



CO-OPERATIVE GROUP LIMITED

(a society registered under the Co-operative and Community Benefits Societies Act 2014 in England with registered number 525R)

Legal Entity Identifier: 213800TKR59ER8Z69V16

£300,000,000 5.125 per cent. Guaranteed Notes due 2024

guaranteed by

FUNERAL SERVICES LIMITED,

CO-OPERATIVE GROUP HOLDINGS (2011) LIMITED,

CO-OPERATIVE GROUP FOOD LIMITED,

CO-OPERATIVE FOODSTORES LIMITED

and

ROCHPION PROPERTIES (4) LLP

Issue Price: 100 per cent.

The £300,000,000 5.125 per cent. Guaranteed Notes due 2024 (the **Notes**) will be issued by Co-operative Group Limited (the **Issuer** and, together with its subsidiaries, the **Group** or the **Co-op**) and guaranteed by Funeral Services Limited, Co-operative Group Holdings (2011) Limited, Co-operative Group Food Limited, Co-operative Foodstores Limited and Rochpion Properties (4) LLP (the **Notes Guarantee** and the **Guarantors**, respectively).

Application has been made to the Financial Conduct Authority (**FCA**) in its capacity as competent authority (the **UK Listing Authority**) under the Financial Services and Markets Act 2000, as amended (the **FSMA**) for the Notes to be admitted to listing on the Official List of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the **Market**). References in this Prospectus to the Notes being "listed" (and all related references) shall mean that the Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (2014/65/EU) (as amended, **MiFID II**).

The Notes bear interest from and including 17 May 2019 (the **Issue Date**) at the rate of 5.125 per cent. per annum, payable semi-annually in arrear on 17 May and 17 November in each year, as described under "*Terms and Conditions of the Notes—Condition 5 (Interest)*". Payments of principal of, and interest on, the Notes will be made without withholding or deduction on account of United Kingdom taxes, to the extent described under "*Terms and Conditions of the Notes—Condition 8 (Taxation)*".

The Notes will be represented initially by a temporary global note (the **Temporary Global Note**) which will be deposited on or about 17 May 2019 with a common depositary for Clearstream Banking S.A. (**Clearstream, Luxembourg**) and Euroclear Bank SA/NV (**Euroclear**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons attached, on or after 26 June 2019, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for Notes in definitive form only in certain limited circumstances. See "*Summary of Provisions relating to the Notes while in Global Form*".

MiFID II professionals / ECPs-only / No PRIIPs KID – the manufacturers' target market is eligible counterparties and professional clients only (each as defined in MiFID II) (all distribution channels). No Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation**) key information document has been prepared as the Notes are not available to retail investors in the European Economic Area (**EEA**).

Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 17 May 2024. The Notes are subject to early redemption, in whole but not in part, (i) at the option of the Issuer at any time at the Relevant Optional Redemption Amount (as defined in Condition 7.3 (*Redemption at the Option of the Issuer*)); (ii) at the option of the Issuer at any time in the event of certain changes affecting taxes of the United Kingdom at their principal amount together with accrued interest; and (iii) at the option of Noteholders if a Change of Control Put Event (as defined in Condition 7.5 (*Redemption at the Option of the Noteholder upon a Change of Control Put Event*)) shall occur. See Condition 7 (*Redemption and Purchase*).

The Notes are expected on issue to be rated BB by S&P Global Ratings Europe Limited (**S&P**). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. S&P is established in the European Union and is registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009, as amended (the **CRA Regulation**) on credit rating agencies and is included in the list of registered credit rating agencies published at the website of the European Securities and Markets Authority.

An investment in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Prospectus.

Joint Lead Managers

Barclays

ING

**Lloyds Bank Corporate
Markets**

This Prospectus comprises a prospectus for the purposes of Article 5.4 of the Prospectus Directive. When used in this Prospectus, Prospectus Directive means Directive 2003/71/EC (as amended or superseded), and includes any relevant implementing measure in a relevant Member State of the EEA. This Prospectus has been prepared for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries (the Group), the Guarantors and the Notes, which according to the particular nature of the Issuer, the Guarantors, the Group and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantors. Each of the Issuer and the Guarantors accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of each of the Issuer and the Guarantors (each of which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus should be read and construed on the basis that such documents are incorporated and form part of the Prospectus.

Neither the Joint Lead Managers (as described under "*Subscription and Sale*", below) nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer or the Guarantors in connection with the offering of the Notes. No Joint Lead Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer or the Guarantors in connection with the offering of the Notes or their distribution.

No person has been authorised to give any information or to make any representation, other than those contained in this Prospectus, in connection with the offering of the Notes and any such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Guarantors, the Joint Lead Managers or the Trustee. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change since the date hereof in the affairs of the Issuer, the Group or the Guarantors or that information contained herein has remained accurate and complete.

This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Issuer, the Guarantors or the Joint Lead Managers to subscribe for, or purchase, any of the Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Guarantors and the Joint Lead Managers to inform themselves about and to observe any such restrictions.

The Notes and the Notes Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or under any relevant securities laws of any state or other jurisdiction of the United States, and are subject to U.S. tax law requirements. The Notes may not be offered, sold or delivered within the United States or to,

or for the account or benefit, of U.S. persons (as defined in Regulation S under the Securities Act (Regulation S)) except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws. For a description of certain restrictions on the offer, sale and delivery of the Notes and on the distribution of this Prospectus, see "*Subscription and Sale*".

PRIIPs Regulation / Prohibition of Sales to EEA retail investors – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance professional investors and ECPs only target market - Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it: has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement; has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio; has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency; understand thoroughly the terms of the Notes and is familiar with the financial markets; and is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks. Prospective investors whose investment activities are subject to investment laws and regulations or to review or regulation by certain authorities may be subject to restrictions on investments in certain types of debt securities. Prospective investors should review and consider such restrictions prior to investing in the Notes. Prospective investors should consider the tax consequences of investing in the Notes and consult their own tax advisers with respect to the acquisition, sale and redemption of the Notes in light of their personal situations.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BARCLAYS BANK PLC AS STABILISATION MANAGER (THE STABILISATION MANAGER) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

All references herein to "GBP" "sterling", "pounds" and "£" are to the currency of the United Kingdom.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

ALTERNATIVE PERFORMANCE MEASURES

A number of the financial measures presented by the Issuer and the Guarantors under "*Description of the Group*" below are not defined or specified under the requirements of International Financial Reporting Standards (IFRS) accounting standards. However, the Issuer and the Guarantors believe that these measures provide useful supplementary information on the performance of the business to both investors and the Group's management. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the list below presents alternative performance measures, along with their reconciliation to the extent that such information is not defined according to IFRS and not included in the Issuer's financial statements incorporated by reference into this Prospectus.

"Net debt" is a measure that shows the Trading Group's net indebtedness to banks and other external financial institutions and comprises the total of cash and short-term deposits less deposits held in trustee-administered bank accounts and current and non-current interest-bearing loans and borrowings.

"Underlying operating profit" is the operating profit figure shown in the consolidated income statement and adjusted by taking out items that are not generated by the Group's day-to-day trading, namely property and business disposals (including individual store impairments), the change in the value of investment properties, and one-off costs. This makes it easier to see how the business is performing.

"Underlying segment operating profit" is a non-GAAP measure of segment operating profit before the impact of property and business disposals (including individual store impairments), the change in the value of investment properties, the Group's share of the profits or losses from its associates and joint ventures, and one-off costs.

The Group identifies its operating segments based on its divisions, which are organised according to the differing products and services it offers its customers. The current segments are Food, Funeral and Life planning, Wholesale, Other businesses, Federal, cost from supporting functions.

The difference between underlying segment operating profit and operating profit, at the FY 18 as an example, includes:

- (i) One-off items, which includes a gain of £24 million in relation to a change in expected pension benefits, offset by a £13 million charge in respect of aligning guaranteed minimum pensions.
- (ii) Loss from property and business disposals of £54 million (including onerous leases costs, closure provision in respect of E-store and impairment charges) (2017: £4 million loss).
- (iii) Change in value of investment properties, which includes a £25 million gain in value of investments properties, and a £13 million gain in value through year end valuation exercise (2017: £15 million gain in value of investment properties).

"EBITDA" is earnings before interest, tax, depreciation and amortisation.

The below tables shows the reconciliation of EBITDA to the underlying GAAP measures:

	FY 2018	FY 2017*
Operating profit	100	118
less:		
Change in value of investment properties	(38)	(15)
Property, business disposals and closures losses / (profits)	54	4
One-off item costs / (profits)	(9)	-
Underlying segment operating profit	107	107
Depreciation and amortisation (excluding deferred acquisition costs)	271	264
Underlying segment EBITDA	<u>378</u>	<u>371</u>

*The 2017 full-year comparative figures have been restated following the adoption of IFRS 15 (Revenue from Contracts with Customers), and the treatment of Insurance as a discontinued operation. See general accounting policies section on page 187 of the audited consolidated financial information of the Issuer for the year ended 5 January 2019 for further details of the restatements.

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DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following documents, which have been previously published or are published simultaneously with this Prospectus and have been filed with the FCA. The following documents shall be incorporated in, and form part of, this Prospectus:

- (a) the audited consolidated financial statements of the Issuer for the financial years ended 5 January 2019 (which can be found at pages 107 - 203 in the Annual Report of the Issuer for the financial year ended 5 January 2019) and 6 January 2018 (which can be found at pages 96 - 177 in the Annual Report of the Issuer for the financial year ended 6 January 2018), in each case together with the auditors' report thereon;
- (b) the audited unconsolidated financial statements of Funeral Services Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' reports thereon;
- (c) the audited unconsolidated financial statements of Co-operative Group Holdings (2011) Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon;
- (d) the audited unconsolidated financial statements of Co-operative Group Food Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon;
- (e) the audited unconsolidated financial statements of Co-operative Foodstores Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon; and
- (f) the audited unconsolidated financial statements of Rochpion Properties (4) LLP for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon.

Any documents or information that are incorporated by reference into the documents listed above do not form part of this Prospectus. Any information contained in any of the documents specified above which is not expressly incorporated by reference in this Prospectus does not form part of this Prospectus and is either not relevant to investors or is covered elsewhere in this Prospectus. Any information contained in any website referred to in any of the documents specified above does not form part of this Prospectus.

Copies of documents incorporated by reference in this Prospectus may be obtained (without charge) from the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

FORWARD-LOOKING STATEMENTS

Certain statements included in this Prospectus may constitute "forward-looking statements". Forward-looking statements are all statements in this Prospectus that do not relate to historical facts and events, and include statements concerning the Issuer's plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. The Issuer uses the words "may", "will", "could", "believes", "assumes", "intends", "estimates", "expects", "plans", "seeks", "approximately", "aims", "projects", "anticipates" or similar expressions, or the negative thereof, to generally identify forward looking statements.

Forward-looking statements may be set forth in a number of places in this Prospectus, including (without limitation) in the sections "*Risk Factors*" and "*Description of the Group*". The Issuer has based these forward-looking statements on the current view with respect to future events and financial performance. These views involve uncertainties and are subject to certain risks, the occurrence of which could cause actual results to differ materially from those predicted in the forward-looking statements contained in this Prospectus and from past results, performance or achievements. Although the Issuer believes that the estimates and the projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise or occur, including those which the Issuer has identified in this Prospectus, or if any of the Issuer's underlying assumptions prove to be incomplete or incorrect, the Issuer's actual results of operations may vary from those expected, estimated or projected.

These forward-looking statements are made only as at the date of this Prospectus. Except to the extent required by law, the Issuer is not obliged to, and does not intend to, update or revise any forward-looking statements made in this Prospectus whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Issuer, or persons acting on the Issuer's behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Prospectus. As a result of these risks, uncertainties and assumptions, a prospective purchaser of the Notes should not place undue reliance on these forward-looking statements.

RISK FACTORS

Before making an investment decision, prospective investors should carefully consider the factors and risks associated with any investment in the Notes, the Group's business and the industry in which the Group operates, together with all the other information contained in this Prospectus and all of the information incorporated by reference into this Prospectus, including, in particular, the risks and uncertainties described below.

The Issuer and the Guarantors believe that the following factors may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantors' ability to fulfil their obligations under the Notes Guarantee. Most of these factors are contingencies which may or may not occur and the Issuer and the Guarantors are not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are specific to the Notes and factors which the Issuer and the Guarantors believe may be material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantors believe that the factors described below represent the principal risks inherent when considering an investment in the Notes, but the Issuer and the Guarantors may not be able to pay interest, principal or other amounts on or in connection with the Notes for other reasons and the Issuer and the Guarantors do not represent that the statements below regarding the risks of holding the Notes are exhaustive. The risks described below do not necessarily comprise all those risks associated with the Group and the Notes. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

KEY FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS ASSOCIATED WITH THE GROUP, THE ISSUER AND THE GUARANTORS

The Issuer is the holding entity of all the entities forming the Co-operative Group (the Group or the Co-op) which also includes the Guarantors. The Issuer and the Guarantors believe that the following factors may have a material adverse effect on the business, results of operations and financial performance of each of the Issuer and the Guarantors either individually or of the Group as a whole and as a result may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantors' ability to fulfil their obligations under the Notes Guarantee.

RISKS RELATED TO THE GROUP

Brand and ethics

Ethical trading is at the heart of the Group's business. A major incident could undermine this key point of difference, alienate customers and damage sales and profits. Any failure to comply with consumers' perception of the Group as an ethical business could have an adverse effect on the Group's business results, financial performance and reputation. This failure could result not only from the Group's actions but also, by association, from those of its suppliers. This risk is pertinent to the Issuer and to the retail trading entities in the Group including the Guarantors.

Should the Group's brand, levels of customer satisfaction or the co-operative movement more generally be damaged, this would have a negative effect on the Group's business, financial position and prospects and negatively impact the ability of the Group to achieve its stated strategy.

Transformation and change

The Group is undertaking a number of complex change programmes, many of which are interdependent. These include the Retail Business Transformation programme, which is a multi-year programme replacing key business platforms and end to end processes. See "*Description of the Issuer – Change Programmes*" for further information. If the transformational change sought through these, and other initiatives, is not carried out effectively across the Group, there is a risk that the planned benefits from this activity may not be fully realised. Appropriate governance is in place but the ambitious nature of the Group's plans means that there is a possibility that the Group may fail to successfully implement its strategic plans. Failure to achieve these objectives could put at risk the Group's objectives and financial targets and could have a material adverse effect on the Group's business, results of operations and financial performance. The Issuer and its subsidiaries, including all Guarantors, are exposed to this risk depending on the focus of the Group's strategy at any given time.

Brexit and changing market and economic conditions

The markets that the Group operates in are changing. Factors such as consumer behaviour, pressure on margins, the potential for economic downturn, the political landscape and currency fluctuations could all negatively impact the Group's financial position. In addition, continuing uncertainty around the nature of the exit of the United Kingdom (the **UK**) from the European Union following its decision to leave pursuant to a referendum held on 23 June 2016 means that it is not currently possible to determine the impact that the referendum, the UK's departure from the European Union and/or any related matters may have on the general economic conditions in the UK, including the performance of the UK economy. The Group has made contingency plans on the basis of a worst case "no deal" scenario, and expects that the largest immediate impact will be on the Group's Food business. In particular, there may be supply chain delays, increased cost of goods, labour supply and changes to imports, taxes and tariffs.

No assurance can be given that any of the matters outlined above would not adversely affect the Group's business, financial condition and/or operating results.

Competitiveness

The retail industry is highly competitive. The retail trading entities in the Group compete with a wide variety of retailers of varying sizes in the food business and face increased competition in the funeralcare sector. Competitor actions, new entrants and innovation may lead to changes in the Group's competitive landscape, preventing the Group from completely realising the benefits of its strategic plans and reducing the value that it provides to its members and customers. In addition, failure to compete with competitors in areas including price, product range, quality service, customer perception and customer satisfaction could have a material adverse effect on the Group's business, results of operations and financial performance. The consolidation of competitors, key geographical areas or markets through mergers or trade agreements could also adversely impact the Group's market share and have a material adverse effect on the Group's business, results of operations and financial performance.

Failure to achieve revenue targets

If the Group does not achieve its planned sales growth targets, this may affect the sustainability of its business model, leading to a reduction in investment in the business and in the communities it aims to support. Although mitigants are in place, such as the acquisition of Nisa in May 2018 to expand the Group's wholesale offering, changes in consumer confidence, changes in spending patterns or a poor customer experience could lead to a risk of sales targets not being met and this could have an adverse impact on the Group's business, results of operations and financial results.

Operating costs

Market cost pressures mean there is a risk that the Group's profitability will be lower than planned, if it does not find ways to save money and become more efficient. The Group has projects in place which are aimed at cutting costs to achieve efficiencies, with continuous reviews of individual savings and progress to ensure savings targets are met. However, should the Group fail to meet its targets and/or manage market cost pressures adequately, this could have an adverse impact on the Group's business, results of operations and financial results.

Managing health, safety and security

A lack of application of agreed processes and procedures could lead to health and safety being inappropriately managed resulting in death, serious injury, regulatory sanction and/or colleague disengagement. In addition, the changing nature of terrorism and level of violence and crime faced by retail businesses generally means that the Group requires regular review of its security and contingency arrangements.

Failure to prevent incidents that result in injury or harm to customers or employees could impact business reputation and customer confidence and lead to financial penalties. This could have a material impact on the Group's business, results of operations and financial performance.

Regulatory compliance

The Group is subject to various laws and regulations across its businesses. This includes codes and regulations in the Group's Food business such as product safety, the Solicitors Regulation Authority regulations applicable to Funeral and Life Planning business, the regulation from the FCA and Prudential Regulation Authority that is applicable to the Group's insurance business, as well as environmental laws and regulations. The Group has also recently re-entered the pharmacy market which is subject to regulation by the General Pharmaceutical Council. Failure to respond to changes in regulations or to stay compliant could affect the Group's brand reputation and profitability through fines and sanctions from its regulators.

Changes to existing regulation or regulators bringing new areas of products under control may have cost implications for the Group and may otherwise have a material adverse effect on the Group's business, results of operations and financial performance.

Misuse and / or loss of data

The Group holds, controls and processes a significant volume of personal data. If personal data is inappropriately accessed, shared and/or not managed in line with expectations, this may affect customer and member confidence and leave the Group open to financial loss, regulatory fines, and reputational damage. The General Data Protection Regulation (**GDPR**) that came into force on 25 May 2018 imposes new obligations on data controllers and data processors and new rights for data subjects which the Group needs to comply with and in respect of which the Group has implemented a programme of activity. The GDPR also introduces significantly increased financial penalties that can be imposed on the Group as the result of any non-compliance with the GDPR.

IT Security and cyber threats

The Group's ability to serve its customers is highly dependent on its IT systems. Any prolonged downtime or data breaches (including external hackers and viruses, physical security attacks or sensitive data being lost or accessed without authorisation) could prevent the Group from providing its products and services to its customers and members. The continuous evolution of cyber threats means that this risk remains critical. Should the Group's business be subject to a major information

security breach, this could have an adverse impact on the Co-op brand and impact the Group's financial results.

The Group is exposed to risks in relation to property assets

The Group benefits from the ownership of a large number of properties, both trading and non-trading as well as a significant investment portfolio. As at 5 January 2019, the property net book value within property, plant and equipment was £2,046 million; the investment properties had a carrying value of £42 million. There is an inherent risk to property valuation, being uncertainty over demand and consequently price at any point in time, and the Group regularly re-values its investment properties and conducts annual impairment reviews on its assets. A change in property values would impact all the entities within the Group which own freehold property, including all five Guarantors, and have a material adverse effect on the Group's business, results of operations and financial performance. To the extent that actual values fall below those in the accounts, such a fall in property values would directly impact the Group's reported profitability and may impact the Group's funding costs.

The Group acquires and develops property sites in order to grow its trading businesses in all its retail divisions, including Co-operative Group Food Limited, Co-operative Foodstores Limited and Funeral Services Limited. There is a risk that the Group faces challenges in the development of sites or fails to adequately acquire property which may therefore result in a loss of market share and ultimately have a material adverse impact on the Group's business, results of operations and financial performance.

The Group is exposed to pension funding risk

The Group's pension arrangements are regarded as an important part of its rewards package for employees and a key element in the attraction and retention of its employees. The Group and the pension schemes' trustees carefully monitor the pension risks, taking action where necessary to adjust contributions to the schemes and revising the schemes' investment strategies. However, the funding position of each scheme is sensitive to assumptions on life expectancy, inflation, discount rates, expenses and the trustees' assessment of the employer covenant. Any variation from the assumed values has the potential to introduce volatility to the Group's results and furthermore there is a general risk of an increase in the overall funding requirements.

The Group has five defined benefit pension schemes. See "*Description of the Issuer - Pension Scheme*" below. The assets of the pension schemes are held separately from the Group's assets. There are risks associated with the pension schemes due to the value of the asset portfolios and returns from them being less than expected and because there may be greater than expected increases in the estimated value of the schemes' liabilities as a result of changes in market conditions or assumed future demographic experience. Actuarial valuations of the schemes are undertaken at least every three years and in the event of a shortfall in assets, the trustees and the Group are required to reach an agreement over contributions required to recover the deficit over a period of time. The main Group pension scheme is The Co-operative Pension Scheme (Pace). The most recent actuarial report indicated that there was a funding surplus of £251 million as at 5 April 2016. All of the defined benefit pension schemes are closed to future accrual, though some schemes have a small proportion of benefits that continue to be linked to future salary.

Liabilities may also arise for the Group as an employer participating in a defined benefit pension scheme in certain circumstances set out in legislation, for example on ceasing to participate in the pension scheme or becoming insolvent. This liability will be the Group's share of the value of the deficit at such time, calculated by reference to the cost of buying out the scheme's liabilities in the insurance market. The Pensions Regulator also has the power to require an employer of a defined benefit scheme or a person connected or associated with it to make a contribution to or provide financial support for that scheme in certain circumstances. There is a risk that the Pensions Regulator could impose further liability in respect of pension schemes on the Group or other Group companies.

These factors could have a material adverse effect on the Group's business, results of operations and financial performance with particular impact on the Issuer.

The Group is exposed to funding risk

The Group has treasury policies and procedures to ensure that funding is in place at all times, with appropriate covenants to meet the needs of the Group, and diversifies its sources and maturity of borrowings. There remains an inherent risk that failure by the Group to generate or maintain sufficient funds to meet business needs could have a material adverse effect on the Group's business, results of operations and financial performance.

The Issuer is a holding entity with minimal revenue generating operations of its own

The business of the Group is carried out in large part through the operating subsidiaries of the Issuer which will rely upon receipt of funds from those subsidiaries to fund payments of principal and interest on the Notes and fund central costs.

Noteholders will have an unsubordinated claim against the Issuer and the Guarantors based on the Notes or, as applicable, the Notes Guarantee but will not have a direct claim against any other operating subsidiaries. The right of the holders of the Notes (the **Noteholders**) to receive payments under the Notes and the Notes Guarantee will also be structurally subordinated to all liabilities of operating subsidiaries in the sub-groups which are not themselves Guarantors.

RISKS SPECIFIC TO THE GUARANTORS

The general risks that relate to the Guarantors are described within the section describing the risks to the Group. Certain key risks for specific Guarantors are set out below:

Funeral Services Limited is exposed to pre-paid funeral arrangement risk

Co-op Funeralcare (which is the trading name of Funeral Services Limited) sells a range of products offering customers the opportunity to pre-plan their funeral arrangements. Co-op Funeralcare invests funds from these products in individual insurance policies that are intended to meet the cost of providing the pre-paid funeral when it falls due. Co-op Funeralcare carefully monitors the risks associated with this, taking action to adjust investment strategy where necessary. However, the overall funding position is highly sensitive to the performance of the assets, inflation, interest rates and expenses. Ultimately, there is an **inherent** risk that the value of the policy on redemption is insufficient to meet the cost of providing the funeral and this can introduce volatility to Co-op Funeralcare's business, results of operations and financial performance.

Funeral Services Limited is exposed to changes in mortality rates

Death rates continue to decline in the UK and this is leading to increased competition in the funeral sector, particularly for acquisitions. Although Funeral Services Limited continues to adopt stringent policies for monitoring mortality statistics and market share and has implemented mitigating strategies, there can be no assurance that a continuation of this trend will not have an impact on the financial performance, business and operating result of the Group.

Funeral Services Limited is subject to changes in the regulatory oversight

Co-op Funeralcare sells a range of products offering customers the opportunity to pre-plan their funeral arrangements which are regulated under The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001. Any changes in regulatory oversight may affect the distribution of these products and consequently the uptake of funeralcare products.

In particular, the Competition and Markets Authority (**CMA**) conducted a market study into the funerals market in the UK. The CMA investigated two core areas in connection with the supply of funerals: (i) Funeral Directors: The supply of funerals in the at-need market; and (ii) Crematoria: The supply of cremation services by private firms and the supply of such services by, or on behalf of, local authorities¹. Following consultation, the CMA announced on 28 March 2019 that it will carry out an in depth investigation into the funerals market and this may lead to changes to existing law and regulation. HM Treasury are looking at possible regulation for the pre-paid funeral plan sector, and propose bringing the market into the supervision of the FCA.

Co-op Funeralcare continues to monitor progress and potential effects of regulatory changes. There can be no assurance that this will not have an impact on the financial performance, business and operating result of Co-op Funeralcare.

Any of the Guarantors may be released in certain circumstances

The Notes will, subject to the release provisions described in Condition 3.3 (*Release of a Guarantor*) of the Notes, benefit from the Notes Guarantee unconditionally and irrevocably given on a joint and several basis by the Guarantors.

On 12 February 2016, the Issuer entered into a revolving credit facility agreement with, *inter alia*, the Arranging Parties named therein. This agreement and any subsequent refinancing or replacement of it is referred to in this Prospectus as the **Facility**. The Conditions require that any guarantor in respect of any Financial Indebtedness (including, amongst other things, the Facility) must also guarantee the Notes.

Therefore: (i) on the Issue Date, all guarantors under the Facility are also guarantors of the Notes; (ii) from the Issue Date onwards, if a member of the Group is added as a new guarantor to the Facility, the Issuer must promptly inform the Trustee and add it as a guarantor of the Notes; and (iii) conversely, if in future a guarantor ceases to be a guarantor under the Facility, the Issuer can request (subject to certain Noteholder protections) that it ceases to be a guarantor of the Notes. In addition, for so long as any Note remains outstanding the Issuer may at any time procure that any member of the Group provides a Note Guarantee in respect of the Notes on the terms set out in the Trust Deed.

Investors should therefore be aware that the Notes may at any time no longer be guaranteed by any or all of the Guarantors.

RISKS RELATED TO THE NOTES GENERALLY

The Notes and the Notes Guarantee are not protected by the Financial Services Compensation Scheme

Unlike a bank deposit, the Notes and the Notes Guarantee are not protected by the Financial Services Compensation Scheme (the **FSCS**). As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer and/or the Guarantors. If the Issuer and/or the Guarantors go out of business or become insolvent, Noteholders may lose all or part of their investment in the Notes.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The Conditions of the Notes (the **Conditions**) are governed by English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or

¹ CMA, Competition and Markets Authority. Funerals Market Study. Statement of Scope. 1 June 2018

change to English law or administrative practice after the date of this Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

The Notes have denominations consisting of a minimum of £100,000 plus integral multiples of £1,000 in excess thereof up to and including £199,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £100,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 in its account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of £100,000 such that its holding amounts to £100,000 or a higher integral multiple of £1,000. Further, a holder who, as a result of trading such amounts, holds an amount which is less than £100,000 or a higher integral multiple of £1,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £100,000.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £100,000 may be illiquid and difficult to trade.

There are circumstances in which the Issuer may redeem all outstanding Notes, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes

The Issuer may redeem all outstanding Notes at any time at their principal amount together with any accrued but unpaid interest if as a result of a change in applicable law or regulation, payments in respect of the Notes become subject to United Kingdom withholding tax and the Issuer is required to gross-up any such payments. The Issuer may also elect to redeem at its option all outstanding Notes at any time.

During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

An investor may not be able to reinvest the redemption proceeds at an effective rate of return as high as that in respect of the Notes and may only be able to do so at a significantly lower rate of return. Potential investors should consider reinvestment risk in light of other investments which may be available at that time.

The Conditions will contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders

The Trust Deed contains provisions for calling meetings of Noteholders to consider any matter affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, the Conditions or any of the provisions of the Trust Deed or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another entity as principal debtor under any Notes in place of the Issuer, in the

circumstances described in Condition 14 (*Substitution*) of the Notes and as more particularly described in the Trust Deed.

There can be no assurance that the use of proceeds of the Notes to finance and/or refinance Eligible Sustainability Projects will be suitable for the investment criteria of investors

It is the Issuer's intention to apply the proceeds of the issue of the Notes specifically for Eligible Sustainability Projects (as defined under "*Use of Proceeds*" below). Prospective investors should have regard to the information set out in the section "*Use of Proceeds*" and must determine for themselves the relevance of such information for the purpose of any investment in the Notes together with any other investigation such investor deems necessary.

In particular no assurance is given by the Issuer or the Guarantors that the use of such proceeds for any Eligible Sustainability Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect sustainability impact of any projects or uses, the subject of or related to, any Eligible Sustainability Projects.

Furthermore, it should be noted that there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Sustainability Projects will meet any or all investor expectations regarding such "sustainable" or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainability Projects.

In connection with the offering, Vigeo Eiris Enterprise (**Vigeo**) has issued a second party opinion that the Notes have a positive contribution to sustainable development, in line with the Green Bond Principles published by the International Capital Markets Association (the **Opinion**). For the avoidance of doubt, the Opinion is not, nor shall be deemed to be, incorporated in and/or form part of this Prospectus. The Opinion may not reflect the potential impact of all risks related to the structure, the market for "sustainable" or "green" bonds, the additional risks discussed above or any other factors that may affect the value of the Notes. The Opinion is not, nor should be deemed to be, a recommendation by the Issuer, the Guarantors or any other person to buy, sell or hold the Notes. The Opinion is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of the Opinion and/or the information contained therein and/or the provider of the Opinion for the purpose of any investment in the Notes. Currently, Vigeo is not subject to any specific regulatory or other regime or oversight.

While it is the intention of the Issuer to apply the proceeds of the Notes for Eligible Sustainability Projects in, or substantially in, the manner described in the section "*Use of Proceeds*", there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Sustainability Projects will be capable of being implemented in, or substantially in, such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Sustainability Projects. Nor can there be any assurance that such Eligible Sustainability Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to sustainability) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of the Notes for any Eligible Sustainability Projects as aforesaid and/or withdrawal of the Opinion may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Secondary market

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantors will make any payments under the Notes Guarantee in sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to sterling would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

The Notes bear interest at a fixed rate. Investors should note that if market interest rates start to rise then the income to be paid on the Notes might become less attractive and the price the investors get if they sell such Notes could fall (however, the market price of the Notes has no effect on the interest amounts due on the Notes or what investors will be due to be repaid on 17 May 2024 (the **Maturity Date**) if the Notes are held by the investors until they expire).

A credit rating may not reflect all risks

The Notes are expected to be assigned on issue a rating of BB by S&P. The rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the relevant rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless

the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agency and rating of the Notes is set out on the cover of this Prospectus.

OVERVIEW

This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole.

Words and expressions defined in the "*Terms and Conditions of the Notes*" or elsewhere in this Prospectus have the same meanings in this overview.

The Issuer:	Co-operative Group Limited
Guarantors:	Funeral Services Limited, Co-operative Group Holdings (2011) Limited, Co-operative Group Food Limited, Co-operative Foodstores Limited and Rochpion Properties (4) LLP
Joint Lead Managers:	Barclays Bank PLC, ING Bank N.V., London Branch and Lloyds Bank Corporate Markets plc
Trustee:	BNY Mellon Corporate Trustee Services Limited
Principal Paying Agent:	The Bank of New York Mellon, London Branch
Paying Agent:	The Bank of New York Mellon SA/ NV, Luxembourg Branch
The Notes:	£300,000,000 5.125 per cent. Guaranteed Notes due 2024
Issue Price:	100 per cent. of the principal amount of the Notes
Issue Date:	17 May 2019
Use of Proceeds:	See " <i>Use of Proceeds</i> "
Interest:	5.125 per cent. per annum payable semi-annually in arrear on 17 May and 17 November of each year, commencing on 17 November 2019
Status:	The Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding
Guarantee:	The Notes will be unconditionally and irrevocably guaranteed on a joint and several basis by the Guarantors. The obligations of the Guarantors under the Notes Guarantee will be direct, unconditional and (subject to the provisions of Condition 4 (<i>Negative Pledge</i>)) unsecured obligations of each of the Guarantors and will rank <i>pari passu</i> and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated

obligations, if any) of each of the Guarantors from time to time outstanding. The Notes Guarantee will terminate in respect of an individual Guarantor in certain circumstances as set out in Condition 3.3 (*Release of a Guarantor*)

Form and Denomination:

The Notes will be issued in bearer form in the denomination of £100,000 and integral multiples of £1,000 in excess thereof

The Notes will be represented initially by the Temporary Global Note which will be deposited on or about 17 May 2019 with a common depository for Clearstream, Luxembourg and Euroclear'. Interests in the Temporary Global Note will be exchangeable for interests in the Permanent Global Note, in accordance with the provisions of the Permanent Global Note, upon certification of non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for Notes in definitive form only in certain limited circumstances. See "*Summary of Provisions Relating to the Notes while Represented by the Global Notes*"

Maturity Date:

17 May 2024

Redemption at the Option of the Issuer:

Subject as provided in Condition 7.3 (*Redemption at the Option of the Issuer*), the Notes may be redeemed at the option of the Issuer at any time, in whole or in part, at the Relevant Optional Redemption Amount (as defined in Condition 7.3 (*Redemption at the Option of the Issuer*)), together with any accrued but unpaid interest to (but excluding) the date of redemption

Change of Control Put Option:

Upon the occurrence of certain events constituting a "*Change of Control Put Event*" (as defined in Condition 7.5 (*Redemption at the Option of the Noteholder upon a Change of Control Put Event*)). Noteholders will have the right to require the Issuer to repurchase all or part of the Notes at a purchase price equal to 101 per cent. of the principal amount of the Notes, together with accrued and unpaid interest to the date of redemption. See Condition 7.5 (*Redemption at the Option of the Noteholder upon a Change of Control Put Event*)

Tax Redemption:

Subject as provided in Condition 7.2 (*Redemption for Taxation Reasons*), if the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or any of the Guarantors would be unable for reasons outside of its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Issuer or, as the case may be, the relevant Guarantor taking reasonable measures

available to it, the Notes may be redeemed at the option of the Issuer, in whole but not in part, at par together with any accrued but unpaid interest to (but excluding) the date of redemption

Negative Pledge:	The Notes contain a negative pledge provision as further described in Condition 4 (<i>Negative Pledge</i>)
Cross Acceleration:	The Notes contain a cross acceleration provision as further described in Condition 10 (<i>Events of Default</i>)
Rating:	The Notes are expected to be rated BB by S&P
Withholding Tax:	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or any Guarantor will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the United Kingdom or any political subdivision thereof or any authority thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantors will, save in certain limited circumstances, pay additional amounts to cover the amounts so withheld or deducted, all as described in Condition 8 (<i>Taxation</i>)
Governing Law:	The Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement and any non-contractual obligations arising out of or in connection with the Notes, the Trust Deed, the Agency Agreement and the Subscription Agreement will be governed by English law
Listing and Trading:	Applications have been made for the Notes to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange
Clearing Systems:	Euroclear and Clearstream, Luxembourg
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material, including in the United States of America and the United Kingdom, see " <i>Subscription and Sale</i> "
Risk Factors:	Investing in the Notes involves risks. See " <i>Risk Factors</i> "

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £300,000,000 5.125 per cent. Guaranteed Notes due 2024 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Notes) of Co-operative Group Limited (the **Issuer**) are constituted by a trust deed dated 17 May 2019, as may be amended, restated and/or supplemented from time to time (the **Trust Deed**) made between the Issuer, Funeral Services Limited, Co-operative Group Holdings (2011) Limited, Co-operative Group Food Limited, Co-operative Foodstores Limited and Rochpion Properties (4) LLP (each, together with any other Subsidiary of the Issuer which has provided a guarantee pursuant to and in accordance with Condition 3.4 but excluding any Subsidiary which has ceased to be a Guarantor pursuant to and in accordance with Condition 3.3, a **Guarantor** and together the **Guarantors**) as guarantors and BNY Mellon Corporate Trustee Services Limited (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the agency agreement dated 17 May 2019, as may be amended, restated and/or supplemented from time to time (the **Agency Agreement**) made between the Issuer, the Guarantors, the initial Paying Agents and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at One Canada Square, London E14 5AL, United Kingdom and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of £100,000 and integral multiples of £1,000 in excess thereof up to and including £199,000 each with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of any other denomination.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, each Guarantor, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided above) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3. NOTES GUARANTEE

3.1 Notes Guarantee

The payment of the principal, premium and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed on a joint and several basis by each of the Guarantors (the **Notes Guarantee**) in the Trust Deed.

3.2 Status of the Notes Guarantee

The obligations of each Guarantor under the Notes Guarantee constitute direct, unconditional and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of such Guarantor and (subject as provided above) rank and will rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of such Guarantor, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

3.3 Release of a Guarantor

The Issuer may by written notice to the Trustee signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer request that a Guarantor ceases to be a Guarantor in respect of the Notes if such Guarantor is no longer providing a Guarantee in respect of any other Financial Indebtedness of the Issuer or any Subsidiary of the Issuer. Upon the Trustee's receipt of such notice (upon which the Trustee shall be entitled to rely without further enquiry or liability), such Guarantor shall automatically and irrevocably be released and relieved of all its future obligations under the Notes Guarantee and all of its future obligations as a Guarantor under the Trust Deed but without prejudice to any obligations which may have accrued prior to such release. Such notice must also contain the following certifications:

- (a) no Event of Default or Potential Event of Default (each as defined in the Trust Deed) is continuing or will result from the release of that Guarantor;
- (b) no part of the Financial Indebtedness in respect of which that Guarantor is or was providing a Guarantee is at that time due and payable but unpaid in circumstances where a right to payment has arisen under the relevant Guarantee; and
- (c) such Guarantor is not (or will cease to be simultaneously with such release) providing a Guarantee in respect of any other Financial Indebtedness of the Issuer or any Subsidiary of the Issuer.

If any Subsidiary released from the Notes Guarantee as described above subsequently provides a Guarantee in respect of any other Financial Indebtedness of the Issuer or any Subsidiary of the Issuer, at any time after such release, such Subsidiary will be required to provide a guarantee as described in Condition 3.4.

Financial Indebtedness means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent (other than in relation to the purchase of goods or services in the ordinary course of business);
- (c) any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP be treated as a finance or capital lease (excluding any adjustments related to IFRS 16);
- (d) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of borrowing,

provided that no amount described in or due under arrangements described in this definition shall constitute Financial Indebtedness unless the relevant amount of Financial Indebtedness, either alone or when aggregated (without duplication) with other relevant amounts of Financial Indebtedness, exceeds the greater of 4 per cent. of Total Net Assets (as defined in Condition 10.1) and £100,000,000 (or its equivalent in other currencies).

Guarantee means in respect of any Financial Indebtedness, any guarantee or indemnity given in respect of such Financial Indebtedness.

Subsidiary means a subsidiary within the meaning of section 1159 of the Companies Act 2006, as amended.

3.4 Additional Guarantors

If at any time after the Issue Date, any Subsidiary of the Issuer (other than an Excluded Subsidiary) provides (or at the time it becomes a Subsidiary of the Issuer is providing) a Guarantee in respect of any Financial Indebtedness of the Issuer or any Subsidiary of the Issuer, the Issuer covenants that it shall procure that such Subsidiary of the Issuer shall at or prior to the date of the giving of such Guarantee, or at the time it so becomes a Subsidiary of the Issuer and is providing such a Guarantee, execute and deliver a deed supplemental to the Trust Deed to the Trustee, such supplemental trust deed to be substantially in the form set out in Schedule 5 of the Trust Deed, and accompanied by legal opinion(s) as to English law and the law of the jurisdiction of incorporation of such Subsidiary in a form reasonably acceptable to the Trustee pursuant to which such Subsidiary of the Issuer shall guarantee the obligations of the Issuer in respect of the outstanding Notes, the Coupons and the Trust Deed on the same terms *mutatis mutandis* as the Notes Guarantee including, but not limited to, such guarantee being joint and several with the obligations of the other Guarantors. Each other Guarantor has in the Trust Deed confirmed that it has consented to any such entity becoming a Guarantor as aforesaid without any need for it to execute any such supplemental trust deed.

3.5 Notice of change of Guarantors

Notice of any release of a Guarantor or addition of a Guarantor pursuant to this Condition 3 will be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*).

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor any of the Guarantors shall create or have outstanding any Security other than any Permitted Security, upon, or with respect to, any of its present or future assets to secure any Financial Indebtedness, unless the Issuer or, as the case may be, the relevant Guarantor, in the case of the creation of any Security, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed or, as the case may be, under the Notes Guarantee are secured by the Security equally and rateably with the Financial Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security or other arrangement (whether or not it includes the giving of Security) is provided either (i) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders, or (ii) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest from and including 17 May 2019 at the rate of 5.125 per cent. per annum, payable in equal instalments semi-annually in arrear on 17 May and 17 November in each year (each an **Interest Payment Date**). The first payment (representing a full six months' interest) shall be made on 17 November 2019.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event interest will continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full six months, it shall be calculated by applying the rate of 5.125 per cent. per annum to each £1,000 principal amount of Notes (the **Calculation Amount**) and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two. The resultant figure shall be rounded to the nearest penny, half a penny being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the denomination of the relevant Note, without any further rounding.

6. PAYMENTS

6.1 Payments in respect of Notes

Payments of principal, premium and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of Payment

Payments will be made by credit or transfer to a sterling account maintained by the payee with a bank in London.

6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

6.4 Payments subject to applicable laws

Payments in respect of principal, premium and interest on the Notes are subject in all cases to (i) any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto.

6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 9 (*Prescription*)):

- (a) is or falls after the relevant due date;
- (b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

- (c) in the case of payment by credit or transfer to a sterling account in London (as referred to above), is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place.

6.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out in the Agency Agreement. The Issuer and the Guarantors reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having a specified office in the place required by the rules and regulations of the relevant Stock Exchange or any other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer or any of the Guarantors is incorporated.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 17 May 2024 (the **Maturity Date**).

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 15 May 2019, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) any Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and
- (b) the requirement cannot be avoided by the Issuer or, as the case may be, the relevant Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, any Guarantor would be obliged to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (i) a certificate signed by two Authorised Signatories of the Issuer or, as the case may be, two Authorised Signatories of the relevant Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the Conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the relevant Guarantor has or will become obliged to pay such additional amounts as a result of the change or amendment, and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the Conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

7.3 Redemption at the Option of the Issuer

The Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 13 (*Notices*); and
- (b) notice to the Trustee and the Principal Paying Agent not less than 15 days before the giving of the notice referred to in (a),

(which notices shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**)), redeem all of the Notes or, subject as provided in paragraph 7.4 below, some only of the Notes at the Relevant Optional Redemption Amount.

In this Condition 7.3, **Relevant Optional Redemption Amount** means:

- (a) if the Optional Redemption Date falls in the period up to and including the date falling three months prior to the Maturity Date, such amount as is equal to the greater of the following together with interest accrued to but excluding the date of redemption (the **Optional Redemption Date**):
 - (i) the principal amount of the Notes; and
 - (ii) the principal amount of the Notes multiplied by the price, expressed as a percentage (as reported in writing to the Issuer and the Trustee by an independent financial adviser selected by the Issuer) (rounded to four decimal places, 0.00005 being rounded upwards), at which the Gross Redemption Yield on a Note on the Reference Date is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 p.m. (London time) on the Reference Date of the Reference Bond plus the Margin, all as determined by such independent financial adviser; and
- (b) if the Optional Redemption Date falls in the period from but excluding the date falling three months prior to the Maturity Date to but excluding the Maturity Date, such amount as is equal to the principal amount of the relevant Note together with interest accrued to but excluding the Optional Redemption Date.

For the purposes of the definition of Relevant Optional Redemption Amount:

Gross Redemption Yield means, with respect to a security, the gross redemption yield on such security, as calculated by the relevant independent financial adviser on the basis set out by the United Kingdom Debt Management Office in the paper "Formulae for Calculating Gilt Prices from Yields", page 4, Section One: Price/Yield Formulae "Conventional Gilts; Double dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi Coupon Date" (published 8 June 1998, as amended or updated from time to time) on a semi-annual compounding basis (converted to an annualised yield and rounded up (if necessary) to four decimal places).

Margin means 0.500 per cent.

Reference Bond means the 1.000 per cent. Treasury Stock due April 2024 (or, where the relevant independent financial adviser (as referred to in paragraph (a)(ii) above) advises the Issuer and the Trustee that, for reasons of illiquidity or otherwise, such stock is not appropriate for such purpose, such other United Kingdom government stock as the relevant independent financial adviser may, with the advice of the Reference Market Makers, recommend).

Reference Date means the date which is the third Business Day in London prior to the Optional Redemption Date.

Reference Market Makers means three brokers of gilts and/or gilt-edged market makers selected by the relevant independent financial adviser in consultation with the Issuer.

Any notice given pursuant to this Condition 7.3 shall be irrevocable and shall specify the Optional Redemption Date. Upon the expiry of any such notice, the Issuer shall be bound to redeem the Notes which have been called for redemption at the Relevant Optional Redemption Amount on the Optional Redemption Date together with accrued interest as aforesaid unless previously purchased or redeemed. The Trustee shall rely absolutely on the advice of any independent financial adviser appointed as provided in this Condition 7.3 and shall not be liable for so doing.

7.4 Provisions relating to Partial Redemption

In the case of a partial redemption of Notes, Notes to be redeemed will be selected, in such place as the Trustee may approve and in such manner as the Trustee may deem appropriate and fair, not more than 30 days before the date fixed for redemption. Notice of any such selection will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Notes to be redeemed, the serial numbers of the Notes called for redemption, the serial numbers of Notes previously called for redemption and not presented for payment and the aggregate principal amount of the Notes which will be outstanding after the partial redemption.

7.5 Redemption at the Option of the Noteholder upon a Change of Control Put Event

If a Change of Control Put Event occurs, each Noteholder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice under Condition 7.2 or Condition 7.3 in respect of all of the Notes) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) the Notes of such holder on the Put Redemption Date (as defined below) at a price equal to 101 per cent. of the principal

amount (the **Put Redemption Amount**) together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Optional Redemption Date.

Promptly upon, and in any event within 21 days after, the Issuer or any Guarantor becoming aware that a Change of Control Put Event has occurred, the Issuer or relevant Guarantor shall, and if so requested by the holders of at least one-quarter in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall (subject in each case to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Put Event Notice**) to the Trustee (in the case of notice given by the Issuer or any Guarantor), the Issuer and the Guarantors (in the case of notice given by the Trustee), the Noteholders in accordance with Condition 13 (*Notices*) and to the Paying Agents specifying the nature of the Change of Control Put Event and the procedure for exercising the option contained in this Condition 7.5.

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 7.5, the holder of the Note must deliver such Note to the specified office of any Paying Agent, on any Business Day (as defined above) in the place of such specified office falling within the period (the **Put Period**) of 30 days after a Put Event Notice is given, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a Put Notice) and in which the holder must specify a bank account to which payment is to be made under this Condition 7.5.

The Note(s) to be redeemed or purchased must be delivered together with all Coupons appertaining thereto maturing after the date (the **Put Redemption Date**) falling seven days after the expiry of the Put Period. Any amount so paid will be reimbursed in the manner provided in Condition 6.3. Payment in respect of any Note so delivered will be made on the Put Redemption Date by transfer to the bank account specified in the Put Notice. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Notes on the Put Redemption Date unless previously redeemed or purchased.

Any Put Notice, once given, shall be irrevocable except where prior to the Put Redemption Date an Event of Default shall have occurred and the Trustee shall have accelerated the Notes, in which event the relevant Noteholder, at its option, may elect by notice to the Issuer given before the Put Redemption Date to withdraw the relevant Put Notice and instead to treat its Notes as being forthwith due and payable pursuant to Condition 10 (*Events of Default*).

If 80 per cent. or more in principal amount of the Notes outstanding on the Relevant Announcement Date have been redeemed or purchased pursuant to the foregoing provisions of this Condition 7.5, the Issuer may, at its option, on not less than five nor more than 10 days' notice to the Noteholders given in accordance with Condition 13 (*Notices*) within 60 days after the Put Redemption Date, redeem or, at its option, purchase (or procure the purchase of) all (but not some only) of the remaining Notes, each at its Put Redemption Amount together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the date of such redemption or purchase.

The Trustee is under no obligation to ascertain whether a Change of Control Put Event or any event which could lead to the occurrence of or could constitute a Change of Control Put Event has occurred, and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or other such event has occurred.

For the purpose of these Conditions:

A **Change of Control Put Event** shall occur if:

- (a) any single person, or group of persons acting in concert (as defined in the City Code on Takeovers and Mergers) acquires control (as defined in Section 707 of the Corporation Tax Act 2010 and for this purpose assuming that references in such Section to "company" shall apply to the legal entity which is at the relevant time the Issuer) of the Issuer; or
- (b) the Issuer transfers all or substantially all of its engagements to another registered society (as defined in the Industrial and Provident Societies Act 1965) pursuant to Section 51 of that Act,

provided that a Change of Control Put Event shall be deemed not to have occurred if the relevant event which would otherwise have resulted in a Change of Control Put Event has been approved in writing by an Extraordinary Resolution of the Noteholders; and

Relevant Announcement Date means the date of the relevant Change of Control Put Event.

7.6 Purchases

The Issuer, any Guarantor or any of their Subsidiaries (as defined above) may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

7.7 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, any Guarantor or any of their Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be reissued or resold.

7.8 Notices Final

Upon the expiry of any notice as is referred to in paragraph 7.2, 7.3 or 7.4 the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or any of the Guarantors shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any of the Relevant Jurisdictions, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

- (a) the holder of which is liable for Taxes in respect of such Note or Coupon by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Notes; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming that day to have been a Presentation Date (as defined in Condition 6 (*Payments*)).

8.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*); and
- (b) **Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments*).

10. EVENTS OF DEFAULT

10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in aggregate principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events described in subparagraphs (b) to (e) (inclusive), (h), (i) and, to the extent it relates to a Material Subsidiary, (f) and (g) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantors that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give written notice to the Issuer and the Guarantors that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events:

- (a) if default is made in the payment of any principal, purchase moneys due under Condition 7.5 or premium due under Condition 7.3 in respect of any of the Notes or if

default is made in the payment of any interest due in respect of any of the Notes and, in either case, the default continues for a period of seven days; or

- (b) if the Issuer or any Guarantor fails to perform or observe any of its other obligations under or in respect of the Notes or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer or the relevant Guarantor (as the case may be) of notice requiring the same to be remedied; or
- (c) if: (i) any indebtedness of the Issuer, any Guarantor or any Material Subsidiary becomes due and repayable prematurely by reason of an event of default (however described); or (ii) the Issuer, any Guarantor or any Material Subsidiary fails to make any payment in respect of any indebtedness on the due date for payment as extended by any applicable grace period provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of indebtedness or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of indebtedness and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) and (ii) above which have occurred and are continuing, exceeds the greater of 1 per cent. of Total Net Assets and £25,000,000 (or its equivalent in any other currency or currencies); or
- (d) one or more judgment(s) or order(s) for the payment of an amount in excess of the greater of 1 per cent. of Total Net Assets and £25,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer, any Guarantor or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 45 days after the date(s) thereof or, if later, the date(s) therein specified for payment; or
- (e) a secured party takes possession, or a receiver, manager or other similar officer is appointed, of all or substantially all (in the opinion of the Trustee) of the undertaking, assets and revenues of the Issuer, any Guarantor or any Material Subsidiary; or
- (f) (i) the Issuer, any Guarantor or any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, any Guarantor or any Material Subsidiary, (iii) the Issuer, any Guarantor or any Material Subsidiary makes a general assignment or an arrangement or composition with or for the benefit of its creditors generally or declares a moratorium in respect of any of its indebtedness or any guarantee or indemnity in respect of any indebtedness given by it, or (iv) the Issuer, any Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business (otherwise than, in the case of a Material Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (g) if any order is made by any competent court or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, any Guarantor or any Material Subsidiary (otherwise than, in the case of a Material Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (h) it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or

- (i) if the Notes Guarantee ceases to be, or is claimed by the Issuer or any Guarantor not to be, in full force and effect in relation to any Guarantor (except in accordance with Condition 3.3).

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer and/or any one or more of the Guarantors as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action or to take any other steps or action under or pursuant to the Trust Deed unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in aggregate principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

11.2 Limitation on Trustee actions

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

11.3 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to (a) take any steps or action against the Issuer or any Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (b) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or any Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a period of 60 days and the failure shall be continuing.

12. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and/or the Principal Paying Agent may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. NOTICES

13.1 Notices to the Noteholders

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London. It is expected that publication in a newspaper will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other

relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

13.2 Notices from the Noteholders

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Principal Paying Agent or, if the Notes are held in a clearing system, may be given through the clearing system in accordance with its standard rules and procedures.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer and the Guarantors to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any Guarantor or any Subsidiary of the Issuer (other than an Excluded Subsidiary), subject to:

- (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer;
- (b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders; and
- (c) certain other conditions set out in the Trust Deed being complied with.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

15.1 Meetings of Noteholders

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than 50 per cent. in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons present whatever the principal amount of the Notes held or represented by him or them, except that, at any meeting the business of which includes any matter defined in the Trust Deed as a Basic Terms Modification, including the modification of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (including the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an Extraordinary Resolution will be one or more persons present holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, of the aggregate principal amount of the Notes for the time being outstanding. The Trust Deed provides that (a) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (b) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in

aggregate principal amount of the Notes for the time being outstanding or (c) consent given by way of electronic consents through the relevant clearing system(s) (as set out in the Trust Deed) by or on behalf of the holders of not less than three-fourths in aggregate principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

15.2 Modification, Waiver, Authorisation and Determination

The Trustee may agree, without the consent of the Noteholders or Couponholders (a) (other than in the case of a Basic Terms Modification (as defined in the Trust Deed)) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or the Notes, or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders), or (b) to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.

15.3 Trustee to have Regard to Interests of Noteholders as a Class

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, any Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

15.4 Notification to the Noteholders

Any modification, abrogation, waiver, authorisation, determination or substitution shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any modification or substitution shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 13 (*Notices*).

16. INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTORS

16.1 Indemnification and protection of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantors, the Noteholders and the Couponholders, including (a) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (b) provisions limiting or excluding its

liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (a) to evaluate its risk in any given circumstance by considering the worst-case scenario and (b) to require that any indemnity or security or prefunding given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

16.2 Trustee Contracting with the Issuer and/or any Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any Guarantor and/or any of the Issuer's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any Guarantor and/or any of the Issuer's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes, having terms and conditions the same as those of the Notes, except for the issue date and the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes. Any such further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall be constituted by a deed supplemental to the Trust Deed.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing Law

The Trust Deed (including the Notes Guarantee), these Conditions, the Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed (including the Notes Guarantee), these Conditions, the Agency Agreement, the Notes and the Coupons are governed by, and construed in accordance with, English law.

18.2 Submission to Jurisdiction

- (a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, these Conditions, the Agency Agreement, the Notes or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, these Conditions, the Agency Agreement, the Notes or the Coupons (a **Dispute**) and each of the Issuer, each Guarantor, the Trustee and any Noteholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

- (c) To the extent allowed by law, the Trustee, the Noteholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Other Documents and the Guarantors

Each of the Issuer and, where applicable, the Guarantors has in the Agency Agreement and the Trust Deed submitted to the jurisdiction of the English courts and appointed an agent in England for service of process, in terms substantially similar to those set out above.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. DEFINITIONS

For the purposes of these Conditions:

Excluded Subsidiary means each of CFS Management Services Limited, CIS General Insurance Limited, Millgate Insurance Brokers Limited, The Reclaim Fund Limited and each of their respective Subsidiaries.

Existing Permitted Financial Indebtedness means the Financial Indebtedness of the Trading Group existing as at the Issue Date.

Group means the Issuer and its Subsidiaries for the time being.

Material Subsidiary means, at any particular time, a Subsidiary of the Issuer (other than an Excluded Subsidiary) whose total assets or pre-tax profits as shown in its most recent audited financial statements represent 10 per cent. or more of the consolidated total assets or consolidated pre-tax profits of the Trading Group, as calculated by reference to the most recent audited consolidated financial statements of the Group, as more particularly defined in the Trust Deed.

Obligor means the Issuer or a Guarantor.

Permitted Security means:

- (a) any netting or set-off arrangement entered into by any member of the Trading Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances where the obligations of the parties are calculated by reference to net exposure under the arrangement;
- (b) any lien arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Trading Group;
- (c) any Security over or affecting any asset acquired by a member of the Trading Group after the Issue Date if:
 - (i) the Security was not created in contemplation of the acquisition of that asset by a member of the Trading Group;

- (ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Trading Group; and
 - (iii) the Security is removed or discharged within six months of the date of acquisition of such asset unless it would otherwise constitute Permitted Security hereunder;
- (d) any Security over or affecting any asset of any company which becomes a member of the Trading Group after the Issue Date, where the Security is created prior to the date on which that company becomes a member of the Trading Group if:
- (i) the Security was not created in contemplation of the acquisition of that company;
 - (ii) the principal amount secured has not increased in contemplation of or since the acquisition of that company; and
 - (iii) the Security is removed or discharged within six months of that company becoming a member of the Trading Group unless it would otherwise constitute Permitted Security hereunder;
- (e) any Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having a similar effect in respect of goods supplied to a member of the Trading Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Trading Group;
- (f) any Security arising as a consequence of any finance or capital lease, provided that the principal amount outstanding under leases by members of the Trading Group does not exceed £75,000,000 (or its equivalent in another currency or currencies) at any time;
- (g) any Security arising under a rent deposit deed entered into on arm's length terms and in the ordinary course of day-to-day business securing the obligations of a member of the Trading Group in relation to a property leased by a member of the Trading Group; and
- (h) any Security by way of cash cover in relation to any letters of credit, bonds, guarantees or indemnities issued by any facility provider under any Existing Permitted Financial Indebtedness (or any refinancing thereof), provided that such cash cover is provided in compliance with the terms of the Existing Permitted Financial Indebtedness which are in effect as at the Issue Date (or in compliance with any terms which are equivalent to those existing terms under any refinancing of the Existing Permitted Financial Indebtedness).

Security means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

Total Net Assets means, as at any particular time, the aggregate of:

- (a) the amount paid up or credited as paid up on the issued share capital of the Issuer (other than any shares which are expressed to be redeemable and shares expressed to be callable, to be issued by the Issuer); and

- (b) the amount standing to the credit of the consolidated reserves of the Trading Group,
less (but without double counting) any amount included in the above which is attributable to:
- (i) amounts set aside for Tax;
 - (ii) minority interests;
 - (iii) the amount by which the net book value of any asset has been written up after 5 January 2019 (or, in the case of a person becoming a member of the Trading Group after that date, the date on which that person became or becomes a member of the Trading Group) by way of revaluation or on its transfer from one member of the Trading Group to another; and
 - (iv) any dividend or other distribution made by any member of the Trading Group,
and without taking into account:
 - (v) any surplus or deficit attributable to any occupational pension scheme which is not a money purchase scheme (both terms as defined in the Pension Schemes Act 1993),

but ignoring any variation in the credit or debit balance on the Trading Group consolidated profit and loss account since the date of the then latest audited consolidated balance sheet of the Group, except to the extent reflected in any later Group consolidated profit and loss statement delivered to the Trustee under the Trust Deed.

Trading Group means the Group excluding the Excluded Subsidiaries.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

1. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 13 (*Notices*)) other than with respect to the payment of principal, premium and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer, each Guarantor and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

2. Payments

On and after the date 40 days after the Issue Date, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal premium and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. A record of each payment made will be endorsed on the appropriate part of the schedule to the relevant Global Note by or on behalf of the Principal Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made in respect of the Notes. Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relevant Accountholders rather than by publication as required by Condition 13 (*Notices*), provided that, so long as the Notes are admitted to the Official List of the UK Listing Authority (the **UKLA**) and admitted to trading on the London Stock Exchange plc's market for listed securities, all requirements of the UKLA have been complied with. Any such notice shall be deemed to have been given to

the Noteholders on the day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Note, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through the applicable clearing system's operational procedures approved for this purpose and otherwise in such manner as the Principal Paying Agent and the applicable clearing system may approve for this purpose.

4. Interest Calculation

For so long as Notes are represented by one or both of the Global Notes, interest payable to the bearer of a Global Note will be calculated by applying the rate of 5.125 per cent. per annum to the principal amount of the Global Note and on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date multiplied by two. The resultant figure is rounded to the nearest penny (half a penny being rounded upwards).

5. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

- (a) upon the happening of any of the events defined in the Trust Deed as "Events of Default";
- (b) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available; or
- (c) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes in definitive form and a certificate to such effect signed by two Authorised Signatories of the Issuer is given to the Trustee.

Thereupon (in the case of (a) and (b) above) the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) may give notice to the Issuer and the Principal Paying Agent and (in the case of (c)) the Issuer may give notice to the Trustee, the Principal Paying Agent and the Noteholders, of its intention to exchange the Permanent Global Note for definitive Notes. Any exchange shall occur no later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

Exchanges will be made upon presentation of the Permanent Global Note to or to the order of the Principal Paying Agent on any day on which banks are open for general business in London. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

6. Prescription

Claims against the Issuer and the Guarantors in respect of principal, premium and interest on the Notes represented by a Global Note will be prescribed after 10 years (in the case of principal and premium) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

7. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

8. Put Option

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 7.5 (*Redemption at the Option of the Noteholder upon a Change of Control Put Event*) may be exercised by an Accountholder giving notice to the Principal Paying Agent in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instructions by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Principal Paying Agent by electronic means) of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the relevant Global Note to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

9. Euroclear and Clearstream, Luxembourg

Notes represented by a Global Note are transferable in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as appropriate. References in the Global Notes and this summary to Euroclear and/or Clearstream, Luxembourg shall be deemed to include references to any other clearing system approved by the Trustee.

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be applied by the Issuer to finance and/or refinance, in whole or in part, projects promoting social and environmental progress that meet eligibility requirements defined and detailed in the Sustainability Bond Framework (**Eligible Sustainability Projects**). The Eligible Sustainability Projects will fall under the following eligible categories defined and detailed in the Sustainability Bond Framework established by the Group (the **Sustainability Bond Framework**): (i) Socio-economic Advancement and Empowerment, (ii) Environmentally Sustainable Management of Natural Resources and Land Use, and (iii) Renewable Energy and Energy Efficiency.

The process to select and evaluate Eligible Sustainability Projects will be performed according to the Sustainability Bond Framework. Co-op has created a dedicated Project Team, comprised of representatives from the Treasury, Finance, Legal, Policy & Campaigns, Office of the Executive, Group Procurement and Food Policy teams. Relevant members of the Project Team and subject matter experts will be responsible for assessing the eligibility of different types of projects based on the criteria established in the Sustainability Bond Framework and recommending these to Co-op's Ethics and Sustainability Management Forum for final approval. The Co-op's Ethics and Sustainability Management Forum, which addresses Co-op's extensive policies relating to ethics and sustainability, is comprised of representatives from Group Policy and Campaigns, strategy, policy and reporting), Group Procurement, Co-op Food, Office of the Executive, Finance and Legal, and other experts as required. The Forum is responsible for the overall governance of the sustainability aspects of the Notes and selecting the Eligible Sustainability Portfolio to be (re)financed by the Notes. The project team will evaluate whether projects comply with defined eligibility criteria set out in the Sustainability Bond Framework and will (re)assess the selection and eligibility of projects at least once a year.

Pending the full allocation to the Eligible Sustainable Projects portfolio, the Issuer will hold and/or invest the balance of net proceeds not yet allocated, at its own discretion, in its treasury liquidity portfolio (in cash or cash equivalents) or apply all or a portion of the net proceeds to pay a portion of its outstanding indebtedness.

The Issuer has commissioned Vigeo to provide a second party opinion on the Notes. Vigeo is of the opinion that the Notes to be issued by the Co-operative Group are aligned with the voluntary guidelines of the Green Bond Principles and the Social Bond Principles. They consider that the net proceeds of the Notes will be allocated to Eligible Sustainability Projects which are intended to contribute both directly and indirectly to sustainability benefits. Vigeo's opinion acknowledges that the allocation of the proceeds of the Notes will be distributed as follows: around 99% for the purchasing costs of Fairtrade-certified products, and 1% for the investment in Fairtrade-oriented projects.

The Green Bond Principles and the Social Bond Principles are voluntary process guidelines which consist of four core components: (i) Use of Proceeds; (ii) Process for Project Evaluation and Selection; (iii) Management of Proceeds, and (iv) Reporting.

The Sustainability Bond Framework is available to view at <https://www.co-operative.coop/investors>.

DESCRIPTION OF THE ISSUER

Introduction and history

The Co-op is a different kind of business, owned by millions of individual members and other co-operatives and its members get a say in how it is run.

The Co-op's origins date back to 1844 when the Rochdale Equitable Pioneers Co-operative Society was established to address a social injustice: adulterated food sold at unfair prices. This successful co-operative model grew in popularity and in 1863 led to a group of retail societies based in the North of England registering the North of England Co-operative Society with the aim of supporting the growing retail consumer co-operative movement.

In 1872, the North of England Co-operative Society became the Co-operative Wholesale Society and enabled its members to take advantage of their collective purchasing power and in 1973 they merged with Scottish Co-operative Wholesale Society.

In April 2000, Co-operative Wholesale Society and Co-operative Retail Services merged to form a joint operation and in January 2001, Co-operative Wholesale Society changed its name to Co-operative Group (CWS) Limited.

In 2007, Co-operative Group (CWS) Limited merged with United Co-operatives to create one of the world's largest co-operative platforms and changed its name to Co-operative Group Limited (the **Issuer** and, together with its subsidiaries, the **Group** or the **Co-op**).

In June 2013, the Issuer's banking subsidiary, The Co-operative Bank plc (the **Bank**), announced a regulatory capital shortfall of £1.5 billion. Following a recapitalisation plan and a rights issue, the Issuer's indirect holding in the Bank in May 2014 was just over 20%. In 2017 it sold its remaining 1% holding in Co-operative Bank.

In 2014, the Issuer sold its pharmacy, farms and cash transportation businesses.

At its Annual General Meeting in May 2016, Co-op announced changes to member rewards with 5% for members when they buy Co-op branded products and services, and 1% to local community causes.

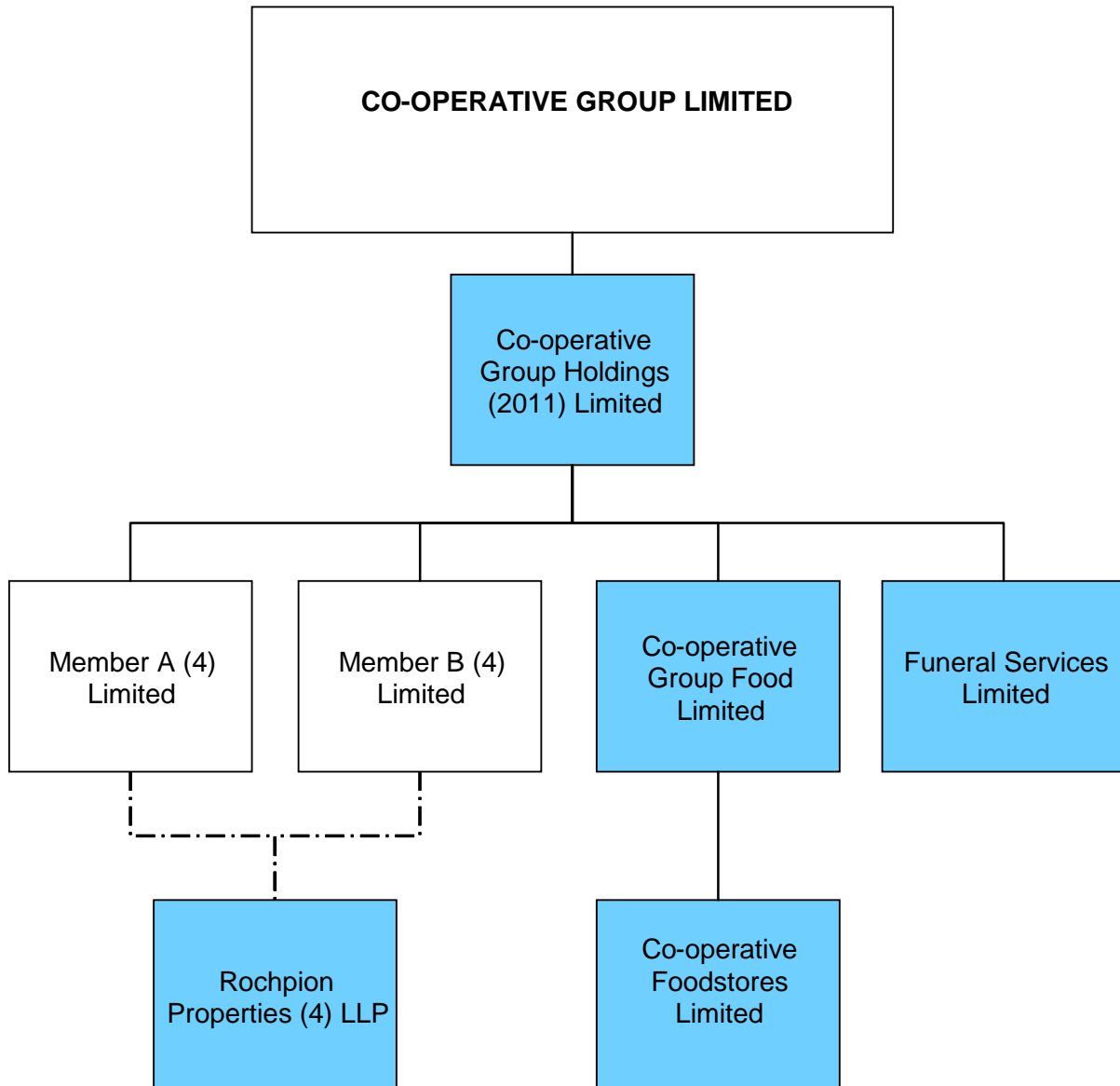
The Co-op now operates in the main markets of food retail and wholesale, funeral services, legal services, life planning and insurance, although the latter falls outside the Trading Group (as defined under "*Terms and Conditions of the Notes*") as described below. In September 2018, Co-op re-entered the pharmacy market acquiring Dimec Ltd., an online repeat prescription service.

The Issuer is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 525R. Its registered office is located at 1 Angel Square, Manchester M60 0AG, United Kingdom and the telephone number of its registered office is +44 (0)161 834 1212.

Pursuant to the Rules of the Issuer, its purpose is to serve its members by carrying on business as a co-operative in accordance with the values and principles of the International Co-operative Alliance's statement on the co-operative identity, values and principles. Its objects, as set out in Rule 6 of the Issuer's Rules, are (among others) to (i) carry on the business of dealing (on a retail or wholesale basis) in, producing, creating, supplying and providing property, goods and services of all kinds, including engaging in credit sale, rental and other financial services or credit transactions and (ii) engage, as principals or agents, in any other business, trade, industry or activity which seems to the Issuer directly or indirectly conducive to carrying out these objects.

Group structure

The Group operates through a number of legal entities. The following chart shows a simplified summary of the corporate structure of the Group, highlighting the Issuer and the Guarantors (shaded in blue) as at the date of this Prospectus.



Group Strategy

The Group's strategy is based on the concept of the virtuous circle; the better the Group runs its business, the more people will trade with it; and the more the Group trades the more good it can do for its members and their communities.

Since 1844 the Group has always been a business with a clear social commitment. How the Group runs its business is important and it sets high standards for responsible retailing and service. The Group's 'Stronger Co-op, Stronger Communities' ambition provides the context for its approach to ethics and sustainability (See "*Responsible business*" section below for further information).

The Group has a responsibility to be a campaigning business, speaking out on the issues that matter to its members. The main markets in which the Group operates — food retail, funeral services, legal

services and life planning, insurance — means there are a lot of ways it can meet its members' needs. By offering great products and services, the Group will grow its customers and membership.

For the virtuous circle to work well, all businesses in the Group need to be strong. Products and services must be competitive and the difference that the Group makes to its members and their communities (the **Co-op difference**) must be clear to see, relevant for today and easy to understand.

The Group has set itself seven goals that will shape activity over the next few years and help it to deliver on its purpose: "championing a better way of business for you and your communities":

1. Competitive businesses with the Co-op difference that attract more customers and members.
2. New business opportunities that build trust, extend reach and create value.
3. A Co-op which is agile, leaner, safer and connected.
4. A revitalised membership offer that creates more value for members and communities.
5. Greater impact from community work.
6. A joined-up story highlighting what the Co-op difference is all about.
7. Colleagues who are proud to work at the Co-op.

To support investment and its growth plans, the Group is looking closely at the cost base in every part of its businesses. This will form part of future investment, while keeping bank borrowing at sensible levels.

During 2018, the Group launched the "Fuel for Growth" initiative. This looks at ways to drive efficiencies through changing the way the organisation is set up and how and where it spends its money. The aim is to achieve annual savings of over £100 million over the course of this programme to provide the fuel for further growth.

Group Performance

The Group reported £10,162 million of sales and £43 million of underlying profit before tax for the year ended 5 January 2019 (**FY 2018**).

The following table shows the underlying segment operating profit of the Group's business activities by sector during FY 2018 versus the year ended 6 January 2018 (**FY 2017**).

FY 2018 underlying segment operating profit:

	FY 2018	FY 2017
		Restated*
	£m	£m
Food	204	182
Funerals and Life Planning	25	42

Wholesale ²	(11)	-
Other businesses	(4)	(3)
Supporting functions	(107)	(114)
Underlying segment operating profit (A)	107	107
Change in value of investment properties	38	15
Property, business disposals and closures	(54)	(4)
One-off items	9	-
Operating profit	100	118

*The 2017 full-year comparative figures have been restated following the adoption of IFRS 15 (Revenue from Contracts with Customers) and the treatment of Insurance as a discontinued operation. See general accounting policies section on page 187 of the audited consolidated financial information of the Issuer for the year ended 5 January 2019 for further details of the restatements.

The following table shows adjustments for interest and membership rewards and also shows the key performance indicator, operating profit.

	FY 2018	FY 2017
	Restated*	
	£m	£m
Operating profit	100	118
Underlying Interest (B)	(64)	(64)
Other interest / mark to market	57	11
<i>Share of profits of Associates and Joint Ventures</i>	-	8
Profit before tax	93	73
Underlying profit before tax (A – B)	43	43
Add back 5% membership rewards	60	61
Underlying profit before tax excluding membership rewards	103	104

*The 2017 full-year comparative figures have been restated following the adoption of IFRS 15 (Revenue from Contracts with Customers) and the treatment of Insurance as a discontinued operation. See general accounting policies section on page 187 of the audited consolidated financial information of the Issuer for the year ended 5 January 2019 for further details of the restatements.

² Acquired in May 2018.

The Group's sales increased by 14% during FY 2018 compared to FY 2017, driven by strong performance in the food business and the acquisition of Nisa Retail Limited (**Nisa**) in May 2018. The Group's profit before tax in the year ended 5 January 2019 was £93 million, up from £73 million in FY 2017. The Group's key profit measure, underlying profit before tax, which reflects the Group's core trading performance less interest on borrowings was £43 million in FY 2018, in line with FY 2017.

During FY 2017, operating profit for the Group amounted to £118 million on sales of £8,943 million, profit before tax amounted to £73 million and underlying profit before tax amounted to £43 million.

The Group's equity increased by £54 million during FY 2018 from £3,015 million at FY 2017 to £3,069 million (this is restated for IFRS 15 and 9 and the write down of the net assets of the insurance business discussed in the discontinued items note under "*Group Performance*" above). See "General Accounting Policies" section on page 181 of the audited consolidated financial information of the Issuer for the year ended 5 January 2019 for further details of the restatements.

The Trading Group had net debt of £0.9 billion at FY 2018 (compared to £0.8 billion at FY 2017) and remains within the appetite of the Board (as defined below).

In FY 2018, the Group invested £414 million in its estate (FY 2017: £441 million).

Principal activities of the Group

The Co-operative Food

The Co-op's food business' (**Co-op Food**) principal activity is that of food retail focusing on the convenience sector. Co-op Food is the sixth largest grocer in the UK by market share, with a share of 6.1%.³

Co-op Food generated £7.3 billion of sales and £204 million of underlying operating profit during FY 2018, compared to £7.1 billion of sales and £182 million of underlying operating profit during FY 2017.

In FY 2018, like-for-like sales grew by 4.4%, which was 1.0% ahead of the previous year, with week 25 seeing the highest week sales for Co-op outside of Christmas. This represented the fifth consecutive year of like-for-like sales growth for Co-op Food. According to the Institute of Grocery Distribution, in terms of market growth for the period from FY 2017 to FY 2018, Co-op Food performed better than the market average.

The Group expanded its wholesaling operations with the acquisition of Nisa in May 2018 and a five-year commercial deal to supply Costcutter Supermarkets Group. Added to the Group's existing arrangements with independent co-operative societies, through a joint buying group, it takes the total number of stores supplied by the Group to around 7,700. As at April 2019, the Group supplied Nisa partners with 1,900 Co-op product lines. The recruitment of Nisa partners (wholesale customers of Nisa) is increasing.

Nisa supplies approximately 4,000 stores throughout the UK. Around 900 stores are symbol stores operating under one of Nisa's three fasciae and around 1,300 are independent stores, which are independently owned and operated and are not affiliated with a symbol group, the remainder relate to McColls, Costcutter and other multi-site retailers. For the twelve month period to December 2018 Nisa turned over £1.5 billion (£1 billion from the point of acquisition).

³ Kantar Worldpanel Total Till Roll 12 weeks ended 24 March 2019, Co-op Group Annual Reports 2013-2017.

The Group has a stated commitment to support British farming. In 2017 it announced a decision to back British farmers and British farming by committing to spend £2.5 billion over three years. 100% of Co-op fresh meat is British.

In addition, this year the Group has extended its seasons for British fruit and vegetables and switched to 100% British strawberries in Co-op stores. The Group is selling more British flowers by extending the British season and introduced additional British stocks to its range this year.

The Group is setting up British fish farming groups and is supporting fisheries improvement projects through Project UK. In addition, the Group has put in place British sourcing credentials across its core dairy products and has committed to a fair farm gate price for its dairy business' supply of milk. High animal welfare standards have also been important to the Group and in spring 2018 the Group announced that all Co-op branded fresh pork, bacon, gammon and cooked meat will be from pigs bred outdoors in accordance with the Royal Society for the Prevention of Cruelty to Animals' standards.

During 2018, the Group also expanded its 'Farming Pioneers' programme, working with the next generation of farmers to build their skills. 2019 sees the fourth cohort of youngsters enrolling on the two and a half year programme, with an ambition to roll this programme out to 100 young farmers.

The quality of Co-op food continues to be recognised with many awards received during 2018, including 16 'Grocer Own Label' wins, 'Sandwich Convenience Retailer of the Year' for the fourth time, and 28 International Wine Challenge awards.

During FY 2018 the Group opened 102 new food stores (net 50 new stores due to 52 closures in 2018).

The Group's strategy is to continue opening new stores over the next few years to expand its convenience store footprint.

Funeralcare and Life Planning

The Group's funeralcare and life planning business (**FLP**) brings together its funeral and legal services businesses. The Group's funeral business operates over 1,000 funeral homes across the UK. Services include the sale of pre-need plans and at-need funerals, professional services (liaising with third parties such as clergy, florists, crematoria), the use of funeral home facilities, preparing documentation and provision of funeral staff together with supplementary services such as transporting the deceased, presenting the deceased, embalming and the provision of hearses and the provision of accessories such as coffins, urns and gowns, as well as aftercare products such as memorial urns. Legal services offered include will writing, managing probate, personal injury and employment claims.

FLP continues to operate within a challenging market with competition continuing to grow as many new entrants join the market. However, FLP has been able to maintain its position as the UK's leading Funeral Director by market share, with a share of 15.5% of the 'at need' funeral market.⁴ FLP had a 31.4% share of the 'pre need' funeral market as at the 2018 year end.⁵ FLP has maintained its market position by staying focused on delivering the highest quality of care and personal service to each of its clients.

FLP saw sales decrease slightly to £317 million during FY 2018 compared to £320 million during FY 2017 caused by the low death rate during 2018, offset by increased probate volumes resulting from both the acquisition of Simplify Probate in March 2018 and an increase in FLP's existing probate

⁴ The Office for National Statistics (ONS) publishes death rate statistics. The Co-op uses its volumes of at-need funerals to calculate its market share.

⁵ Funeral Planning Authority Website.

business. The number of 'at need' funerals (funerals arranged at the time someone dies) decreased by 4,562 during FY 2018 from 99,9250 during FY 2017 to 95,363 during FY 2018, and the number of funeral plans sold fell to 55,593 during FY 2018 (compared to 68,969 during FY 2017), mainly due to the overall reduction in the size of this market. FLP's underlying profit was £25 million during FY 2018, down compared to underlying profit of £42 million during FY 2017.

In May 2018, FLP launched 'Cremation without Ceremony', a significant new service for funerals in England, Scotland and Wales. The new funeral choice is for those who, for many reasons, prefer not to have a funeral service. It gives families the chance to remember loved ones in their own way and at a location of their choice. This will not compromise on FLP's high standards of care and FLP's research has shown that for many the choice is not driven by price.

In summer 2018 FLP published the UK's biggest ever survey into the British public's attitudes towards dying, death and bereavement. 30,000 people took part, half of them Co-op members. It gave FLP a rich insight into fast changing social trends which will inform how FLP develops services in the coming years.

The acquisition of Simplify Probate in March 2018 cements FLP's position as the leading provider of probate services in the UK. In March 2018, FLP changed the reward element of membership to an upfront discount and has seen improved membership participation through this change. Membership is critical to underpin FLP's plans.

FLP has made significant investment in new digital technology working with Co-op's digital team. FLP's new digital platform, called Guardian, moves the business away from paper and makes information easier for colleagues to access at each stage of the client journey from the first meeting with a family through to their wishes for the funeral and all arrangements on the day.

FLP is actively engaged with the Competitions and Market Authority (CMA), HM Treasury and the Scottish Government who are reviewing competition and regulation within the funeral sector. In particular, the CMA is conducting a market investigation into the funerals market in the UK. The Group believes regulation will strengthen and improve the market providing opportunities for FLP given its national coverage, service standards and quality.

During FY 2018 FLP opened 16 new funeral homes.

Insurance

The Group's insurance business includes both underwritten products and the distribution of products underwritten by third parties, undertaken through CIS General Insurance Limited (**CISGIL**) and Co-op Insurance Services Limited (**CISL**). CISGIL, which is an Excluded Subsidiary (as defined under "*Terms and Conditions of the Notes*") for the purposes of the Notes, is subject to regulatory oversight from the Prudential Regulatory Authority in respect of, *inter alia*, governance, capital, shareholding and distributions.

On 18 January 2019, the Issuer exchanged contracts with Markerstudy Holdings Limited (**Markerstudy**) for the sale of CISGIL. Completion remains subject to regulatory approval.

There is a risk that such approval may not be obtained, or may not be obtained in a timely manner. If such approval is not obtained or the sale does not proceed, the Issuer will need to re-evaluate its holding of CISGIL. There can be no assurance that this will not have an impact on the financial performance, business and operating result of the Issuer.

Consideration totals £185 million of which £150 million is due on completion and £35 million will be deferred over 3.5 years. Alongside the sale of CISGIL, the Issuer (through its subsidiary CISL) has

agreed to enter into a 13 year Distribution Agreement to distribute certain Co-op branded motor and home insurance products. The proposed sale will generate net cash of £125 million after deducting costs relating to the migration and the transaction.

CISGIL is an Excluded Subsidiary (as defined under "*Terms and Conditions of the Notes*") and is therefore not relevant for the purposes of assessing the financial position of the Trading Group (as defined under "*Terms and Conditions of the Notes*").

Co-op Group Property

Co-op Group Property is the custodian of properties (leasehold and freehold) across the UK including retail, trading outlets, commercial, investment, residential and agricultural portfolios and mixed use re-developments.

As of 5 January 2019, the Group's property portfolio managed by Co-op Group Property comprised:

- circa 2,600 food stores, 14 depots, 1,000 funeral homes and 3 woodland burial sites; and
- circa 18 corporate occupancies, 900 commercial units, 1,200 residential units, 265 onerous lease non-trading properties,

with a total balance sheet provision in relation to onerous leases of £204 million as at FY 2018.

Other businesses

In addition to the business segments described above, the Group comprises a range of other retail and commercial businesses. These include the digital services division, Co-op's entry into healthcare via the acquisition of Dimec Ltd. and central and head office services.

Pension Schemes

The main Group pension scheme is The Co-operative Pension Scheme (Pace) (**Pace**). The most recent actuarial report indicated that there was a funding surplus of £251 million as at 5 April 2016. However, on 6 August 2018 Pace was sectionalised into separate "Co-operative Group" and "Co-operative Bank" sections. Broadly 80% of assets and liabilities of Pace have been allocated to the Co-operative Group section and 20% of assets and liabilities of Pace have been allocated to the Co-operative Bank section. The Group participates in the Co-operative Group Section. The Group is currently not paying deficit contributions in relation to the Co-operative Group section. However the Group and Pace trustee have agreed to target a higher level of funding than required under legislation and in certain circumstances this may require additional contributions from the Group in respect of the Co-operative Group section of the scheme.

The Co-operative Group section of Pace is a non-segregated multi-employer scheme in which several Group and non-Group entities participate. The share of assets and liabilities attributable to non-Group entities is less than 1%.

There is provision in the rules of Pace that sectionalisation can be unwound in the event that the Co-operative Bank becomes insolvent and therefore the Group retains exposure to the Co-operative Bank section of Pace. The Co-operative Bank has provided a charge in favour of the Pace trustee consisting of AAA rated notes which can be accessed on Co-operative Bank insolvency. This security will reduce as cash contributions are paid to the Co-operative Bank section. The value of the security initially provided by the Bank was required to be £216 million. The Co-operative Bank also agreed to

fund the Co-operative Bank section to a more prudent funding target and has committed to paying £100 million over 10 years to achieve this.

The Group is wholly responsible for four other defined benefit pension schemes. These are the Somerfield Pension Scheme (**Somerfield**), the United Norwest Co-operatives Employees' Pension Fund (**United**), the Yorkshire Co-operatives Limited Employees' Superannuation Fund (**Yorkshire**) and the Plymouth and South West Co-operative Society Limited Employees' Superannuation Fund (**Plymouth**).

The Somerfield Scheme was 95% funded with a £48 million deficit at the last actuarial valuation date of 5 April 2016 and the Group is currently paying annual deficit contributions of £2.6 million per annum. The United Scheme was 71% funded with a deficit of £236 million at the last actuarial valuation date of 31 January 2017 and the Group is currently paying annual deficit contributions of £35.2 million per annum. The Yorkshire Scheme was 79% funded with a deficit of £32 million at the last actuarial valuation date of 31 January 2017 and the Group is currently paying annual deficit contributions of £4.2 million per annum. The Plymouth Scheme was 59% funded with a deficit of £63 million at the last actuarial valuation date of 5 April 2017 and the Group is currently paying annual deficit contributions of £8 million per annum.

All future pension provision within the Group is provided in a defined contribution form and the majority of members receive this provision through Pace. The Group contributes a maximum of 10% of each employee's salary into individual investment accounts held in Pace, for the benefit of each member. The Group bears no ongoing exposure in relation to these investment accounts.

To the extent any Material Subsidiary of the Issuer (as defined under "*Terms and Conditions of the Notes*") provides a guarantee in respect of any of the pensions schemes, pursuant to requirements under the Guarantor's revolving credit facility and under Condition 3.4 of the Notes, such subsidiary will also be required to guarantee the bank revolving credit facility and the Notes, respectively.

Change Programmes

Fuel for Growth is the Group's internal cost savings and efficiency programme. The Group aims to reduce its annual running costs and to reinvest the savings in its products, infrastructure and people. As part of this programme, in 2018 the Group:

- made changes to the way it is run so that the right people are in the right jobs and doing the right things;
- looked to do better deals on what it needs to buy to run the business; and
- created a new Co-op Service Centre to look after its back office functions including finance, HR and its customer and member helpdesks.

This delivered around £30 million of savings allowing the Co-op to invest in the business as well as reducing its costs across all business areas.

The Retail Business Transformation programme (**RBT**) is Co-op's multi-year strategy to enhance management of its retail range across all of its food stores. RBT aims to support the Group's work to get closer to its members and customers, and understand what they need, when and where they need it, conveniently.

Recent Developments

E-Store

The decision was made in January 2019 to close Co-operative E-Store Ltd, previously the Group's on-line business offering electrical products. The business fully closed in April 2019.

Insurance

As described in further detail above under "*Principal Activities of the Group – Insurance*", on 18 January 2019, the Issuer exchanged contracts with Markerstudy for the sale of CISGIL. Completion remains subject to regulatory approval.

New opportunities

As well as continuing to strengthen its presence in existing markets, the Group is actively looking at new opportunities, informed by the big social trends that are changing life in the UK: people living longer with more complex health needs; the financial pressures facing a younger generation; and changes brought by online platforms and social media.

The Group's focus is currently on health and wellbeing.

The Group's approach will be led by digital technology – building, testing and learning quickly without using substantial capital whilst limiting risks. In August 2018, the Group acquired Dimec Ltd., a software application facilitating repeat prescription ordering, to aid its entry into the health and wellbeing market which will be the initial focus of the new opportunities work moving forward.

Responsible business

Since its formation over 150 years ago, the Group has been a business with a clear social commitment. The Group exists to create value for its members, for the communities where it trades and for wider society. Its approach to running business in an ethical and sustainable way is rooted in the Co-operative values and principles. The Co-operative model of ownership has allowed the Group to respond to changing economic, political and social environments, and its history is full of examples of where it has been at the forefront of change – including equality of voting before universal suffrage.

The Group continues to lead the way in Fairtrade, supporting British farming, responsible sourcing and sustainability reporting and campaigning. In 2014 the Group was voted the UK's most ethical company over the past 25 years according to a survey by Ethical Consumer magazine⁶ and was ranked the second most ethical high street brand in Ethical Consumer's 2018 product guide⁷.

The Group's 'Stronger Co-op, Stronger Communities' ambition provides the context for its approach to ethics and sustainability. The wellbeing of people, future generations and community lie at the heart of this approach, within which the Group focuses on its most significant impacts and the issues that matter most to its stakeholders – including fair and ethical trade, reducing inequalities, climate change and sustainable resource use.

Fairtrade

In FY 2018 the Co-op had a 6.3% increase in Fairtrade sales compared to FY 2017 (against market decline of -8.3%), and a 21% share of the UK retail market in Fairtrade.

In 2018 the Co-op was the first UK retailer to ensure that Fairtrade producers benefit where coffee, tea and bananas are used as an ingredient in its products. This is achieved through paying a premium to the producers when a product is used as an ingredient through the Fairtrade Foundation. In West

⁶ <http://www.itv.com/news/update/2014-08-04/co-op-voted-uks-most-ethical-company-of-last-25-years/>

⁷ <https://www.ethicalconsumer.org/retailers/top-five-ethical-high-street-shops>

Africa, as part of its commitment to Fairtrade cocoa, Co-op is investing in the funding of Fairtrade Africa's Women's Leadership School. Over the next year, the Leadership School will work with women from seven farmer groups in Cote D'Ivoire. The women will be trained in business skills such as decision making, managing resources, and leadership, so that they can go on to take up more important roles in their farmer organisations and communities. Nineteen female and three male local cocoa farmers have recently graduated from the first year of the school.

Co-op is also working with Traidcraft to bring new product categories into the market – such as rubber gloves, charcoal and coffins. Whilst some major brands have opted to move away certification and progress their own schemes, Co-op has continued to increase their commitment to Fairtrade.

Plastics

The Group continues to take action on plastics, working towards ambitious commitments. Co-op's long term target is to make all packaging fully recyclable and to eliminate single-use own-brand plastic products and packaging by 2024. The Group has started rolling out compostable carrier bags in stores, and became one of the first UK retailers to launch a deposit and return scheme trial with 'reverse vending machines'.

Local causes

The Group is interested in projects that bring people together and help them work collaboratively to maintain and build stronger communities. Since launching its Local Community Fund in September 2016, up to the end of 2018 the Group had provided £39 million and helped more than 12,000 local projects through the 1% Co-op member reward and money from the sale of Co-op's single use carrier bags.

Education

Ever since the first co-operative created a workers' reading room above the first Co-op store in Rochdale in 1844, co-operatives have understood the importance of education for individuals and whole communities. In recent years the Group has demonstrated that commitment through the creation of the Co-op Academies Trust which currently runs 20 academies, making the Group the largest corporate sponsor of academies in the UK.

The Group chooses to work with schools in the North of England and in communities that face particular social and economic challenges. In spring 2018, the Group announced plans to more than treble the number of academies it runs to about 40 by 2022.

Campaigning on the issues that matter to members: Tackling loneliness and modern slavery

Loneliness has been one of the Group's major campaigns, and, working with the British Red Cross, it has created Community Connector services in a number of locations across the UK. The Group's own charity, the Co-op Foundation, has also awarded almost £6.2 million to projects tackling youth loneliness through its Belong programme.

In December of last year, the Co-op formally launched its 'Safer Colleagues, Safer Communities' campaign, which will be a focus in 2019. The Co-op will build partnerships with colleagues, communities, Usdaw, the police and politicians to develop thinking, share knowledge and strengthen resources to tackle crime. The aim is to start creating a best practice model that helps tackle some of the root causes of violence and crime that can then be taken up by others.

As well as campaigning for better support for victims of modern slavery, the Group has encouraged other UK businesses and charities to join its Bright Future programme which is providing work

placements and paid employment to some of the most vulnerable people in society today. By the end of 2018, 42 organisations were co-operating to support victims into work across the UK, and a total of 50 placements have been created.

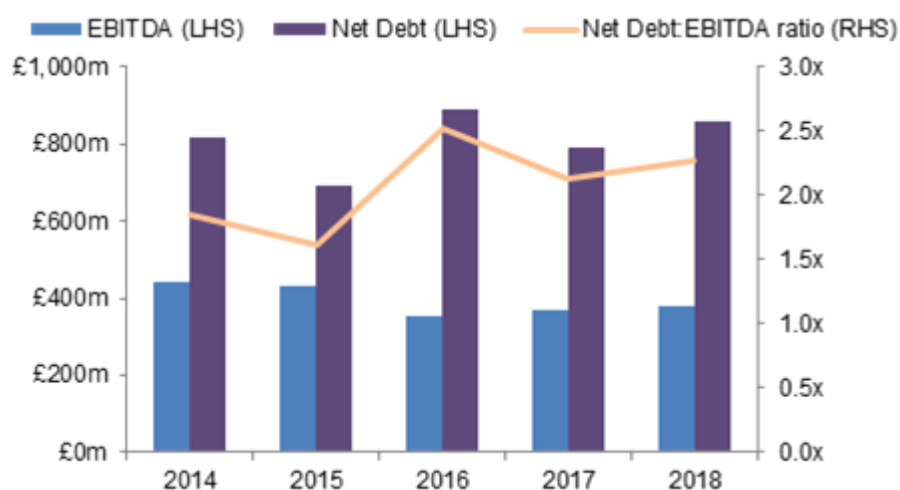
Management of Co-op's Financial Position

Maintaining responsible debt levels is an important part of Co-op's financial strategy and the Trading Group operates with a net debt target of £0.9 billion.

Co-op's Funding and Liquidity Policy ensures the Group is funded from a variety of sources. This includes a mixture of bank debt and longer term capital markets financing.

Co-op's Market Risk Policy considers the Group's interest rate and FX exposures. For the Group's fixed rate borrowings, the Group aims to have a minimum of 50% fixed interest rate exposure for the current financial year of actual and projected debt interest costs. On its currency exposures, the Group smooths and delays the impact of market fluctuations on future cash flows by undertaking rolling FX hedges. They are executed on a monthly, layered basis with a series of FX forwards based on the forecasted operating units and tenors appropriate to the respective business area.

The following chart shows the Trading Group's EBITDA, net debt and net debt: EBITDA ratio⁸ for the last five years:



Corporate Governance

The Issuer is a co-operative society that is jointly owned and democratically controlled by its members. It is unusual amongst other UK consumer co-operatives in that it has both independent society members and individual members. As a co-operative society, it is not mandatory for the Issuer to comply with the UK Corporate Governance Code (the **Code**); however, the Board is committed to the highest standards of corporate governance and recognises that good governance helps the business to deliver its strategy, strengthen member confidence and safeguard the long term interests of the Group. In that regard, it aims to conform to the spirit of the Code.

⁸ Net debt: EBITDA ratio is the ratio of net debt to EBITDA (each as defined under "Alternative Performance Measures").

The Group also adheres to a Corporate Governance Code of Best Practice, published by Co-operatives UK Limited, which applies to consumer co-operatives within the UK.

The Co-op's governance structure includes 100 elected members, forming the Members' Council, which acts as guardian of the Co-op's Purpose, Values and Principles and holds the Board to account.

Board composition and independence

The board of directors (the **Board**) consists of 12 directors (there are occasional overlaps of resigning and newly appointed directors).

The directors and their principal activities outside the Group, where these are significant with respect to the Group, are set out below.

<i>Name</i>	<i>Principal Activities outside the Group (where significant with respect to the Group)</i>
Lord Victor Adebowale (cross bench)	Founding Chair of Collaborate CIC; Director of Leadership in Mind, Non-Executive Director of NHS England; Director of IOCOM; Chair of Urban Development music Charity; Chair of Social Enterprise UK; visiting professor and Chancellor of University of Lincoln; Court member of the London School of Economics
Hazel Blears	Chair of the Social Investment Business Foundation; Chair of the Institute for Dementia at Salford University; Trustee of the Social Mobility Foundation; Non-Executive Director, Land & Lakes Limited
Simon Burke	Director of 51/53 Ossington Street Freehold limited; Director, Bakkavor Plc; Director, Cestbourne Limited; Director, Charlotte Fraser Foundation; Director, Digby Mansions Freehold Ltd; Director, Johnson Burke & Co Limited; Director, Kensington Hall Management Ltd; Director, Rathfarnham Properties Limited; Non-Executive Director of the BBC; Director of The Light Cinemas (Holdings) Limited; Director of Blue Diamond Limited
Margaret Casely-Hayford	Chancellor of the University of Coventry; panel member of the British Council Review; Challenge Panel; Chair of Shakespeare's Globe Theatre; Chair, Advisory Board Ultra Education
Paul Chandler	Chair of the William Leech Foundation; Chair of Durham Cathedral Council, Director of Shared Interest; the Vice Chair, Treasurer and a Fellow of St Chad's College, Durham University; Vice Chair of the County Durham Community Foundation; Trustee of the Bible Society
Ian Ellis	Member of the Board of Governors at Nottingham Trent University
Sir Christopher Kelly	Chair of the Kings Fund; Chair of the Responsible Gambling Strategy Board; Non-Executive member of the Oversight Board of the Office for Budget Responsibility; Trustee of the Canal and River Trust; Director of Brookfield Mansions (Freehold) Limited
Allan Leighton	Chairman of Entertainment One Ltd; Chairman of Wagamama; Chairman of Canal & River Trust; Chairman of Element Limited; Director of Northern Bloc Ice Cream; Director of The Allbright; Non-

	Executive Director of The Restaurant Group Plc
Steve Murrells	None
Stevie Spring	Chair of Kino-mo; Chair of Mind
Gareth Thomas	Chairman of Waterside Holiday Group Ltd; Non-Executive Director of Share plc Group; Chairman of Arnolfini Arts Centre, Bristol; Trustee of the American Museum and Gardens
Rahul Powar	Chief Executive of Redsift

Role and responsibilities of the Board

The role of the Board is to focus on the strategic objectives of the Group. The Board is responsible for the long term success of the Group and as such directs the business in the following ways:

- Ensuring that the Group's affairs are conducted and managed in accordance with its purpose and objects as set out in its Rules, and in accordance with the best interests of the Group and its individual and independent society members.
- Determining the vision and strategy of the Group in consultation with the Group Chief Executive and the Executive responsible for the management of the Group.
- Overseeing the Chief Executive and the Executive in the day to day management of the business of the Group.

In addition, the Board is responsible for monitoring performance against key financial and non-financial indicators, overseeing the system of risk management, and setting standards in governance matters.

Management Executive

It is the responsibility of management to meet the strategic objectives of the Group. As at the date of this Prospectus, the management comprised the following members:

- **Steve Murrells**, Group Chief Executive
- **Matt Atkinson**, Chief Membership Officer
- **Ian Ellis**, Chief Finance Officer
- **Helen Grantham**, Group Secretary and General Counsel
- **Helen Webb**, Chief People Officer
- **Jo Whitfield**, Chief Executive Food
- **Pippa Wicks**, Deputy Chief Executive

Ian Ellis (Chief Financial Officer) has taken the decision to retire in May 2019 following the Co-op annual general meeting. Shirine Khoury-Haq will replace Ian as CFO. Shirine joins the Co-op from Lloyds, the specialist insurance market and will start in July. In the interim key CFO functions will report in to the Co-op CEO.

The business address of each of the above directors and members of management is 1 Angel Square, Manchester, M60 0AG, United Kingdom.

Conflicts of Interest

There are no potential conflicts of interest between the duties to the Issuer of the persons listed under "Directors" and "Management Executive" above and their private interests and/or other duties.

Audit and Risk Committee (the Committee)

Composition

The committee comprises four members as follows:

- Simon Burke (Chair of the Committee)
- Victor Adebawale
- Hazel Blears
- Paul Chandler

The Committee meets formally 4 times during the financial year with additional informal communication as required.

Role

The main responsibilities of the Committee are to:

- monitor the integrity of the Group's financial statements and any formal announcements relating to the Group's performance, together with any significant financial reporting judgments contained in the financial statements.
- monitor the effectiveness of the external audit process and make recommendations to the Group Board, for it to put to the members in general meeting, in relation to the appointment, reappointment and remuneration of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- ensure that an appropriate relationship between the Group and the external auditor is maintained, including reviewing non-audit services and fees, taking into account relevant ethical guidance on the provision of non-audit services by the external audit firm, and reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed.
- review annually the Group's systems of internal controls and the processes for monitoring and evaluating the risks facing the Group.
- review the effectiveness of the internal audit function and approve upon the recommendation of the Chief Executive, the appointment and termination of the head of that function.

- review the Group's whistleblowing procedures to ensure the arrangements are in place to support employees and suppliers to raise concerns on a confidential basis including support from an external independent service.
- annually review its terms of reference and recommend to the Board any changes required as a result of the review.

Material Contracts

(i) *Agreements with The Co-operative Bank*

The Co-operative Bank and the Issuer have entered into various agreements governing, *inter alia*, the extent to which the Issuer can undertake banking business, pensions, shared services and the use of trademarks containing "Co-operative" or "Co-op" and other associated trademarks owned by both parties.

(ii) *Nisa Acquisition*

Under the terms of the acquisition of Nisa in May 2018, the Group paid an initial cash consideration of £24 million. This is to be followed by three annual deferred acquisition payments of up to a maximum of £27 million per annum (total aggregate maximum £81 million) the first of which was paid in April 2019. The amount of these deferred acquisition payments is to be determined by volume of trade. Individual former NISA shareholders shall receive an annual payment of around £550 per share on each of the three payment dates if they continue to purchase from Nisa and maintain spending at the same level as prior to the Group's acquisition of Nisa. If spending is less, the payment is decreased proportionally (e.g. if the level of spending in 2018 is 10% below the 2017 level of spending, the deferred consideration will be decreased by 10%). An additional rebate of 1% of rebateables sales (which excludes purchases of tobacco and spirits) is payable quarterly, commencing in July 2018 for a period of four years and amounting to a maximum of £7.6 million per annum. The sum paid in April 2019 was £25 million.

(iii) *Sale of CISGIL*

As mentioned above in the section "*Principal activities of the Group – Insurance*", on 18 January 2019, the Issuer exchanged contracts with Markerstudy for the sale of CISGIL. Completion remains subject to regulatory approval.

Alongside the sale of CISGIL, the Issuer (through its subsidiary CISL) has agreed to enter into a 13 year Distribution Agreement to distribute certain Co-op branded motor and home insurance products.

Litigation and Arbitration

The Group's food business has been investigated by the Groceries Code Adjudicator (the "**GCA**") for historic practices relating to suppliers under the Groceries Supply Code of Practice (the "**GSCOP**"). The GCA published its report on 25 March 2019 and made findings that Co-op had breached two elements of the GSCOP in relation to delisting and variation of supply agreements without reasonable notice. No fine was levied. The GCA made five recommendations and the Co-op was responsible for payment of the GCA's costs.

The Group acknowledged failings in some of its practices and made payments of £650,000 to suppliers. Before and during the investigation, the Group took steps to improve systems and process; including retraining staff, reviewing cases where benchmarking and quality control charges were made and voluntarily refunding, and seeking information from suppliers on delisting decisions.

Improved governance has been implemented together with new IT systems which address certain of the recommendations made.

While the investigation is complete, the Group will continue to engage with the GCA on an implementation plan to address the five recommendations made.

On 18 December 2017, CISGIL issued proceedings against IBM United Kingdom Limited (**IBM UK**) in the High Court of England and Wales in an amount of approximately £130 million (the **Proceedings**). In July 2015, CISGIL launched a programme of activity, focussed on the implementation and operation of a fully managed IT platform, with IBM UK as the primary supplier of services. The Proceedings relate to the contract for the provision of such services which was terminated in July 2017. The Proceedings are currently listed for trial in January 2020.

DESCRIPTION OF THE GUARANTORS

Each of the Guarantors is (directly or indirectly) a wholly owned or controlled subsidiary of the Issuer.

1. Funeral Services Limited

Funeral Services Limited was previously registered as a private limited company under the Companies Act 1985 and was converted into a Co-operative Society under the Co-operative and Community Benefit Societies Act 2014 with registered number 030808R on 1 December 2000. Its telephone number is + 44 (0) 161 834 1212.

The ultimate parent organisation of Funeral Services Limited is the Issuer. Its immediate parent is Co-operative Group Holdings (2011) Limited and it has no subsidiaries.

The authorised share capital of Funeral Services Limited is £27,000. As of the date of this Prospectus, its issued share capital consists of 3 ordinary shares with a nominal value of £1 each.

Its principal business is funeral directing and the objects and purposes of Funeral Services Limited are set out in clause 4 of its Rules and include, amongst others, to perform all services and work relating to funeral directing.

The directors of Funeral Services Limited and their principal activities outside the Group, where these are significant with respect to the Group, are as follows:

<i>Name</i>	<i>Principal Activities outside the Group (where significant with respect to the Group)</i>
Alison Close	None
Matt Howells	None

The business address of each of the above directors is at 1 Angel Square, Manchester M60 0AG, United Kingdom. None of the directors has any potential conflict of interests between duties to Funeral Services Limited and their private interests and/or other duties.

Corporate Governance

As a co-operative society, it is not mandatory for Funeral Services Limited to comply with the Code. However, its ultimate parent entity, the Issuer, aims to conform to the Code and adheres to a Corporate Governance Code of Best Practice, published by Co-operatives UK Limited.

2. Co-operative Group Holdings (2011) Limited

Co-operative Group Holdings (2011) Limited (previously CRS (Properties) Limited) is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 28501R on 4 January 1996 and its telephone number is + 44 (0) 161 834 1212.

Co-operative Group Holdings (2011) Limited is a wholly owned direct subsidiary of the Issuer and is the holding entity of the Group's entities as well as a property management company for the Group's property estate.

As of the date of this Prospectus, the issued share capital of Co-operative Group Holdings (2011) Limited consists of 521,999,999 ordinary shares with an aggregate nominal value of £521,999,999.

The principal business of Co-operative Group Holdings (2011) Limited is property management and being an investment holding company and the objects and purposes of Co-operative Group Holdings (2011) Limited are set out in clause 4 of its Rules and include, amongst others, buying and selling property, managing property and acquiring and disposing of shares, stocks or debentures in any society, company or other body corporate.

The principal activity of Co-operative Group Holdings (2011) Limited is the provision of property management services for all Group properties. This includes properties owned by Co-operative Group Holdings (2011) Limited as well as investment and trading properties owned by other entities within the Group. Property management services include arranging the payment and receipt of property charges such as rent and rates, as well as the management of lease agreements.

The directors of Co-operative Group Holdings (2011) Limited and their principal activities outside the Group, where these are significant with respect to the Group, are as follows:

<i>Name</i>	<i>Principal Activities outside the Group (where significant with respect to the Group)</i>
Anthony Crossland	None
Andrew Lang	None

The business address of each of the above directors is at 1 Angel Square, Manchester M60 0AG, United Kingdom. None of the directors has any potential conflict of interests between duties to Co-operative Group Holdings (2011) Limited and their private interests and/or other duties.

Corporate Governance

As a co-operative society, it is not mandatory for Co-operative Group Holdings (2011) Limited to comply with the Code. However, its ultimate parent entity, the Issuer, aims to conform to the Code and adheres to a Corporate Governance Code of Best Practice, published by Co-operatives UK Limited.

3. Co-operative Group Food Limited

Co-operative Group Food Limited is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 26715R on 9 August 1989 and its telephone number + 44 (0) 161 834 1212.

Co-operative Group Food Limited is a wholly owned indirect subsidiary of the Issuer. It is directly held by Co-operative Group Holdings (2011) Limited. Its principal subsidiary is Co-operative Foodstores Limited.

Co-operative Foodstores Limited and Co-operative Group Food Limited operate as one business unit and therefore operate with shared management, support staff and IT systems.

The authorised share capital Co-operative Group Food Limited is £18. As of the date of this Prospectus, its issued share capital consists of 14 ordinary shares with a nominal value of £1 each.

The principal business of Co-operative Group Food Limited is food retailing and the objects and purposes of Co-operative Group Food Limited are set out in clause 4 of its Rules and include, amongst others, carrying on the business of a storekeeper and providing both wholesale and retail goods and services.

The directors of Co-operative Group Food Limited and their principal activities outside the Group, where these are significant with respect to the Group, are as follows:

<i>Name</i>	<i>Principal Activities outside the Group (where significant with respect to the Group)</i>
David Roberts	Director of Association of Convenience Stores Limited
Jo Whitfield	None
Steve Murrells	None

The business address of each of the above directors is at 1 Angel Square, Manchester M60 0AG, United Kingdom. None of the directors has any potential conflict of interests between duties to Co-operative Group Food Limited and their private interests and/or other duties.

Co-operative Group Food Limited is reliant upon continuing support from the Issuer to allow audited accounts to be prepared on a going concern basis.

Corporate Governance

As a co-operative society, it is not mandatory for Co-operative Group Food Limited to comply with the Code. However, its ultimate parent entity, the Issuer, aims to conform to the Code and adheres to a Corporate Governance Code of Best Practice, published by Co-operatives UK Limited.

4. Co-operative Foodstores Limited

Co-operative Foodstores Limited is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 32443R on 17 July 2014 and its telephone number + 44 (0) 161 834 1212.

Co-operative Group Food Limited is a wholly owned indirect subsidiary of the Issuer. It is directly held by Co-operative Group Food Limited and indirectly held by Co-operative Group Holdings (2011) Limited and it has no subsidiaries.

Co-operative Foodstores Limited and Co-operative Group Food Limited operate as one business unit and therefore operate with shared management, support staff and IT systems.

The authorised share capital Co-operative Foodstores Limited is £493,002,892. As at the date of this Prospectus, its issued share capital consists of 493,002,892 ordinary shares with a nominal value of £1 each.

The principal business of Co-operative Foodstores Limited is food retailing and the objects and purposes of Co-operative Foodstores Limited are set out in clause 4 of its Rules and include, amongst others, carrying on the business of a storekeeper and providing both wholesale and retail goods and services.

The directors of Co-operative Foodstores Limited and their principal activities outside the Group, where these are significant with respect to the Group, are as follows:

<i>Name</i>	<i>Principal Activities outside the Group (where significant with respect to the Group)</i>
David Roberts	Director of Association of Convenience Stores Limited

Jo Whitfield None

Steve Murrells None

The business address of each of the above directors is at 1 Angel Square, Manchester M60 0AG, United Kingdom. None of the directors has any potential conflict of interests between duties to Co-operative Foodstores Limited and their private interests and/or other duties.

Co-operative Foodstores Limited meets its day to day working capital requirements through cash generated from its operations and in its participation in respect of facility arrangements provided by the Issuer and certain of its subsidiaries

5. Rochpion Properties (4) LLP

Rochpion Properties (4) LLP is registered under the Limited Liability Partnership Act 2000 with registered number OC338225 on 20 June 2008 and its telephone number +44 161 834 1212.

Rochpion Properties (4) LLP is a wholly owned indirect subsidiary of the Issuer. It is directly owned by Member A (4) Limited and Member B (4) Limited and indirectly owned by Co-operative Group Holdings (2011) Limited which in turn is owned by the Issuer.

The principal business of Rochpion Properties (4) LLP is acquiring and dealing in investment properties and reversionary interests in the United Kingdom and elsewhere with a view to profit.

The directors of Rochpion Properties (4) LLP and their principal activities outside the Group, where these are significant with respect to the Group are as follows:

<i>Name</i>	<i>Principal Activities outside the Group (where significant with respect to the Group)</i>
Member A (4) Limited	n/a
Member B (4) Limited	n/a

The business address of each of the above entities is 1 Angel Square, Manchester M60 0AG, United Kingdom. None of the entities have any potential conflicts of interest between duties to Rochpion Properties (4) LLP and their private interests and/or other duties.

Rochpion Properties (4) LLP is reliant upon continuing support from the Issuer to allow audited accounts to be prepared on a going concern basis.

Corporate Governance

As a Limited Liability Partnership, it is not mandatory for Rochpion Properties (4) LLP to comply with the Code. However, as its parent entity, the Issuer, aims to conform to the Code and adheres to the Corporate Governance Code of Best Practice, published by Co-operatives UK Limited.

TAXATION

UNITED KINGDOM TAXATION

The following is a summary of the Issuer's understanding of current United Kingdom law and published HM Revenue and Customs' practice relating only to the United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. It relates only to the position of persons who are the absolute beneficial owners of their Notes and all payments made thereon. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future (possibly with retrospective effect). Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes carry a right to interest and the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without deduction of or withholding on account of United Kingdom tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20%), subject to any other available exemptions and reliefs. However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, Her Majesty's Revenue & Customs can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

The United Kingdom withholding tax treatment of payments by the Guarantors under the terms of the Notes Guarantee which have a United Kingdom source is uncertain. In particular, such payments by the Guarantors may not be eligible for the exemptions described above in relation to payments of interest. Accordingly, if the Guarantors make any such payments, these may be subject to United Kingdom withholding tax at the basic rate.

THE PROPOSED FINANCIAL TRANSACTIONS TAX

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive to establish a common financial transactions tax (**FTT**) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a

participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Barclays Bank PLC, ING Bank N.V., London Branch and Lloyds Bank Corporate Markets plc (the **Joint Lead Managers**) have, pursuant to a subscription agreement dated 15 May 2019 (the **Subscription Agreement**), jointly and severally agreed to subscribe for the Notes at the issue price of 100 per cent. of the principal amount of the Notes less a combined management and underwriting commission. In addition, the Issuer has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain standard circumstances prior to payment being made to the Issuer.

General

Neither the Issuer nor the Guarantors nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantors that would permit a public offering of the Notes, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Notes (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Prospectus (in preliminary, proof or final form) or any such other material, in all cases at its own expense.

United States

The Notes and the Notes Guarantee have not been and will not be registered under the Securities Act or under any relevant securities laws of any state or other jurisdiction of the United States. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable U.S. state securities laws.

Each Joint Lead Manager has agreed that it will not offer, sell or deliver the Notes, (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the date of issue of the Notes (the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. persons, and, at or prior to confirmation of sale of the Notes, it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such Notes) may violate the requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by U.S. Internal Revenue Code of 1986, as amended and regulations thereunder.

United Kingdom

Each Joint Lead Manager has represented and agreed, *inter alia*, that:

- (a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantors.

Prohibition of sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression **retail investor** means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

GENERAL INFORMATION

- (1) Each of the Issuer and the Guarantors has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes and the Notes Guarantee. The issue of the Notes was authorised by a resolution of the Board of the Issuer passed on 3 October 2018. The giving of the Notes Guarantee was duly authorised by a resolution of the Board of Directors of Funeral Services Limited dated 8 November 2018, by a resolution of the Board of Directors of Co-operative Group Holdings (2011) Limited dated 8 November 2018, by a resolution of the Board of Directors of Co-operative Group Food Limited dated 8 November 2018 by a resolution of the Board of Directors of Co-operative Foodstores Limited dated 8 November 2018 and by a resolution of the members of Rochpion Properties (4) LLP dated 8 November 2018.
- (2) Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Market. Such listing and admission to trading is expected to occur on or about 17 May 2019, subject only to the issue of the Notes. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third business day in London after the date of the transaction.
- (3) The Issuer estimates that the total expenses related to the admission to trading of the Notes will be approximately £5,250.
- (4) There has been no significant change in the financial or trading position of the Issuer or the Group since 5 January 2019 and there has been no significant change in the financial or trading position of any of the Guarantors since 6 January 2018. There has been no material adverse change in the financial position or prospects of the Issuer or the Group since 5 January 2019 and no material adverse change in the financial position or prospects of any of the Guarantors since 6 January 2018.
- (5) Save as disclosed under "*Litigation and Arbitration*" on page 54 of this Prospectus, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or any Guarantor is aware) in the 12 months preceding the date of this Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer, the Group or any of the Guarantors.
- (6) The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear. The ISIN for the Notes is XS1910137949 and the Common Code is 191013794. The CFI Code is DBFUFB and the FISN is CO-OPERATIVE GR/BD 20191115 REGS, in each case as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN Code. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg.
- (7) The Notes (other than the Temporary Global Note) and the Coupons will contain the following legend:

Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended.

- (8) The auditors of the Issuer and each of the Guarantors are Ernst & Young LLP, who are registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Ernst & Young LLP have audited the consolidated financial statements of the Issuer for each of the financial years ended 5 January 2019 and 6 January 2018 and each of the Guarantors for the financial years ended 6 January 2018 and 31 December 2016, as stated in their respective reports also incorporated by reference into this Prospectus.

With respect to such review, Ernst & Young LLP has reported that a review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable them to obtain assurance that they would become aware of all significant matters that might be identified in an audit and, accordingly, they do not express an audit opinion. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

- (9) For the period of 12 months starting on the date on which this Prospectus is made available to the public, copies of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection (upon reasonable request) at the registered office of the Principal Paying Agent:
- (a) this Prospectus (together with any supplements to this Prospectus);
 - (b) the Rules of the Issuer and each of the Guarantors;
 - (c) the Trust Deed (which includes the form of the Global Notes, the definitive Notes and the Coupons) and the Agency Agreement;
 - (d) the audited consolidated financial statements of the Issuer for the financial years ended 5 January 2019 and 6 January 2018, together with the audit reports thereon. The Issuer currently prepares consolidated financial statements only on an annual basis;
 - (e) the audited unconsolidated financial statements of Funeral Services Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' reports thereon;
 - (f) the audited unconsolidated financial statements of Co-operative Group Holdings (2011) Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon;
 - (g) the audited unconsolidated financial statements of Co-operative Group Food Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon;
 - (h) the audited unconsolidated financial statements of Co-operative Foodstores Limited for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon; and
 - (i) the audited unconsolidated financial statements of Rochpion Properties (4) LLP for the financial years ended 6 January 2018 and 31 December 2016 together with the auditors' report thereon.

- (10) For investors in the Notes, the Issue Price is 100 per cent. and the yield is 5.191 per cent., calculated on an annual basis. The yield is calculated at the Issue Date. It is not an indication of future yield.
- (11) The Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Issuer, the Guarantors and their respective affiliates in the ordinary course of business.

THE ISSUER

Co-operative Group Limited

1 Angel Square
Manchester
M60 0AG
United Kingdom

THE GUARANTORS

Funeral Services Limited

1 Angel Square
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M60 0AG
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Co-operative Group Holdings (2011) Limited

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M60 0AG
United Kingdom

Co-operative Group Food Limited

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Co-operative Foodstores Limited

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PRINCIPAL PAYING AGENT

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AND THE GUARANTORS**

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