currently aged 65 years	20.8	20.5
Female currently aged 65 years	22.7	22.3
Male currently aged 45 years	21.6	21.3
Female currently aged 45 years	23.5	23.4

#### 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	2025 £m	2024 £m
Change in liability from a 0.5% decrease in discount rate	348	366
Change in liability from a 0.5% increase in RPI inflation	222	227
Change in liability from a 0.25% increase in long-term rate of longevity improvements	32	34

Changes in the present value of the defined benefit obligation (DBO)	2025 £m	2024 £m
Opening defined benefit obligation	5,223	5,857
Interest expense on DBO	280	270
Remeasurements:		
a. Effect of changes in demographic assumptions	25	(37)
b. Effect of changes in financial assumptions	(183)	(558)
c. Effect of experience adjustments	46	(11)
Benefit payments from plan	(313)	(298)
<b>Closing defined benefit obligation</b>	<b>5,078</b>	<b>5,223</b>

## Notes to the financial statements continued

### 24 Pensions continued

Changes in the fair value of the plan assets	2025 £m	2024 £m
Opening fair value of plan assets	5,548	6,213
Interest income	298	287
Return on plan assets (excluding interest income)	(116)	(598)
Administrative expenses paid from plan assets	(6)	(6)
Employer contributions	2	2
Pace DC contributions*	(68)	(52)
Benefit payments from plan	(313)	(298)
<b>Closing fair value of plan assets</b>	<b>5,345</b>	<b>5,548</b>

\* 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	2025		2025	2024		2024
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Equity instruments	23	-	23	25	-	25
Liability driven investments	388	5	393	370	-	370
Investment grade credit assets	175	-	175	345	-	345
Illiquid / other credit assets	-	132	132	-	89	89
Alternative assets	-	84	84	-	-	-
Cash and cash equivalents	205	-	205	266	-	266
Insurance buy-in contracts	-	4,333	4,333	-	4,453	4,453
<b>Fair value of plan assets</b>	<b>791</b>	<b>4,554</b>	<b>5,345</b>	<b>1,006</b>	<b>4,542</b>	<b>5,548</b>

Amounts recognised in the balance sheet	2025 £m	2024 £m
Present value of funded obligations	(5,075)	(5,220)
Present value of unfunded liabilities	(3)	(3)
Fair value of plan assets	5,345	5,548
<b>Net retirement benefit asset</b>	<b>267</b>	<b>325</b>

Amounts recognised in the income statement and other comprehensive income	2025 £m	2024 £m
Interest expense on defined benefit obligations	(280)	(270)
Interest income on plan assets	298	287
Administrative expenses and taxes	(6)	(6)
<b>Total recognised in the income statement</b>	<b>12</b>	<b>11</b>
Remeasurement (losses) / gains on employee pension schemes	(3)	8
<b>Total recognised in other comprehensive income</b>	<b>(3)</b>	<b>8</b>
<b>Total</b>	<b>9</b>	<b>19</b>

## 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 48 - 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 2025 £m	Carrying amount 2024 £m
Trade and other receivables (excluding prepayments and accrued income)	488	414
Interest rate swaps	(2)	(6)
Foreign exchange contracts and commodity swaps (net)	(2)	(3)
Funeral plan investments	1,513	1,414
Finance lease receivables	35	26
Net cash and cash equivalents	96	320
Short-term investments	-	100

#### 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 proportion of our debt on a fixed rate (including the impact of interest rate swaps) as at 3 January 2026 was 61% (at 4 January 2025: 77%). 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 3 January 2026, the Group had interest rate swaps with a notional contract amount of £280m (at 6 January 2024: £105m).

The Group entered into £175m of interest rate swaps on the 7 July 2025 which will be used as a cashflow hedge for the new £350m 5 year term loan agreed in June 2025. The swaps have been designated as a cashflow hedge for hedge accounting under IFRS 9 whereby the Group pays a fixed rate of interest and receives a variable rate based on Sterling Overnight Index Average (SONIA). An economic relationship exists with the new term loan where the interest charged is linked to SONIA. The trade date of the swaps was the 7 July 2025 (with the effective date of the trade aligning with the proposed drawn down date on the new term loan in July 2026).

The £105m of interest rate swaps that mature in 2026 are not designated 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 3 January 2026 was a net liability of £2m (2024: net liability of £6m) comprising assets of £nil (2024: £nil) and liabilities of £2m (2024: £6m). 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 does not designate its forward foreign exchange contracts and commodity swaps as hedging instruments.

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.

As at 3 January 2026, the Group had forward currency transactions in Euros and US Dollars with a notional contract amount of £97m (2024: £73m).

#### 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 3 January 2026, the Group had available cash and cash equivalents and short-term investments of £96m (2024: £420m) together with committed borrowing facilities totalling £1,100m (2024: £862m). These are detailed below:

Bank facilities as at 3 January 2026	2025			2024		
	Expiry	Facility £m	Undrawn £m	Expiry	Facility £m	Undrawn £m
Cash and cash equivalents*			96			320
Short-term investments			-			100
<b>Cash and cash equivalents and short-term investments</b>			<b>96</b>			<b>420</b>
£109m 11% Final repayment subordinated notes**			-	Dec 2025	109	
£20m Instalment repayment notes**			-	Dec 2025	3	
£350m 7.5% Bond notes	<b>July 2026</b>	<b>350</b>	-	July 2026	350	
Revolving Credit Facility	<b>Nov 2029</b>	<b>400</b>	<b>350</b>	Nov 2029	400	400
£350m 5 year term loan ***	<b>July 2030</b>	<b>350</b>	<b>350</b>	-	-	-
<b>Total debt facilities</b>		<b>1,100</b>	<b>700</b>		862	400
<b>Total cash and cash equivalents, short-term investments and debt liquidity</b>			<b>796</b>			<b>820</b>

\* Cash and cash equivalents includes £5m (2024: £nil) of restricted cash relating to receipts to be invested in funeral plan investments (these are included in cash and cash equivalents on a statutory basis but are excluded from our net debt APM metric (see Glossary for further details)). Furthermore, cash and cash equivalents includes a £2m overdraft (see Note 17).

\*\* The £109m subordinated notes and the remaining £3m of the Instalment repayment notes were paid back in full from cash in December 2025 in line with their maturity dates.

\*\*\* On the 18th June 2025 the Group agreed a five-year £350m Term Loan facility. The facility remains undrawn at the balance sheet date. The Term Loan provides funding to repay its upcoming 2026 £350m bond which matures in July 2026.

## Notes to the financial statements continued

### 25 Financial risk management continued

The following are the maturities of financial liabilities as at 3 January 2026. The contractual cashflows noted include payments of interest and principal:

2025	Carrying amount £m	Contractual cash flows £m	<1 year £m	1 - 2 years £m	2 - 5 years £m	More than 5 years £m
<b>Non-derivative financial liabilities</b>						
£105m 7.5% Bond 2026 (fair value)	(106)	(113)	(113)	-	-	-
£245m 7.5% Bond 2026 (amortised cost)	(256)	(263)	(263)	-	-	-
Revolving credit facility (RCF)	(50)	(50)	-	-	(50)	-
Lease liabilities	(1,178)	(1,611)	(213)	(199)	(439)	(760)
Trade and other payables	(1,624)	(1,624)	(1,621)	(2)	(1)	-
<b>Derivative financial liabilities</b>						
Interest rate swaps (not designated for hedge accounting)	(2)	(2)	(2)	-	-	-
Interest rate swaps (designated for hedge accounting)	-	1	-	-	-	-
Foreign exchange contracts - inflow (gross settled)	-	98	73	25	-	-
Foreign exchange contracts - outflow (gross settled)	-	(98)	(73)	(25)	-	-
Commodity swaps	(2)	(1)	(1)	-	-	-

\* The £109m subordinated notes and the remaining £3m of the Instalment repayment notes were paid back in full from cash in December 2025 in line with their maturity dates.

2024	Carrying amount £m	Contractual cash flows £m	< 1 year £m	1 - 2 years £m	2 - 5 years £m	More than 5 years £m
<b>Non-derivative financial liabilities</b>						
£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)
<b>Derivative financial liabilities</b>						
Interest rate swaps (not designated for hedge accounting)	(6)	(7)	(5)	(2)	-	-
Interest rate swaps (designated for hedge accounting)	-	75	53	22	-	-
Foreign exchange contracts - outflow (gross settled)	-	(78)	(55)	(23)	-	-
Commodity swaps	-	-	-	-	-	-

#### Sensitivity analysis

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Group's borrowings are on a mixture of fixed and floating interest rates, and there is interest rate risk on the floating rate borrowings, this includes the Group's Revolving Credit Facility and the £105m element of the 2026 Bond.

The valuations of the Group's debt and interest rate swaps that are held at fair value 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 3 January 2026 and 4 January 2025, 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.

## Notes to the financial statements continued

### 25 Financial risk management continued

#### Foreign exchange risk

At 3 January 2026 and 4 January 2025, 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 3 January 2026 the total amount of guarantees / bonds outstanding was £31m (2024: £24m).

### 26 Financial instruments, derivatives and valuation of financial assets and liabilities

Derivatives held for non-trading purposes are as follows:

	Contractual/ notional amount £m	2025		Contractual / notional amount £m	2024	
		Fair value assets £m	Fair value liabilities £m		Fair value assets £m	Fair value liabilities £m
Interest rate swaps (not designated for hedge accounting)	105	-	(2)	105	-	(6)
Interest rate swaps (designated for hedge accounting)	175	-	-	-	-	-
Foreign exchange contracts	97	-	-	73	-	(2)
Commodity swaps (diesel)	16	-	(2)	20	-	(1)
<b>Total recognised derivative liabilities</b>	<b>393</b>	<b>-</b>	<b>(4)</b>	<b>198</b>	<b>-</b>	<b>(9)</b>

£105m of the interest rate swaps mature in 2026 and as such are held in current liabilities. The remaining £175m mature in 2030 and are held in non-current liabilities. The majority of the foreign exchange contracts and diesel swaps mature within 1 year.

The following summarises the major methods and assumptions used in estimating the value of financial instruments:

#### 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 £105m of the Group's derivatives that mature in 2026 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 £2m in 2025 (2024: £3m gain) see Note 6. The £175m of interest rate swaps that mature in 2030 have been formally designated as hedging instruments for hedge accounting under IFRS 9 and will provide a 50% cashflow hedge when the new £350m term loan is drawn in July 2026.

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 2025 year end we had 78% electricity (2024: 78%) and 62% gas (2024: 64%) coverage of our forecast demand for 2026. The Group also enters into long-term power purchase arrangements (PPAs) with various green energy producers (on-shore and off-shore wind and solar). The Group is currently targeting to source around 30% of its wholesale electricity requirements under green PPAs and all energy received under the green PPAs is entirely for Co-ops' own-use. There is no excess or unused electricity, and the Group does not resell any electricity it receives. The PPAs are treated as executory contracts as they are assessed as not meeting the accounting criteria for a joint arrangement (IFRS 11 Joint arrangements), a lease (IFRS 16 Leases) or derivative financial instruments (IFRS 9 Financial Instruments). As executory contracts costs are recognised in the Income statement as incurred and no asset / liability is recognised in the Consolidated balance sheet.

##### 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	Fair value	Carrying value	Fair value
	2025	2025	2024	2024
	£m	£m	£m	£m
Interest-bearing loans and borrowings (held at amortised cost)	311	311	376	384

The table below analyses financial instruments by measurement basis:

2025	Fair value through income statement	Amortised cost	Total
	£m	£m	£m
<b>Assets</b>			
Other investments (funeral plans)	1,513	-	1,513
Trade and other receivables	-	488	488
Cash and cash equivalents	-	96	96
Short-term investments	-	-	-
<b>Total financial assets</b>	<b>1,513</b>	<b>584</b>	<b>2,097</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	106	311	417
Derivative financial instruments	4	-	4
Trade and other payables	-	1,253	1,253
<b>Total financial liabilities</b>	<b>110</b>	<b>1,564</b>	<b>1,674</b>

2024	Fair value through income statement	Amortised cost	Total
	£m	£m	£m
<b>Assets</b>			
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
<b>Total financial assets</b>	<b>1,414</b>	<b>834</b>	<b>2,248</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	108	376	484
Derivative financial instruments	9	-	9
Trade and other payables	-	1,171	1,171
<b>Total financial liabilities</b>	<b>117</b>	<b>1,547</b>	<b>1,664</b>

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

2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,513	1,513
- Derivative financial instruments	-	-	-	-
<b>Total financial assets at fair value</b>	-	-	1,513	1,513
<b>Liabilities</b>				
Financial liabilities at fair value through the income statement				
- Fixed rate sterling 2026 bond	-	106	-	106
- Derivative financial instruments	-	4	-	4
<b>Total financial liabilities at fair value</b>	-	110	-	110

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.

A 5% movement in the fair value of the funeral plan investments would result in a £76m (2024: £71m) increase / (decrease) in the carrying value of the investments with a corresponding movement to the net fair value gains / (losses) on financial assets in the income statement.

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 £247m (2024: £252m).

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.

2024	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Assets</b>				
Financial assets at fair value through the income statement				
- Funeral plan investments	-	-	1,414	1,414
<b>Total financial assets at fair value</b>	-	-	1,414	1,414
<b>Liabilities</b>				
Financial liabilities at fair value through the income statement				
- Fixed rate sterling 2026 bond	-	108	-	108
- Derivative financial instruments	-	9	-	9
<b>Total financial liabilities at fair value</b>	-	117	-	117

#### 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 financial liabilities at either amortised cost or at fair value. See section C) Financial liabilities for further detail. 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.

## Notes to the financial statements continued

### 26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

#### **B) Financial Assets - continued**

##### **ii) Funeral plans (fair value through the income statement)**

###### **Funeral plans**

When a customer takes out a funeral plan the premiums received are 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). See Note 20 for details of the Group's Insurance contract and Re-insurance contract liabilities and associated accounting policies.

##### **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.

## Notes to the financial statements continued

### 26 Financial instruments, derivatives and valuation of financial assets and liabilities continued

#### **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.

#### **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.

#### **vi) Derivatives - (designated for hedge accounting under IFRS 9)**

The fair value of derivative financial instruments designated in hedge relationships are disclosed in the tables at the start of this Note. At inception of the hedge relationship, the Group formally documents the economic relationship between the hedging instrument and the hedged item, the Group's risk management objective and strategy for undertaking the hedge transactions and whether the instrument is effective in offsetting changes in the fair value or cashflows of the hedged item attributable to the hedge risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic hedge relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedge item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of the hedged item.

The Group uses the hypothetical derivative method to determine the changes in the fair value of the hedged item. The Group assesses the hedge effectiveness using the Dollar-offset methodology by comparing the changes in the fair value of a hypothetical derivative reflecting the terms of the floating rate borrowing with the changes in the fair value of the derivatives used to hedge the exposure. The Group determines the hedge ratio by comparing the notional amount of the derivatives with the principal of the designated portion of the borrowing.

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the hedging reserve, while any ineffective portion is recognised immediately in the Consolidated Income Statement. The hedging reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item. Amounts accumulated in equity are reclassified to Retained earnings within the Statement of changes in equity in the periods when the hedged item affects profit or loss (the gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs at the same time as the interest expense on the hedged borrowings).

## 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 £83m (2024: £10m).

#### 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 5,900 claims (2024: circa 5,200 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 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 excluding interest and costs. Co-op strongly disputes both liability and the quantum of the claim.

The trial on this matter was held between 12 January 2026 and 27 February 2026 and judgment is awaited. The Group's legal advice is that it is not considered probable that an outflow of economic resources will be required, therefore no provision is made at the balance sheet date.

### 28 Related party transactions and balances

		2025	2024
	Relationship	£m	£m
Subscription to Co-operatives UK Limited	(i)	0.8	0.8

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 £1,964m (2024: £2,076m) and the amount due from ISMs in respect of such sales was £187m at 3 January 2026 (2024: £151m). 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 (2024: £nil). Other than the compensation set out in the Remuneration Report, there were no other transactions greater than £10,000 with the Group's entities (2024: £nil). Total compensation paid to key management personnel is shown overleaf.

## Notes to the financial statements continued

### 28 Related Party transactions and balances continued

Key management personnel compensation	2025	2024
	£m	£m
Short-term employee benefits	3.8	4.1
Post-employment benefits	0.2	0.2
Other long-term benefits	0.3	0.3
<b>Total</b>	<b>4.3</b>	<b>4.6</b>

### 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 197 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
Co-op Wholesale 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	Property management

#### 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>

\* Formerly Nisa Retail Ltd

## Notes to the financial statements continued

### 30 Membership

Members	2025 m	2024 m
<b>Active members</b> (unaudited)	<b>7.2</b>	6.2

Further detail on our membership proposition can be found in the 'Membership update' section in the front-half of this report (page 18). Full details of our overall investment in our communities can be found in our Social Value and Sustainability Report.

### 31 Events after the reporting period

There are no material post balance sheet events noted for disclosure in the 2025 Annual Report and Accounts for the 52 week period ended 3 January 2026.

# 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 3 January 2026. 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'.

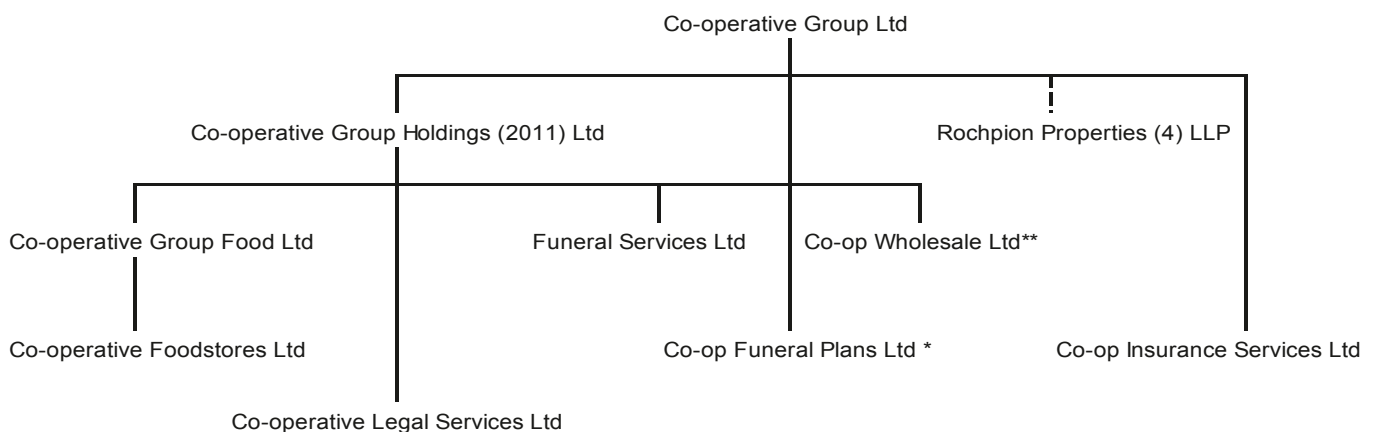
## Climate Change Considerations

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 Group's consolidated results include those of The Manx Co-operative Society on that basis. 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>



———— Direct holding  
 - - - - - Indirect holding

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.

\*\* Formerly Nisa Retail 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 3 January 2026. Comparative information is presented for the 52 weeks ended 4 January 2025. Since the financial periods are virtually in line with calendar years, the current period figures are headed 2025 and the comparative figures are headed 2024.

Co-operative Insurances Services Limited and certain small holding companies have prepared accounts for the period ended 31 December 2025. This differs from the Group and the other subsidiaries. For the period ending 3 January 2026, 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 222.

### 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 (Note 11)

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.

#### • Cyber attack (Note 1)

As disclosed earlier in this document, our Co-op was the victim of a cyber attack in April 2025. Actual costs that we have incurred in relation to the Cyber attack that are assessed as being directly incremental costs of the incident have been treated as non-underlying items for our underlying profit metrics (APMs). Such costs mainly relate to incremental stock losses and stock wastage in our Food business, incremental third party costs incurred with our professional services partners as well as incremental payroll costs incurred as part of the cyber recovery process. Any Cyber related costs that are not assessed as being directly incremental costs of the incident have not been treated as non-underlying for the purposes of our APMs. No adjustments have been made for lost opportunity items (such as sales or margin) due to the Cyber attack. The assessment and classification of costs as non-underlying is a key judgement and reflects both the scale of the financial impact (which is assessed as being material for the Group) and nature of the costs incurred (being directly incremental costs of the incident). This assessment has been applied consistently and is in-line with the Group's accounting policies.

**Key judgements** - continued

• **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. Regulatory and legal provisions are typically held 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.

**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.

**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). See Note 20 for sensitivity analysis.

**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 2025 to 2028 have been adjusted to reflect managements' view based on experience of funeral cost inflation. See Note 20 for sensitivity analysis.

**Fullfilment costs** - the Group applies an absorbed fulfilment cost, based on methodology consistent with IAS37, calculated for each year. See Note 20 for sensitivity analysis.

**Mortality** - an average 111% loading is applied to the English Life Tables 2017 ("ELT17"). This reflects that mortality rates are deemed to be approximately 10% heavier than those shown in ELT17. The basis is consistent with the mortality analysis used for 2024 (which indicated a 112% loading), adjusted by a 2% reduction to allow for two years of expected future mortality improvements. An allowance for future longevity improvements of 1% per annum is also included. See Note 20 for sensitivity analysis.

• **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.

**Key accounting estimates and assumptions** - continued:

• **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 3 January 2026, 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 4 January 2025. 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 10-12% (2024: 9-11%) 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.

**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 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.

**Key accounting estimates and assumptions** - continued:

**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 5 January 2025 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 21 - Lack of Exchangeability

**Standards, amendments and interpretations issued but not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for 5 January 2025 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 IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments\*
- Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity\*
- Annual Improvements to IFRS Accounting Standards - Volume 11\*
- IFRS 18 - Presentation and Disclosure in Financial Statements\*\*
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures\*\*
- Amendments to IAS 21 - Transition to a hyperinflationary presentational currency\*\*

\*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 which may change the format and presentation of the Consolidated Income statement and certain disclosure notes including the requirement for a dedicated disclosure note for management performance measures (MPMs). Furthermore, the Group is also reviewing the likely impact of the amendments to IFRS 9 with specific reference to the timing and date of derecognition of financial assets and liabilities with particular reference to receipts and payments settled via electronic transfer. This may impact the valuation and categorisation between line items in the Consolidated Balance Sheet (such as Cash and cash equivalents, Trade and other receivables and Trade and other Payables).

## 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, covenant compliance and the Group's liquidity position for the going concern assessment period, up to 31 December 2027. 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.

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 which also align to 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. Although the cyber attack has had a material impact on our full year results, the group continues to have sufficient liquidity throughout the going concern assessment period.

In arriving at the conclusion of the appropriateness of the going concern assumption, the directors have considered the following:

### 1. Review and challenge management's base case forecast:

The directors have considered the Group's cash flow forecasts and profitability projections for the period to December 2027 ("Base Case"). Co-op's base case forecast takes into consideration the continued uncertainty in the convenience market. The Board has reviewed and approved these plans.

The key assumptions in the plan are:

- a. Growth in volume and margin rate.
- b. This growth is tempered with impact of continued cost headwinds on payroll, and goods not for resale inflation, being offset by assumed significant operating cost savings.
- c. Rebuilding the balance sheet through working capital improvement, reducing net debt.
- d. The new £350m loan facility secured in June 2025 will be drawn down for the purpose of repaying the £350m bond debt maturing in July 2026. The plan assumes the raising of additional funding in 2026 of £300m from the bond market, to boost our liquidity position and to keep our Coop protected from known and unknown business risks that may arise in the future.

### 2. Ensure compliance with the terms of our bank facility agreements and covenant compliance:

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 3 January 2026, the Group had gross liquidity headroom of £441m, being cash of £93m excluding restricted cash, and headroom of £348m on the Group's Revolving credit facility ("RCF"). The Base case has sufficient liquidity and bank covenants headroom over the going concern period, with the tightest point for liquidity headroom at period 6 2027, and tightest point for EBITDA at period 6 2026 to breach covenants. The Group has been in compliance with all covenants applicable to its facilities through the period and is forecast to continue to be in compliance for going concern assessment period up to December 2027.

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.

**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, margin rate and market share in our Food business;
- b. market share, product mix and death rate sensitivities in our Funeralcare business;
- c. reduction in the growth and cost efficiency assumptions in our Wholesale business;
- d. operating cost out programme non delivery;
- e. exclusion of the additional funding of £300m assumed in the base plan.

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 severe but plausible combination of the sensitivities happening concurrently and we still have liquidity and covenant headroom over the going concern assessment period.

Whilst out of line with our strategic ambition, there are several options and management mitigating actions within the business' control we could exercise, if the above risks materialised, or in the unlikely scenario of a cash outflow arising from an adverse legal matter outcome or an unpredictable event occurring similar to the cyber attack in 2025. Options include (but not limited to) our Co-op's ability to control the level and timing of its capital expenditure programme, apply cost control measures across both variable and overhead budgets and sale and lease back opportunities.

### **4. Conduct reverse stress testing:**

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 3 January 2026 and of the group's loss for the 52-week period then ended;
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- The Group financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

We have audited the financial statements of Co-operative Group Limited ('the group') for the 52-week period ended 3 January 2026 which comprise:

**Group**


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Consolidated balance sheet as at 3 January 2026

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Consolidated income statement for the 52-week period then ended

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Consolidated statement of comprehensive income for the 52-week period then ended

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Consolidated statement of changes in equity for the 52-week period then ended

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Consolidated statement of cash flows for the 52-week period then ended

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Related notes 1 to 31 to the financial statements, including material accounting policy information

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The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

**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, 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:

- Confirming our understanding of management's going concern assessment process, including the cash forecast for the going concern period which covers 21 months from the date of

approval of the financial statements to December 2027 and considered the existence of any significant events or conditions beyond this period.

- Verifying model inputs against board-approved forecasts. We challenged the appropriateness of the key assumptions in management's forecasts, including revenue and margin growth, comparing to historical forecasting accuracy.
- Challenging management over the completeness of key factors and the downside scenarios identified, considering other factors impacting the group, such as the impact of significant cost pressures including increased national living wage costs and other accounting estimates.
- Assessing the plausibility of the downside scenarios and whether these were appropriately severe in light of the group's performance, focusing on Food performance in 2026 to date, and the possibility that the financial objective of the cost out programme is not met. We performed sensitivity analyses on the assumptions to assess the impact on headroom, including the possibility of a cash outflow resulting from an adverse legal matters outcome.
- Testing the clerical accuracy of cash flow calculations, evaluating the appropriateness of the methodology applied by management, including forecast liquidity under base and downside scenarios.
- Obtaining and inspecting the agreement for the £350m term loan issued in June 2025, which remains undrawn at year end, to be used to repay the maturing bond in July 2026. We assessed the continued availability of facilities to the group through the going concern period and ensured the completeness of the covenants identified by management. We inspected the short-term covenant alleviation agreement reflecting the estimated direct impacts of the cyber security incident due to its one-off nature. There is forecast covenant compliance in 2026, even without the alleviation.
- Engaging an EY debt advisory specialist who concluded the group had realistic prospects of accessing the capital markets if required before July 2026. However, given this is uncommitted as at the date of approval of the financial statements, we excluded the £300m assumed by management in their model, from the EY modelling, but noted sufficient covenant and liquidity headroom even excluding the facility.
- Evaluating the mitigating factors which are within the control of the group, including a review of the feasibility of capital expenditure reductions. We excluded an assumed sale and leaseback mitigation included in management's model, given it was only partially in the control of management, but noted this did not make a significant difference to the forecast covenant and liquidity headroom.
- Reviewing management's reverse stress testing in order to identify and understand the likelihood of factors that would lead to the group running out of all available liquidity during the going concern period.
- Reviewing the group's going concern disclosures included in the annual report in order to assess that the disclosures are consistent with the basis upon which the directors have concluded, and in conformity with the reporting standards.

Key observations arising with respect to our evaluation of management's going concern assessment:

The group has net current liabilities of £980m (2024: £498m), which is common in the retail industry due to the working capital cycle. The group has net debt £1,504m (2024: £1,257m). Of the debt held by the group it is only the revolving credit facility and term loan which requires compliance with covenant tests. These covenants are tested twice per year.

Cash generated from operating activities was £243m (2024: £456m) and was lower than the prior period mainly due to the weaker operating profit performance of the group following the cyber security incident in the period.

We identified the following significant assumptions made by management which have influenced their going concern assessment:

- Food retail sales volumes and gross margin.
- The financial success of the planned cost out programme.
- Forecast working capital improvements during 2026.

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 of 21 months from the balance sheet date to December 2027.

In relation to the group's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the group financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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"> <li>• 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 group financial statement line items as detailed in "Tailoring the scope" section below.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>• Revenue recognition</li> <li>• Accrued supplier income – long term agreements (LTA)</li> <li>• Valuation of insurance contract liabilities</li> <li>• Impairment of Food property, plant &amp; equipment and right of use assets</li> <li>• Cyber security incident</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall group materiality of £45m which represents 0.5% of Adjusted Revenue.</li> </ul> <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

Our audit scoping is in line with the 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
Interest-bearing loans and borrowings	Corporate and CGH
Derivative financial instruments	Corporate and CGH

We then identified four components as individually relevant to the group due to materiality or financial size of the components ("full scope components") relative to the group:

- Food
- Wholesale
- Funeralcare
- Corporate

We then identified two additional components ("specific scope component") as individually relevant to the group based on the materiality of specific accounts relative to the group (Legal and Insurance).

For the above 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 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 further component (“specified audit procedures component”) of the group to include in our audit scope to address these risks (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.

During the current year’s audit cycle, the primary team 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. The Legal component team is based in a different office location, however, we maintained regular discussions with them throughout the audit. This allowed the group audit partner to be involved in discussions with the component teams on the audit approach and any issues arising from their work, meeting with local management, and attending key 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 the group. The group has determined that the most significant future impacts from climate change on their operations will be from 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 106-113 in the required Climate Related Financial Disclosures and on pages 44-51 in the principal risks and uncertainties. They have also explained their climate commitments on pages 107-108. 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 Accounting Policies and Basis of Preparation and in Note 10 and Note 12 their articulation of how climate change has been reflected in the group 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 in 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 pages 106-113 and the significant judgements and estimates disclosed in section “Material accounting judgements, estimates and assumptions in relation to climate change”. We assessed whether these have 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, whilst we have not identified the impact of climate change on the financial statements to be a standalone key audit matter, we have considered the impact on the existing key audit matter: Impairment of Food property, plant & equipment and right of use assets.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, 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><b>Revenue recognition</b></p> <p><b>2025: £11,025m (2024: £11,279m)</b></p> <p><i>Refer to the Accounting policies (page 138); and Note 2 of the Consolidated Financial Statements (page 137)</i></p> <p>The timing of when revenue is recognised is relevant to the reported performance of the group. There remains a risk of management override of controls, including recording fictitious and erroneous journals, to overstate revenue throughout the year across all components.</p>	<p><b>Applicable to all material revenue streams</b></p> <ul style="list-style-type: none"> <li>• Gained an understanding of the process by performing a walk through and assessing the design effectiveness of the key controls within the revenue process. Our audit took a fully substantive approach in this area.</li> <li>• We performed analytical 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.</li> <li>• In response to limitations in the IT systems, we tested transactions to source documentation to ensure the extracted data is accurate. We performed focused tests to reconcile key revenue streams from source</li> </ul>

Risk	Our response to the risk
<p>The risk includes fraud or error in the assumptions used within the calculations of the IFRS 17 expected claims and expenses within the Funeralcare component.</p> <p>This is an existing risk of fraud in line with our prior period audit except for the Revenue recognition in respect of the Funeralcare contractual service margin (CSM) roll forward. In the current year, we have removed this element given the CSM roll forward amount is immaterial to the total revenue in the financial statements.</p>	<p>systems to general ledger, to ensure the data flow through all relevant interfaces is complete and accurate.</p> <p><b>Food</b></p> <ul style="list-style-type: none"> <li>• We tested a sample of journals relating to instances where stores recognise revenue outside the normal automated store EPOS process.</li> <li>• For store revenue, we performed journal analysis to identify sales journals that did not follow the expected critical path from revenue to cash and tested a sample to supporting evidence to ensure revenue had been recognised correctly. All material outliers in this period have been vouched to supporting evidence.</li> <li>• For Federal revenue, we vouched a sample of revenue to external third- party confirmations from independent society members.</li> </ul> <p><b>Funeralcare</b></p> <ul style="list-style-type: none"> <li>• We performed sample testing over the at-need revenue. This included system generated and manual journals. We selected our samples using a lower testing threshold and tested these items to third party evidence.</li> </ul> <p>In addition to the above, we perform procedures over expected claims and expenses. These are underpinned by actuarial assumptions and data. Therefore in addition to the procedures within the valuation of insurance contract liabilities key audit matter, we:</p> <ul style="list-style-type: none"> <li>• Agreed insurance revenue recognised for the period to the change in the liability for the remaining coverage, investigating any unusual or material reconciling items.</li> <li>• The expected claims and expenses are modelled by the outsourced actuarial service provider. We continued to rely on the baselining of the actuarial cash flow model performed in prior years and tested any developments to the model in the period. We also tested the analysis of movement as part of our testing over the present value of future cash flows.</li> <li>• We reviewed the estimates and considered for evidence of management bias by evaluating the judgments and decisions made by management in making the estimates, considering the rationale and support provided by management and consistency of significant assumptions with other relevant information.</li> </ul>

Risk	Our response to the risk
	<p><b>Wholesale and Legal</b></p> <ul style="list-style-type: none"> <li>• We performed journal analysis to identify journals to revenue that did not follow the expected flow of transactions from revenue to debtors to cash. We tested a sample of these to supporting evidence.</li> </ul> <p><b>Insurance</b></p> <ul style="list-style-type: none"> <li>• We agreed a sample of revenue to third party confirmations.</li> <li>• We tested the appropriateness of the assumptions in relation to the recognition of revenue.</li> </ul>
<p><b>Key observations communicated to the Audit Committee</b></p> <p>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 not identified instances of management override of controls in relation to revenue.</p>	
<p><b>How we scoped our audit to respond to the risk</b></p> <p>We performed audit procedures over this risk in five components (Food, Wholesale, Funeralcare, Legal, and Insurance). All audit work performed to address this risk was undertaken by the component audit teams.</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 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.</p>	

Risk	Our response to the risk
<p><b>Accrued supplier income – Long term agreement (LTA)</b></p> <p><b>2025: £59m (2024: £69m)</b></p> <p><i>Refer to the Audit Committee Report (page 90); Accounting policies (page 141); and Notes 4 and 16 of the Consolidated Financial Statements (pages 140 and 158)</i></p> <p>The group receives material discounts, incentives and rebates (fixed amounts and volume-based) from its suppliers. These vary in complexity across the Food and Wholesale divisions of the group. The terms of agreements with suppliers can be complex and varied. High levels of manual intervention raise the risk of an error occurring in the calculation of income, either accidentally or purposefully through management override of controls.</p> <p>The risk focuses on LTA supplier income which is the most complex supplier arrangement, specifically the risk of overstatement in the calculation of accrued supplier income through management override of controls at the year-end. This is where supplier income has been recognised but remains unbilled at year end.</p> <p>Continued challenging economic conditions may affect consumer spending patterns. Movement in buying habits, for example volume mix between branded and own brand goods, may have an impact on rates at which rebates are earned. Given the downturn in Food retail performance in the year, lower sell-through volumes may also impact the supplier arrangements.</p> <p>This is an existing risk of fraud. In the current year, we have reassessed our risk and have focused on year-end accrued income associated with LTA only, as these represent the most complex supplier arrangements. Bonus income and promotional income relate to short-term marketing support or promotions, which are less complex and are typically settled through in-period offsets. and therefore, present a lower level of risk.</p>	<ul style="list-style-type: none"> <li>• We performed a walk through and assessed the design effectiveness of key controls in place within the supplier income process.</li> <li>• We held enquiries with management to understand any new supplier arrangements entered in the period, including any unusual contract arrangements or terms.</li> <li>• For a sample of accrued supplier income, we issued direct requests to third party suppliers to confirm the terms of arrangements and sales volumes used. This provides direct external third party evidence without relying on information generated from the group's IT systems.</li> <li>• We performed 'look-back' procedures by testing a sample of credit notes received post year end to assess whether any related to arrangements in 2025, to assess whether income was recorded in the correct period.</li> <li>• Using data extracted, we analysed the correlation between income statement and balance sheet accounts to identify any unusual or unexpected trends. We tested a sample of outliers to corroborating evidence.</li> <li>• We assessed the adequacy of the group's financial statement disclosures with respect to supplier income and their compliance with accounting standards.</li> </ul>

Risk	Our response to the risk
<b>Key observations communicated to the Audit Committee</b>	
Testing performed over the supplier income recognised in the Food and Wholesale divisions has not identified any material misstatements.	
<b>How we scoped our audit to respond to the risk</b>	
We performed full scope audit procedures over this risk in two components (Food and Wholesale). All audit work performed to address this risk was undertaken by the component audit teams.	
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
<b>Valuation of insurance contract liabilities</b>	
<b>Liability for Remaining Coverage 2025: £1,082m (2024: £1,004m)</b>	
<i>Refer to the Audit Committee Report (page 90); Accounting policies (page 172 to 174); and Note 20 of the Consolidated Financial Statements (pages 164 to 174)</i>	
The risk related to the valuation of the Liability for Remaining Coverage is focussed on the present value of future cash flows (PVFCFs), the contractual service margin (CSM) and the risk adjustment.	In conjunction with our actuarial audit team, we performed process walkthroughs to obtain an understanding of the actuarial assumption setting process, plan data flows, results analysis and model output, and identified relevant controls in place.
The risk is significant due to the judgment required in the selection of assumptions and the calculations being contingent on the completeness and accuracy of the data.	To address the risk that data utilised within the models was not complete and accurate, we:
We believe the specific risk factors contributing to the assessment of the risk are:	<ul style="list-style-type: none"> <li>• Agreed the reconciliation of the plan master file to the input into the valuation model to verify that all in-force plans are included in the valuation process.</li> <li>• Tested the underlying data back to source administration system, verifying that key data fields have been correctly and consistently applied period to period.</li> <li>• Tested the actuarial model to ensure the expense assumptions were applied appropriately within the model.</li> </ul>
<ul style="list-style-type: none"> <li>• Key data utilised within the models is not complete and accurate.</li> <li>• Significant judgment is applied in the selection of economic (e.g. discount rates, inflation) and non-economic (e.g. mortality, cancellation / lapses and expenses) assumptions about the extent, timing and nature of future cash flows</li> </ul>	<p>To address the risk over actuarial assumptions, we:</p> <ul style="list-style-type: none"> <li>• 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 insurance related liabilities.</li> <li>• Tested the results of management's experience analyses, including mortality and cancellations, to assess whether these support the non-economic assumptions.</li> </ul>

Risk	Our response to the risk
<p>which results in complexity in the measurement of the liability.</p> <ul style="list-style-type: none"> <li>Judgement in determining the risk adjustment.</li> <li>Judgements in the recognition and subsequent measurement of CSM, including but not limited to, experience adjustments, coverage unit determination and the pattern of release of loss components.</li> </ul> <p>In the previous year the risk expanded to modelling, assumptions and data. This year, we have narrowed the risk to assumptions and data on the basis that modelling does not involve significant judgement, nor have we identified any significant modelling errors historically.</p>	<ul style="list-style-type: none"> <li>Assessed management’s methodology for splitting expenses between acquisition and maintenance expenses, including the split of attributable and non-attributable costs under IFRS 17, agreeing a sample of expenses back to source information.</li> <li>Benchmarked significant assumptions against those of other comparable industry participants in our wider assumptions benchmarking review.</li> <li>Performed procedures to test the assumptions used in the year end valuation were consistent with the approved basis.</li> </ul> <p>In addition, we also performed the following procedures:</p> <ul style="list-style-type: none"> <li>Tested the roll forward of the CSM for each group of contracts in management’s CSM tool, using our independent CSM tool.</li> <li>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. We also 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.</li> <li>Verified that the valuation practices are consistently applied.</li> <li>Considered the adequacy of the disclosures in the financial statements.</li> </ul>
<p><b>Key observations communicated to the Audit Committee</b></p> <p>The liability for remaining coverage including risk adjustment is fairly stated in accordance with IFRS 17 and the assumptions and data used for deriving the estimate are reasonable.</p>	
<p><b>How we scoped our audit to respond to the risk</b></p> <p>We performed full scope audit procedures over this risk in the Funeralcare component. All audit work performed to address this risk was undertaken by the component audit team.</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><b>Impairment of Food property, plant &amp; equipment and right of use assets</b></p> <p><b>PPE 2025: £1031m (2024: £979m)</b>  <b>RoU Assets 2025: £484m (2024: £472m)</b>  <b>Impairment charge 2025 : £37m (2024 : £17m)</b></p> <p><i>Refer to the Audit Committee Report (page 90); Accounting policies (pages 148 to 149 and page 152); and Notes 1, 10 and 11 of the Consolidated Financial Statements (page 135 to 136, 146 to 149 and 150-152)</i></p> <p>Under IAS 36, the group is required to complete an impairment review of its store portfolio where there are indicators of impairment, or reversal of impairment. Judgement is required in identifying indicators of impairment and there is significant estimation around future assumptions of the store portfolio.</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>With an extended period of a challenging macroeconomic environment and the impact of the cyberattack on performance, the risk has increased in the current year.</p>	<ul style="list-style-type: none"> <li>• We assessed the design effectiveness of the key controls in place within the Food store impairment process. Our audit took a substantive approach.</li> <li>• We evaluated management’s assessment of the existence of impairment indicators. This included challenging the completeness of this assessment, ensuring management has considered all appropriate indicators across the group.</li> <li>• Within the impairment model, we confirmed the integrity of data inputs including store-level cash contribution data, listings of stores which were refitted or new, and the carrying values of PPE. We also re-performed any manual calculations to check these for accuracy.</li> <li>• We tested the assumptions within the cashflow projections, including assessing management’s forecasting accuracy by comparing to previous outturn. We considered any adjustments made to forecasts where judgement was applied, such as for cyber impact on performance, or new stores.</li> <li>• We tested assumptions (such as growth rates, discount rates and perpetuity rates) by corroborating the data inputs to external sources and worked with EY Valuation Specialists to calculate an independent range for comparison.</li> <li>• We evaluated the adequacy of the disclosures in respect of key assumptions, including sensitivity analysis.</li> </ul>
<p><b>Key observations communicated to the Audit Committee</b></p> <p>The assumptions used in the impairment assessments are reasonable. The impairment charge relating to Food stores is considered reasonable.</p>	
<p><b>How we scoped our audit to respond to the risk</b></p> <p>We performed full scope audit procedures over this risk in Food component. All audit work performed to address this risk was undertaken by the component audit team.</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 &amp; 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><b>Cyber security incident</b></p> <p><i>Refer to the Chief Financial Officer’s Review (pages 34-41); the Audit Committee Report (page 90); Note 1 of the Consolidated Financial Statements (page 135) and Accounting policies and basis of preparation (page 198)</i></p> <p>In April 2025, the group was subject to a cyber security incident. The group took the decision to temporarily restrict access to their systems and interfaces to minimise disruption.</p> <p>The attack gave rise to several accounting considerations including: directly attributable incremental costs; the adequacy of related disclosures in the financial statements and including any potential liabilities, such as regulatory fines or legal claims.</p> <p>This is a new risk arising from the cyber security incident that occurred in the year. This event is considered a key audit matter because in the context of the financial statements as a whole and the extent of audit effort devoted to this area, this is considered to be one of the areas which had the greatest effect on our group audit overall.</p>	<p>Our approach focused on the following procedures:</p> <ul style="list-style-type: none"> <li>• Together with our IT specialists, we inspected key management specialist reports following the incident, to evaluate the actions taken by the group in response to the cyber security incident.</li> <li>• On a sample basis, we critically assessed the £21m of non-underlying costs presented as non-underlying items, to evaluate whether they are incremental and directly attributable to the cyber security incident.</li> <li>• We performed additional journal entry testing over any identified areas of increased risk of management override of control.</li> <li>• We inspected correspondence with regulators, to help determine the likelihood of any potential risk of future liabilities</li> <li>• We inquired of the group’s internal and external legal counsel, to establish any potential risk of future liabilities.</li> <li>• With the support of an EY data privacy specialist, we considered the appropriateness of the recognition of any potential provision, or contingent liability, in response to the risk of a regulatory fine or other potential claims.</li> <li>• We assessed the adequacy and appropriateness of disclosures in the Annual Report and Accounts.</li> </ul>
<p><b>Key observations communicated to the Audit Committee</b></p> <p>The treatment of directly attributable incremental costs is in line with the group’s accounting policy.</p> <p>The judgment made by the directors that a contingent liability disclosure is not required for the potential of future liabilities is appropriate.</p>	
<p><b>How we scoped our audit to respond to the risk</b></p> <p>All audit work performed to address this risk was undertaken by the primary audit team and supported by EY professionals with specialist skills.</p>	

In the prior period, we included a key audit matter in relation to the “Group IT Environment”. This is no longer reported as a separate key audit matter in our audit opinion, as any relevant IT audit procedures are now included within each of the individual key audit matters above.

## Our application of materiality

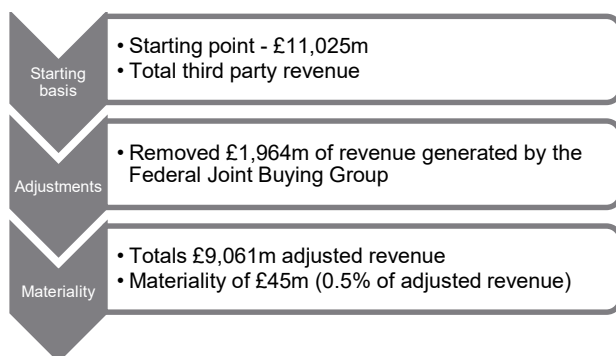
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### 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 £45 million (2024: £46 million), which is 0.5% (2024: 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 the initial materiality based on the final figures in 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 overall control and IT 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% (2024: 50%) of our planning materiality, namely £22.5m (2024: £23m).

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 misstatement at that component. In the current year, the range of performance materiality allocated to components was £4.5m to £19.2m (2024: £4.6m to £19.5m).

### 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 £2.2m (2024: £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 68 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**

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 102.
- 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 102 to 103.
- Directors' statement on fair, balanced and understandable set out on page 114.
- 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 and accounts that describes the review of effectiveness of risk management and internal control systems set out on page 92.
- The section describing the work of the audit committee set out on pages 88 to 94.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 114-115, 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 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 company 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 Society and tax legislation, and the financial reporting framework 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 2024, the Health and Safety at Work Act 2015, the National Minimum Wage Act 1998, Food Hygiene Regulations 2006, Money Laundering Regulations 2019, UK General Data Protection Regulation, the Funeral Plan: Conduct of Business sourcebook (FPCOB) issued by the Financial Conduct Authority (FCA), and SRA Standards and Regulations issued by the Solicitors Regulation Authority (SRA).
- We understood how Co-operative Group Limited is complying with those frameworks by making inquiries of management, internal audit, those charged with governance 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. Where the risk was considered to be higher, together with our EY specialists, we reviewed the results of specialist investigations and external legal counsel. 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 journal entry fraud risk analyser on Food, Funeralcare, and Corporate components as a direct response to the risk of management override of controls. Using the 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 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.

### **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  
27 March 2026

# 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 172 (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	
<p><b>Underlying operating profit / (loss)</b></p>	<p><b>Definition and Purpose:</b> 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><b>Closest IFRS equivalent:</b> Operating Profit.</p> <p><b>Where reconciled in the financial statements:</b> 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>
<p><b>Underlying profit / (loss) before tax (PBT)</b></p>	<p><b>Definition and Purpose:</b> 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><b>Closest IFRS equivalent:</b> Profit before tax.</p> <p><b>Where reconciled in the financial statements:</b> Note 1 (Operating segments) sub-section (k).</p>

## Alternative Performance Measures (APMs) continued

APM	
<b>EBITDA</b> (Earnings before interest, taxation, depreciation and amortisation)	<p><b>Definition and Purpose:</b> 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><b>Closest IFRS equivalent:</b> There is no close equivalent to this measure under IFRS.</p> <p><b>Where reconciled in the financial statements:</b> The derivation is noted in the Segmental tables in Note 1 (Operating segments).</p>
<b>Underlying EBITDA</b>	<p><b>Definition and Purpose:</b> 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><b>Closest IFRS equivalent:</b> There is no close equivalent to this measure under IFRS.</p> <p><b>Where reconciled in the financial statements:</b> The derivation is noted in the Segmental tables in Note 1 (Operating segments).</p>
<b>Covenant EBITDA</b>	<p><b>Definition and Purpose:</b> Underlying EBITDA as defined above, adding back administrative pension costs and after deducting rental expenditure incurred on operating leases in line with pre-IFRS 16 standards.</p> <p>Covenant EBITDA is in line with our banking facilities covenant metric requirements and definitions.</p> <p><b>Closest IFRS equivalent:</b> There is no close equivalent to this measure under IFRS.</p> <p><b>Where reconciled in the financial statements:</b> Not applicable as there is no close equivalent to this measure under IFRS.</p>
<b>Adjusted EBITDAR</b>	<p><b>Definition and Purpose:</b> Adjusted EBITDAR is calculated as covenant EBITDA defined above, after adding back rental expenditure incurred on operating leases in line with pre-IFRS 16 standards.</p> <p>Adjusted EBITDAR is in line with our banking facilities covenant metric requirements and definitions.</p> <p><b>Closest IFRS equivalent:</b> There is no close equivalent to this measure under IFRS.</p> <p><b>Where reconciled in the financial statements:</b> Not applicable as there is no close equivalent to this measure under IFRS.</p>

## Alternative Performance Measures (APMs) continued

APM	
<b>Group Net debt</b> (excluding accrued interest on amortised debt)	<p><b>Definition and Purpose:</b>            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 (&lt;1 year) under IFRSs). The Group cash balance in our Net debt APM metric excludes any restricted cash relating to receipts to be invested in funeral plan investments.</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><b>Closest IFRS equivalent:</b>            Interest bearing borrowings less cash and cash equivalents.</p> <p><b>Where reconciled in the financial statements:</b>            Group net debt table below the Consolidated statement of cashflows.</p>
<b>Group Net debt</b> (excluding lease liabilities and accrued interest on amortised debt)	<p><b>Definition and Purpose:</b>            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 (&lt;1 year) under IFRSs). The Group cash balance in our Net debt APM metric excludes any restricted cash relating to receipts to be invested in funeral plan investments.</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><b>Closest IFRS equivalent:</b>            Interest bearing borrowings less cash and cash equivalents.</p> <p><b>Where reconciled in the financial statements:</b>            Group net debt table below the Consolidated statement of cashflows.</p>
<b>Like-for-like sales</b>	<p><b>Definition and Purpose:</b>            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><b>Closest IFRS equivalent:</b>            There is no close equivalent to this measure under IFRS.</p> <p><b>Where reconciled in the financial statements:</b>            Not applicable as there is no close equivalent to this measure under IFRS.</p>
<b>ROCE</b> (Return on capital employed)	<p><b>Definition and Purpose:</b>            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><b>Closest IFRS equivalent:</b>            There is no close equivalent to this measure under IFRS.</p> <p><b>Where reconciled in the financial statements:</b>            Not applicable as there is no close equivalent to this measure under IFRS.</p>

# Glossary

<b>Accounting surplus (pensions)</b>	When a pension scheme has more <b>assets</b> than the amount it expects to pay out in the future (the <b>present value</b> of its <b>liabilities</b> ) then it has an accounting surplus.
<b>Accrued income</b>	When we've performed a service but haven't billed the customer yet, we hold the amount due on the <b>balance sheet</b> as accrued income. Once we bill the customer the balance is then moved to <b>receivables</b> .
<b>Acquisition cashflows (funeral plans)</b>	Costs that relate wholly to issuing and fulfilling <b>insurance contracts (funeral plans)</b> . This includes the costs of selling, underwriting, and starting a group of insurance contracts such as internal salaries or external commission paid.
<b>Amortisation</b>	Similar to <b>depreciation</b> , but for <b>intangible assets</b> .
<b>Asset</b>	This is an amount on our <b>balance sheet</b> 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.
<b>Assets held for sale</b>	Sometimes we have to sell things. When we've decided to make a large <b>disposal</b> before the year-end but the asset hasn't been sold yet, we have to show it in this line on the <b>balance sheet</b> and reduce its value ( <b>impairment</b> ) if appropriate.
<b>Associate</b>	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.
<b>Balance sheet</b>	This shows our financial position - what <b>assets</b> we have and the amounts we owe ( <b>liabilities</b> ).
<b>Banking Syndicate</b>	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.
<b>Benefit payments (pensions)</b>	This is the amount our pension funds pays out to pensioners.
<b>Board-approved plan</b>	Each year we produce a financial forecast for our Co-op covering financial performance ( <b>Income statement</b> ), financial position ( <b>Balance sheet</b> ) and forecasted <b>Cashflows</b> . 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 <b>impairment</b> assessments.
<b>Bond Notes</b>	These are our debt instruments (loans from banks) that we pay interest on to fund our businesses' operations.
<b>Capital expenditure</b>	When we spend money on items that will become <b>assets</b> (such as property or IT systems) this is shown as capital expenditure. The costs are not shown in the <b>income statement</b> of the year it's spent - instead the costs are spread over the life of the <b>asset</b> by <b>depreciation</b> or <b>amortisation</b> .
<b>Cash flow statement</b>	This shows how much cash has come in or gone out during the year and how we've spent it.
<b>Cash Generating Unit (CGU)</b>	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.
<b>Cohort (funeral plans)</b>	We group the <b>funeral plans</b> 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.
<b>Commitments</b>	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 <b>balance sheet</b> date as it has not been incurred yet, we don't put the amount on the <b>balance sheet</b> but we disclose the amount in the commitments note.
<b>Comprehensive income</b>	This is our profit for the year plus <b>other comprehensive income</b> .
<b>Consolidated</b>	As this report is based on the financial performance and position of many <b>societies</b> and companies around <b>the Group</b> , we have to add up all those entities and the total is the consolidated position.
<b>Contingent asset</b>	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 <b>balance sheet</b> but we show the amount in the <b>commitments</b> and contingencies note.
<b>Contingent liability</b>	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 <b>balance sheet</b> but we show the amount in the commitments and contingencies note and disclose relevant details of the contingent liability.
<b>Contract assets</b>	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 <b>funeral plan</b> . We hold these on the <b>balance sheet</b> until we've delivered all the services to our customer and are entitled to receive payment.
<b>Contract liabilities</b>	This is where a customer has paid us in advance of them receiving goods or services under a contract (for example, a <b>funeral plan</b> ). We have to hold this on the <b>balance sheet</b> until the customer receives the service they've paid for.

## Glossary continued

<b>Contractual service margin (CSM) (funeral plans)</b>	The unearned <b>profit</b> relating to the future service to be provided under an <b>insurance contract</b> (i.e. the profit margin we expect to earn over the life of the <b>insurance contract / funeral plan</b> ).
<b>Corporate investor shares</b>	This is money that other <b>societies</b> invest with us and we pay them interest on it. The <b>societies</b> can get their money back at any time.
<b>Coverage period (funeral plans)</b>	A means of reflecting the pattern of services provided under a group of contracts (specifically relates to <b>funeral plans</b> and the time period covered by a group of <b>funeral plans</b> and how revenue is recognised).
<b>Coverage unit (funeral plans)</b>	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 <b>funeral plans</b> and the time period covered by a group of <b>funeral plans</b> and how revenue is recognised).
<b>Credit</b>	This is an increase in income / reduction in costs on the <b>income statement</b> or an increase in a <b>liability</b> / reduction in an <b>asset</b> on the <b>balance sheet</b> .
<b>Current</b>	An <b>asset</b> or <b>liability</b> that is expected to last for less than a year.
<b>Current tax</b>	This is the amount we expect to pay in tax for the year based on the profits we make.
<b>Debenture</b>	This is a type of loan that we've issued and are paying interest on.
<b>Debit</b>	This is a decrease in income / increase in costs on the <b>income statement</b> or a decrease in a <b>liability</b> / increase in an <b>asset</b> on the <b>balance sheet</b> .
<b>Debt</b>	Loans that we've issued and are paying interest on.
<b>Deferred consideration</b>	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.
<b>Deferred income</b>	Occasionally we receive monies (or recognise <b>deferred consideration</b> 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 <b>liability</b> (deferred income) on our <b>balance sheet</b> until the point at which we perform the service at which point we extinguish the <b>liability</b> and recognise the income.
<b>Deferred tax</b>	Sometimes our <b>assets</b> and <b>liabilities</b> are worth more or less on our <b>balance sheet</b> than they are for tax purposes. The tax on the difference in value is called deferred tax and can be an <b>asset</b> or <b>liability</b> depending on whether the value is greater in the <b>balance sheet</b> or for tax purposes.
<b>Defined benefit schemes</b>	This is a pension scheme where an amount is paid out to an employee based on the number of years worked and salary earned.
<b>Defined contribution schemes</b>	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.
<b>Depreciation</b>	Some <b>assets</b> the Co-op will have for a while (such as vehicles). When we buy them the cost goes on our <b>balance sheet</b> and then <b>depreciation</b> spreads the cost of the <b>asset</b> evenly over the years we expect to use them in the <b>income statement</b> .
<b>Derivatives</b>	These are financial products where the value goes up or down based on an underlying <b>asset</b> such as currency, a commodity or interest rate.
<b>Discontinued operations</b>	When we sell a large business, we report its results at the bottom of the <b>income statement</b> so that it's easier for readers to see the performance of <b>the Group's</b> other continuing businesses.
<b>Discount rate</b>	This is the amount that we are <b>discounting</b> by. It's a percentage and varies based on what we expect interest rates or inflation to be in the future.
<b>Discount unwind</b>	Every year the amount that we're <b>discounting</b> is going to be worth more as we get nearer to paying or receiving it. We have to put that increase in value (the <b>discount unwind</b> ) through our <b>income statement</b> .
<b>Discounting</b>	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.
<b>Disposals</b>	When we have sold an <b>asset</b> .
<b>EBITDA</b>	This is <b>operating profit</b> excluding any <b>depreciation</b> or <b>amortisation</b> . The letters stand for earnings before interest, tax, <b>depreciation</b> and <b>amortisation</b> (see APM section at the start of the Glossary for further details).
<b>Effective tax rate (ETR)</b>	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.
<b>Equity</b>	This is the difference between the <b>assets</b> we own and the <b>liabilities</b> we owe - theoretically, this is how much money would be left for our members once every <b>asset</b> is sold and every <b>liability</b> is paid.
<b>Expected credit losses</b>	This is an estimate of the amount of our <b>receivables</b> which will not be repaid.
<b>Fair value movement</b>	There are some things on our <b>balance sheet</b> which we have to revalue every year. This includes some of our <b>debt</b> , <b>investment properties</b> , our pension schemes and <b>funeral plan investments</b> . The change in value is called the fair value movement.

## Glossary continued

<b>Federal</b>	Federal relates to the activities of a joint buying group that is operated by <b>the Group</b> for itself and other independent co-operative societies. <b>The Group</b> 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 <b>Wholesale</b> business.
<b>Finance costs</b>	These are usually the interest we pay on our <b>debt</b> , but can also be other things such as the <b>fair value movement</b> on our <b>debt</b> or the <b>discount unwind</b> of <b>liabilities</b> .
<b>Finance income</b>	This mainly relates to the interest on our pension assets and the <b>unrealised gains on funeral plan investments</b> , but can also be other things such as the <b>fair value movement</b> on our <b>debt</b> or the <b>discount unwind</b> of <b>receivables</b> .
<b>Finance lease</b>	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.
<b>Financial Conduct Authority (FCA)</b>	The FCA regulates the financial services industry in the UK.
<b>Financial instruments</b>	A collective term for <b>debt</b> or <b>derivatives</b> that we have.
<b>Financial Reporting Council (FRC)</b>	The FRC regulate auditors, accountants and actuaries and they set the UK's Corporate Governance and Stewardship codes.
<b>Franchise</b>	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.
<b>Fuel</b>	Refers to fuel sales generated from our petrol forecourts (which were sold in 2022).
<b>Fulfilment cashflows (funeral plans)</b>	For <b>funeral plans</b> these cashflows mainly comprise; premiums received from customers for <b>pre-paid plans</b> and <b>LCIPs</b> , 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 <b>insurance contracts (funeral plans)</b> .
<b>Funeral plans</b>	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 <b>the Group</b> will invest that money to cover the costs of the funeral when it is needed.
<b>Funeral plan investments</b>	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 <b>balance sheet</b> .
<b>GAAP</b>	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 <b>Non-GAAP</b> measures.
<b>General Measurement Model (GMM) (funeral plans)</b>	The GMM model is the overarching approach that we use to account for our <b>funeral plans (insurance contracts)</b> under the new insurance accounting standard ( <b>IFRS 17</b> ). 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.
<b>(UK) Gilts</b>	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 <b>discounting</b> .
<b>Goodwill</b>	When we buy a business or a group of <b>assets</b> , sometimes we pay more for it than what its <b>assets</b> less <b>liabilities</b> are worth. This additional amount we pay is called <b>goodwill</b> and we put it on our <b>balance sheet</b> .
<b>(the) Group</b>	This is Co-operative Group Limited and all companies and <b>societies</b> that it owns.
<b>Hedging</b>	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 <b>derivatives</b> to protect us from this and this process is known as hedging.
<b>Hedge Accounting</b>	Hedge accounting is a type of accounting treatment the Group can chose to adopt when certain criteria are met which better allows us to reflect the hedging activity the Group undertakes in our <b>Income Statement</b> . For the Group this relates to the <b>interest rate swaps</b> we hold that help us hedge cashflow interest rate risk that we are exposed to on our floating rate <b>borrowings</b> . When it works as intended (so when it is fully effective), hedge accounting removes the volatility we would otherwise see in our <b>Income statement</b> from <b>fair value movements</b> on the swaps.

## Glossary continued

<b>IAS</b>	International Accounting Standards. <b>The Group</b> use these as the accounting rules. There are many different <b>IASs</b> that cover various accounting topics (e.g. IAS 38 is for <b>intangible assets</b> ).
<b>IFRIC</b>	International Financial Reporting Interpretations Committee. These are interpretations of <b>IASs</b> or <b>IFRSs</b> that the <b>Group</b> also has to abide by.
<b>IFRS</b>	International Financial Reporting Standards. Similar to <b>IAS</b> , but cover different subjects (e.g. the standard on <b>insurance contracts</b> that we apply to our <b>funeral plans</b> is known as IFRS 17.
<b>Impairment</b>	Sometimes our <b>assets</b> 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 <b>income statement</b> .
<b>Income statement</b>	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.
<b>Insurance contract (funeral plans)</b>	A contract under which <b>the Group</b> accepts significant <b>insurance risk</b> from another party by agreeing to compensate that party if it is adversely affected by a specified uncertain future event. Our <b>funeral plans</b> are insurance contracts.
<b>Insurance risk (funeral plans)</b>	The risk Co-op are exposed to in an <b>insurance contract</b> when we agree to compensate a policy holder if a specified uncertain event occurs. For our <b>funeral plans</b> the risk relates to the uncertain cost of delivering the funeral at some unknown point in the future.
<b>Intangible asset</b>	We have <b>assets</b> at the Co-op that we can't see or touch which are shown separately to other <b>assets</b> . These include things like computer software and <b>goodwill</b> .
<b>Interest rate swaps</b>	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.
<b>Inventories</b>	This represents the goods (the stock) we're trying to sell. The cost of this is shown on our <b>balance sheet</b> .
<b>Investment grade credit assets</b>	Refers to assets (such as bonds) where the credit rating by Standard and Poor's is BBB or higher.
<b>Investment properties</b>	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.
<b>Invoice discounting facility</b>	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.
<b>LCIPs</b>	Low cost instalment plans (LCIPs) - this is where customers can take out a <b>funeral plan</b> but pay for it over monthly instalments of between 2 and 25 years.
<b>Lease Liability</b>	This represents the <b>discounted</b> future payments we are due to make to suppliers in exchange for the right to use their equipment or property.
<b>Liability</b>	This is an amount on our <b>balance sheet</b> which we'll have to pay out in the future.
<b>Like-for-like sales</b>	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.
<b>Listed debt securities</b>	People can trade some of our <b>debt</b> such as our bonds on the financial markets. When this is the case, it's a listed debt security.
<b>Maintenance cashflows (funeral plans)</b>	Direct costs of servicing already acquired funeral plans such as costs of handling claims or policy changes.
<b>Member payments</b>	This is an amount we've paid our members in the year and approved at the AGM such as dividends.
<b>Member rewards</b>	These are the benefits that members have earned for themselves during the year as part of the 2% membership offer.
<b>Net assets</b>	Same as <b>equity</b> .
<b>Net debt</b>	This is the <b>debt</b> we have less any cash (or cash equivalents) that we might have.
<b>Net operating assets</b>	Net operating assets is calculated as the total Group <b>net assets</b> shown in the Consolidated Group <b>Balance sheet</b> adjusted for our Pension surplus (net of <b>deferred tax</b> ) less <b>net debt</b> (including <b>lease liabilities</b> ) less net <b>funeral plan</b> assets and liabilities.
<b>Non-current</b>	An <b>asset</b> or <b>liability</b> that is expected to last for more than one year.

## Glossary continued

<b>Non-GAAP measure</b>	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.
<b>Non-underlying items</b>	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 <b>the Group</b> are stripped out within our <b>non-GAAP measures</b> . This could include a large <b>impairment</b> or a large restructuring exercise.
<b>Onerous contracts</b>	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).
<b>Onerous leases</b>	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 <b>provision</b> for the amount of the running costs we will have to pay in future and hold this on the <b>balance sheet</b> . Rental costs are excluded from this <b>provision</b> now we have adopted <b>IFRS 16 (Leases)</b> as those costs are included in the <b>lease liability</b> .
<b>Operating profit</b>	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 <b>funeral plans</b> .
<b>Operating segments</b>	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.
<b>Other comprehensive income</b>	Sometimes we have unrealised <b>fair value movements</b> on long term <b>assets</b> and <b>liabilities</b> . The <b>income statement</b> 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.
<b>Parent</b>	This is the owner of a <b>subsidiary</b> .
<b>Payables</b>	Another name for <b>liabilities</b> .
<b>PAYE</b>	Pay As You Earn. A tax which is paid on wages.
<b>Payment waiver risk (funeral plans)</b>	If a customer dies after 12 months of taking out a <b>funeral plan</b> and their <b>instalments</b> are up to date (or the death is an accident < 12 months) then Co-op will still honor the plan without requiring the remaining <b>instalments</b> to be settled. Co-op manage this risk through a <b>re-insurance</b> arrangement with a 3rd party insurer who will cover the cost (risk) in such circumstances.
<b>Pension interest</b>	This is the interest that we're allowed to show in our <b>income statement</b> and is the <b>discount rate</b> used to <b>discount</b> the pension <b>liabilities</b> multiplied by the pension surplus or deficit last year.
<b>Performance obligations</b>	These are promises to provide distinct goods or services to customers.
<b>Portfolio (funeral plans)</b>	We bucket up our <b>funeral plans (insurance contracts)</b> into certain groupings for accounting and reporting purposes. We make the distinction of 2 portfolios - one for our funeral plans and one for our <b>re-insurance</b> contracts (the <b>payment waiver</b> on <b>LCIPs</b> ).
<b>Power Purchase Agreement</b>	The Group enters into long-term power purchase arrangements (PPAs) with various green energy producers (on-shore and off-shore wind and solar) where the Group buys electricity that has been generated in a green way. These PPAs help us with our green energy use targets. We use all the energy in our stores and depots (so we don't sell any energy on to others).
<b>Prepayment</b>	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 <b>balance sheet</b> as a prepayment and then spread the cost over the period of the service.
<b>Present value</b>	This is the value of a future cost or income in today's money and is arrived at by <b>discounting</b> .
<b>Provisions</b>	This is a <b>liability</b> , 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 <b>balance sheet</b> .
<b>Realised gains</b>	This is when we sell an <b>asset</b> for a profit.
<b>Receivables</b>	When someone owes us some money, we hold that amount as a receivable on our balance sheet.
<b>Re-insurance (funeral plans)</b>	If a customer dies after 12 months of taking out a <b>funeral plan</b> and their <b>instalments</b> are up to date (or the death is an accident < 12 months) then Co-op will still honor the plan without requiring the remaining <b>instalments</b> 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.
<b>Related party</b>	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 <b>associates</b> and <b>joint ventures</b> .

## Glossary continued

<b>Remeasurement gains / losses on employee pension schemes</b>	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 <b>asset</b> or <b>liability</b> . So that we don't distort the <b>income statement</b> , this effect is shown in <b>other comprehensive income</b> .
<b>Repayment notes</b>	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.
<b>Reserves</b>	This is the amount of <b>equity</b> we have, but excluding any <b>share capital</b> .
<b>Restated</b>	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.
<b>Retained earnings</b>	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.
<b>Retirement benefit obligations (pensions)</b>	Another term for our pension <b>liabilities</b> .
<b>Return on plan assets (pensions)</b>	This is the income our pension <b>assets</b> have generated in the year.
<b>Revaluation reserve</b>	When we revalue a property upwards, we're not allowed to put this <b>unrealised gain</b> through our <b>income statement</b> or within <b>retained earnings</b> 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.
<b>Revolving Credit Facility (RCF)</b>	This is money that our lenders have agreed we can borrow if we need to. It works a bit like an overdraft.
<b>Right of use asset (ROU)</b>	This is an <b>asset</b> that we don't own legally, but which we lease from another party. The <b>asset</b> represents the value the Co-op has in being able to use the <b>asset</b> over the length of a lease contract.
<b>Risk Adjustment (funeral plans)</b>	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 <b>funeral plans (insurance contracts)</b> . 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.
<b>ROCE</b>	Return on capital employed. This is based on our underlying profit we make in the year divided by the <b>net operating assets</b> we have.
<b>Sale and leaseback</b>	This is when an <b>asset</b> 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.
<b>Sensitivity analysis</b>	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.
<b>Sets (funeral plans)</b>	We further sub-divide or <b>funeral plans (insurance contracts)</b> issued in a given <b>cohort</b> 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.
<b>Share capital</b>	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.
<b>Society</b>	The Co-operative Group Limited is a registered co-operative society. We sometimes refer to our collective whole as ' <b>the Group</b> ' or 'the Society' and the terms are broadly interchangeable.
<b>Subsidiary</b>	This is a company or <b>society</b> that is owned by another company.
<b>Supplier income</b>	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.
<b>Underlying interest</b>	This is the net day-to-day interest we incur or receive on our bank borrowings and <b>lease liabilities</b> 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 <b>funeral plan liabilities</b> or the <b>fair value movement</b> on <b>the Group's</b> quoted <b>debt</b> and <b>interest rate swaps</b> ).
<b>Unrealised gains</b>	An <b>asset</b> 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 <b>asset</b> yet.

## Glossary continued

<b>Unrealised gains - funeral plans</b>	The <b>funeral plan investments</b> 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 <b>fair value</b> of the plan investments is recognised within finance income /costs each year.
<b>Wholesale</b>	<b>The Group's operating segment</b> (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 <b>Federal</b> segment.
<b>Work in progress</b>	These are <b>assets</b> that we're in the middle of building. They're on our <b>balance sheet</b> as we've spent money already building them, but they aren't ready for us to use them yet so we're not <b>depreciating</b> them.

## Five year summary (unaudited)

£m	2025	2024	2023	2022	2021
<b>Revenue</b>					
Food	7,256	7,403	7,262	7,805	7,671
Federal	1,964	2,076	2,142	1,895	1,756
Wholesale	1,387	1,399	1,480	1,439	1,386
Funerals	309	289	281	275	264
Legal	83	84	68	46	39
Insurance (marketing and distribution)	26	28	29	24	34
Other businesses & Costs from Support functions	-	-	-	-	1
<b>Total Revenue</b>	<b>11,025</b>	11,279	11,262	11,484	11,151
<b>Underlying (loss) / profit before tax</b>					
Food	34	201	173	139	156
Wholesale	(14)	(1)	14	22	7
Funerals	7	(1)	(11)	(1)	12
Legal	22	27	21	8	5
Insurance (marketing and distribution)	12	15	14	8	15
Other businesses & Costs from Support functions	(96)	(110)	(114)	(93)	(95)
Underlying operating (loss) / profit	(35)	131	97	83	100
Underlying net interest expense on lease liabilities	(64)	(64)	(68)	(76)	(76)
Underlying interest	(27)	(22)	(31)	(55)	(56)
<b>Underlying (loss) / profit before tax</b>	<b>(126)</b>	45	(2)	(48)	(32)
<b>EBITDA (i)</b>					
Underlying operating (loss) / profit (above)	(35)	131	97	83	100
Depreciation (plant, property and equipment)	217	208	225	244	254
Depreciation (right-of-use assets)	112	110	106	119	122
Amortisation	33	32	40	27	29
<b>Underlying EBITDA (i)</b>	<b>327</b>	481	468	473	505
<b>Insurance (underwriting business) - (ii)</b>					
Revenue	-	-	-	-	12
Underlying PBT	-	-	-	-	(1)
Profit on discontinued operation	-	-	2	67	13
<b>Other performance items</b>					
(Loss) / profit after tax - continuing operations	(47)	98	1	258	32
ROCE (i)	-1.2%	4.7%	3.4%	2.6%	2.5%
<b>Balance sheet items</b>					
Total assets	6,516	6,594	6,755	7,994	9,180
Group net debt (excluding leases)	(317)	(55)	(82)	(322)	(920)
Group net debt (including leases)	(1,495)	(1,248)	(1,315)	(1,628)	(2,436)
<b>Total equity</b>	<b>2,108</b>	2,198	2,020	3,023	2,939
Net debt: EBITDA ratio (excluding leases)	0.97	0.11	0.18	0.68	1.82
Net debt: EBITDA ratio (including leases)	4.57	2.59	2.81	3.44	4.82
Total pension assets	5,345	5,548	6,213	7,124	11,452
Total pension liabilities	(5,078)	(5,223)	(5,857)	(5,543)	(9,194)
<b>Total net pension surplus</b>	<b>267</b>	325	356	1,581	2,258
<b>Business-specific measures</b>					
Number of Food stores	2,338	2,348	2,349	2,377	2,584
Number of at-need funerals sold	92,548	91,581	95,924	93,867	90,731
Number of pre-need funerals sold	41,538	37,710	17,032	16,774	44,751
Number of funeral homes	806	812	812	818	830

## Notes:

(i) See the Glossary on page 224 for definition. Calculation for 2021 and earlier is not restated for IFRS 17.

(ii) Our Insurance underwriting business was held as a discontinued operation from 2018 and was sold on 3 December 2020.



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