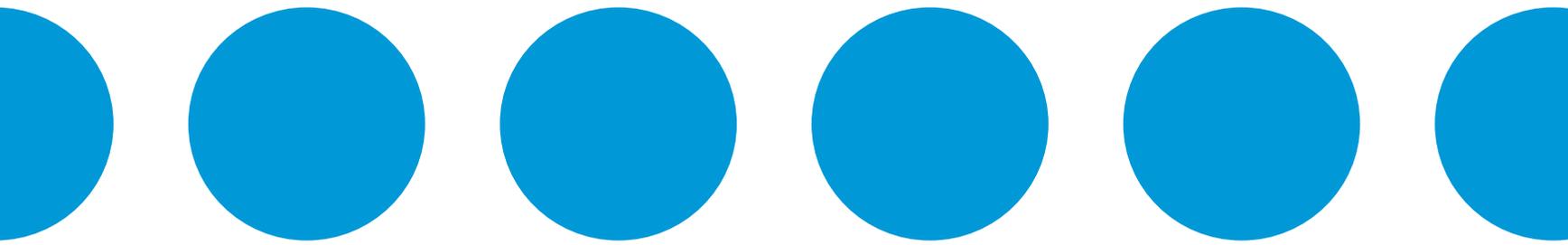


Values and Ethics Report 2017



The **co-operative** bank
It's good to be different

25 years of our Ethical Policy in action

“We are the only UK high street bank with a customer-led Ethical Policy that underpins everything we do.”



Liam Coleman
Chief Executive

In 2017, we marked the 25th anniversary of our customer-led Ethical Policy. The principles of this Policy are rooted in the values of the co-operative movement, which sets us apart from other banks. Following the completion of the Recapitalisation in September, we have moved forward with a stronger capital base and a renewed, focused strategy. Our commitment to values and ethics remains at the heart of our thinking.

We are the only UK high street bank with a customer-led Ethical Policy that underpins everything we do. This report brings together some examples and case studies to illustrate the impact of our customer-led Ethical Policy in practice, and how it guides us to make a difference every day for our customers and communities.

What makes us different? We continue to screen every one of our business customers at the application stage, and conduct in-depth screening where necessary to ensure they meet the commitments in our Ethical Policy. This means our customers can be sure that none of the £20.6bn of deposits they have with us are funding activities they don't support. We have also partnered with youth homelessness charity Centrepont to join them in

their fight against this growing crisis affecting young people across the country. In addition, we continue to provide banking services for many small charities and more credit unions than any other UK bank.

Our support for communities and co-operatives continued through 2017: we provided £23m of lending to co-operatives and mutuals, and as part of our partnership with Co-operatives UK, in which we commit to support the growth of the co-operative sector, we continued our support of The Hive. The Hive is a unique nationwide business support programme for start-up or growing co-operatives and community enterprises.

We marked the 25th anniversary of our Ethical Policy in 2017 with an advertising campaign featuring some of our customers sharing the reasons why The Co-operative Bank matters to them. We would like to thank all our customers for their loyalty during a challenging year, and we are proud that our commitment to ethical banking remains as strong as ever.

Thank you.

Liam Coleman

Laura Carstensen



Laura Carstensen
Non-Executive Director
Chair, Values and Ethics
Committee

Our co-operative values

“Our commitment to the co-operative values and principles on which we were built remains as strong as ever.”

Since 1872, when we were formed to provide banking services for the co-operative movement, we have remained committed to keeping co-operative principles at the heart of our business. Our commitment to promote co-operative values is part of our Ethical Policy, which is incorporated into the Bank’s Articles of Association, making it central to everything we do.

Although the ownership of the Bank changed following the Restructuring and Recapitalisation in September 2017, our commitment to the co-operative values and principles on which we were built remains as strong as ever. Our co-operative brand relies on how we do business rather than our ownership.

Our Ethical Policy has five pillars, which collectively make up our commitment to deliver ethical banking.

Pillar 1 

Ethical banking

We do not provide banking services to businesses and organisations that conflict with our Ethical Policy.

Pillar 4 

Ethical workplace and culture

Our workplace culture reflects co-operative values and ethics.

Pillar 3 

Ethical business

We endeavour to behave ethically in how we run our business, including our relationships with suppliers and external organisations.

Pillar 2 

Ethical products and services

We seek to offer products and services that reflect our values and ethics.

Pillar 5 

Ethical campaigns

We campaign for social and economic change in line with our values and ethics.

Tackling youth homelessness in partnership with Centrepont

In 2017, to mark the 25th Anniversary of our Ethical Policy, we launched a new strategic partnership with Centrepont, the UK's leading youth homelessness charity. In 2017 alone our colleague, corporate and customer donations totalled over £450,000.

Centrepont addresses the specific needs of 16-25 year olds, helping them into a home and a job by providing safe accommodation, access to learning, and support with physical and mental health issues. Our support for the charity came during an important phase of their development – the opening of a new support hub in central Manchester, where youth homelessness is a critical issue.



Centrepont Sleep Out

In October and November over 100 colleagues joined Centrepont at their annual Sleep Out events in London and Manchester.

The events were a great success; the weather was cold but the atmosphere was warm as colleagues enjoyed each other's company knowing they were all there to support a great cause. By taking part in the Sleep Out our colleagues raised over £40,000 in sponsorship.

“I just want to say thank you to everyone at The Co-operative Bank who has supported Centrepont. You are helping young people change their lives and that is a great thing to do.”

It's really important to have the Centrepont Helpline and for young people to know that help is out there. Having someone sit and listen shows that there's someone who cares.”

Zinnia Young | Centrepont Award Winner 2018



Volunteers

Many more colleagues have also been taking on personal challenges, and in doing so have raised £9,500 in support of Centrepont's mandate to tackle youth homelessness.

Colleagues have also had the opportunity to use their volunteering hours to support Centrepont's work, following a Bank donation of £25,000 to help them establish a volunteering offer in Manchester. We have provided painting crews and cleaning parties to spruce up their new city-centre base and have helped them collect important youth homelessness data to feed into their online Youth Homelessness Databank. We also invited Centrepont colleagues into our call centre to learn from our award-winning team about how they can run their new helpline effectively for the benefit of as many young people as possible.

We have offered customers some great ways to help us raise funds. Through our mortgage products, we made a £25 donation for every new Co-operative Bank

and Platform mortgage completed. From 1st August 2017 - 13th October 2017, we also ran a successful Current Account switching campaign, which enabled a £25 donation to Centrepont for every account switched to The Co-operative Bank. Together, these campaigns generated £363,000 for the charity, which was used to support the Centrepont helpline. The Centrepont helpline offers advice to anyone in England aged 16-25 who is worried they may be homeless. It also offers advice to people worried about a young person they know. In December we ran a social media campaign on the highlights of our work with Centrepont in 2017. Our customers donated an additional £13,000 to the charity as a result of this campaign.



Pillar 1

Ethical banking

Ensuring we remain an ethical bank



Managing customer risk



Pillar 1 is our commitment not to provide banking services to businesses and organisations that conflict with our Ethical Policy.

We do not provide banking services to organisations that conflict with our customers' views on a comprehensive range of issues, for example: human rights, the environment, international development and animal welfare, or those involved in irresponsible gambling or payday lending. It is this unique mandate from our customers that sets us apart.

Ensuring we remain an ethical bank through our business customer screening

In 2017 we continued to screen business banking customers to ensure they are compliant with our Ethical Policy. Over the year we received 148 applications. Of these we accepted 143 and declined 5.

Screening business banking customers

We ask prospective business customers to confirm that they are compliant with our Ethical Policy by completing a questionnaire. After an initial review, potentially high-risk customers are referred to our Values and Ethics team for a more detailed assessment. Customers' requests for additional facilities and services may also trigger a referral to the Values and Ethics team.

Our Values and Ethics team review all business customers involved in high-risk sectors, such as the manufacture of chemicals or waste management. In many cases we commission independent analysis from Vigeo Eiris, a leading ethical investment research organisation.

To protect our customers' confidentiality, we do not name those whose applications we have declined.

Screening existing business banking customers

Our Central Screening Exercise is a risk-based review of our existing business customers to ensure they remain compliant with our Ethical Policy. Those considered to present the greatest potential risk of conflict with our Policy are required to complete an up-to-date self-certification form.

In 2017 there was a 24% reduction in the number of referrals. This is consistent with a similar reduction in the total number of business banking accounts opened in 2017 compared to 2016.

Year	Accepted	Declined	Total
2017	143	5	148
2016	189	7	196
2015	302	2	304
2014	286	4	290
2013	220	12	232
2012	284	42	362

We declined banking services due to:



Human rights & equality

In the first instance, banking facilities for a feminist group that actively denied the rights of members of the transgender community. In the second, banking facilities for a charity directly linked to an organisation which was classified as a cult outside of the UK, and whose members had been denied basic human rights. The Bank is supportive of women's rights and the freedom of thought and belief. But in both cases, the activities were considered to be in breach of our position on human rights, equality, and our diversity and inclusion policies.



Oppressive regimes

A personal customer whose links to the government of an oppressive regime and whose association with human rights violations were considered to be a continuing cause for concern. Although individual customers are normally considered out of scope in terms of Ethical Policy implementation, the extent of the links to the regime were considered significant enough to fall within the remit of the Policy.



Ecological impact – Fossil fuel extraction and production

Banking facilities for a business involved in the sale of mobile pump units, controllers and valves to a subsidiary of a Middle-Eastern oil company. This activity is considered integral to the oil and gas extraction process and therefore a breach of the Ethical Policy.



Animal welfare – Fur trade

An existing customer found to be involved in the online retail of luxury accessories, including the sale of mink scarves. This activity is considered in breach of our Ethical Policy position on the sale of clothing made from fur.

2017 referrals by issue	Referrals 1 Jan – 31 Dec (2016)	Declined 1 Jan – 31 Dec (2016)
Labour standards and human rights	53 (79)	3 (1)
Social inclusion	1 (1)	0 (0)
Protecting the environment		
Climate change	14 (26)	1 (3)
Chemicals	0 (1)	0 (0)
Waste	0 (0)	0 (0)
Biodiversity	38 (30)	0 (0)
Protecting animal welfare	31 (30)	1 (0)
Tax	0 (5)	0 (0)
Gambling	4 (10)	0 (0)
Irresponsible marketing	2 (7)	0 (2)
Other	5 (7)	0 (1)
Total	148 (196)	5 (7)

Our Ethical Policy position not to provide banking services to businesses or organisations involved in the manufacture or transfer of indiscriminate weapons has resulted in us being recognised as the only UK-based bank in the Don't Bank on the Bomb report Hall of Fame (March 2017) and the Worldwide Investments in Cluster Munitions report Hall of Fame (May 2017).

Managing customer risk

In addition to screening our business banking customers against our Ethical Policy, there are occasions when we will close accounts due to other risks.

In our Values & Ethics Report 2016, we published details of this kind of account closure for the first time. This followed discussions with Amnesty and the ‘Save our Bank’ customer union and we are committed to doing so in this and future reports.

We continue to manage these risks through the use of an internal Anti-Money Laundering (AML) / Counter Terrorism Financing (CTF) and Sanctions Policy, which covers a list of prohibited customer types and prohibited sectors. This is based on regulatory restrictions and our own internal risk factors.

Our Exit Forum reviews proposed account closure activity across the Bank, in particular risk-related closures. The Forum consists of Senior Managers from across the organisation.

It is designed to add an extra level of scrutiny to our account closure management process. The Forum meets regularly to discuss individual customer cases, identify gaps in existing policy or processes, and highlight actions that may be in conflict with our values and ethics. The Forum also reviews individual cases that fall outside of our policies/risk appetite to explore what steps can be taken to retain the customer. Only when all options have been exhausted does the forum approve a customer for exit. Where potential values and ethics conflicts occur, the Forum will recommend the closure be referred to our Values & Ethics Committee for further scrutiny.

Risk management closures 2017

In 2017, we closed accounts for 503 customers.

In 2016, this figure was above 1,500 exits.

The reduction in exits reflects our focus on UK retail and small business customers that present a reduced level of risk.

Risk management closures by customer type

Reason for Exit	Personal Customers	Non-Personal Customers
Breach of Anti-Money Laundering/ Counter Terrorism Financing Policy	264	70
Failure to provide the Bank with requested due diligence	98	71

Throughout 2017, 24 written referrals for individual cases were made to the Exit Forum for detailed consideration to ensure all options had been exhausted prior to a customer exit.

Pillar 2

Ethical products & services

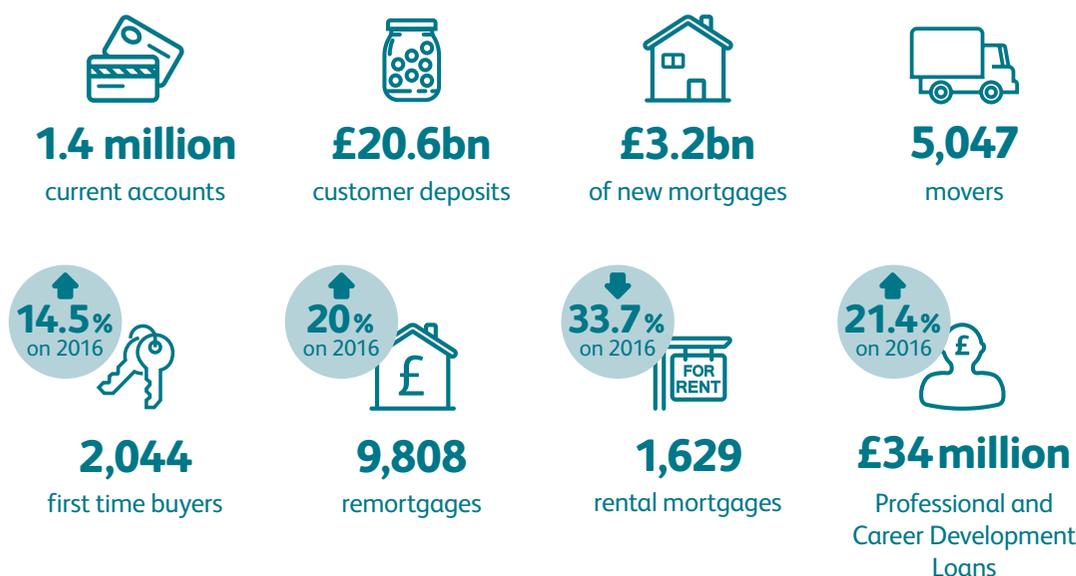
Our products	Business Banking	Award winning service	Protect our customers from fraud	Supporting customers in financial difficulty
>	>	>	>	>

Pillar 2 is our commitment to supporting businesses and providing products and services that reflect the values and ethics that we and our customers believe in.

Our products

In 2017 we simplified our product offering for both personal and business customers. We have a clear strategy focused on our key markets of mortgages, savings and SME banking, all differentiated by our ethical brand.

In 2017 we supported customers through providing:



We are now the only provider of the Professional and Career Development Loan, supporting the UK government's ambition to improve skills and productivity in the workforce.

Supporting charities through our products

We continue to provide customers with the opportunity to support causes aligned to our values and ethics through the products we offer.

Everyday Rewards

Customers can be rewarded each month up to £5.50 for meeting simple eligibility criteria. Our customers have the option to donate this reward to one of five chosen charities. In 2017 our customers donated almost £175,000 between Amnesty International, Refuge, Hospice UK, Oxfam and the Woodland Trust.

Affinity credit cards

In 2017, due to changes within the UK credit card market, combined with falling usage (making the charity credit cards unsustainable), we agreed with the charities involved to close our charity credit cards to new customers from 31 July 2017, and migrate existing customers to Bank branded cards at the end of January 2018. In 2017, through our charity credit card product, our customers donated over £600,000 to good causes, and we continue to offer products to our customers that enable them to donate to charity.

Centrepoint

Customers have also supported our charity partner, Centrepoint, through a current account switching incentive and donations made through our mortgage products. Find out more on [page 4](#).

Business Banking

In 2017 we continued to simplify our business banking proposition whilst continuing to support over 90,000 business customers with our award-winning products and services.

We continued to refine our business banking products to ensure that our product set supports small businesses, registered charities, co-operatives, credit unions and community interest companies. In 2017, our Business Directplus account, FSB Banking account and Community Directplus account each received 5-star ratings from Moneyfacts.

In focusing on a smaller number of business account tariffs, we migrated some customers onto these core tariffs. Through this process we carefully considered the banking needs and activities of each affected customer to find the most suitable account tariff for them. Whilst this activity increased banking charges for some customers, it enabled us to continue to provide award-winning products and services to meet the needs of these customers, whilst also ensuring that supporting

these organisations remained commercially viable.

Our commitment to providing industry leading banking products was recognised in 2017 as we retained the 'Best Charity Banking Provider' accolade at the Business Moneyfacts Awards for the second year in a row. We were also awarded 'Best Service from a Business Bank' as recognition of the efforts of our colleagues to support businesses and community organisations with their banking needs.

Throughout 2017 we also continued to support charities and organisations involved in the social enterprise sector that promote social and economic development in the UK. Our lending has reduced this year in line with both our planned proposition and our increased focus on small businesses rather than larger entities.


90k+

fsb⁸

We are the only bank to offer a unique banking package for Federation of Small Businesses (FSB) members.



'Best Service from a Business Bank'



'Best Charity Banking Provider'

Co-operatives

Our total end of year lending to co-operatives was £16.6 million at the end of 2017 (2016: £22 million restated). This figure includes co-operative businesses not captured by the positive SIC* Code analysis i.e. co-ops operating in neutral sectors such as retail.

Social enterprises

In 2017, our lending to charities and social enterprises was £40 million, down from £71 million in 2016.

Lending and deposits

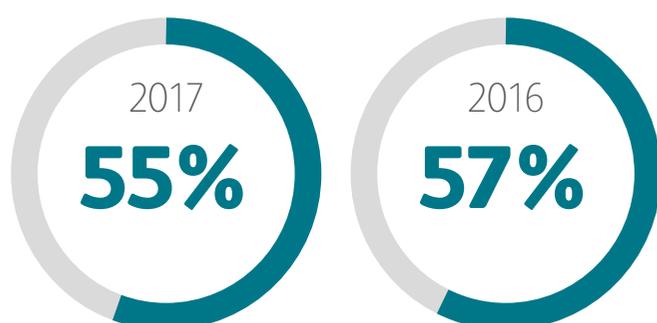
In order to ensure we fulfil our commitment to supporting ethical businesses, we continued to monitor our lending and deposits held by customer type as a percentage of our overall total. In 2017 just under half (47%; 2016: 47%) of our total end of year business banking liabilities came from organisations making a positive social or environmental contribution. The total end of year positive assets remained stable at 40% (2016: 41%).

The proportion of positive assets and liabilities breaks down as follows:

	Deposits		Loans	
	2017	2016	2017	2016
Public services (including local authorities, health, social and child care and education)	27% £267m	25% £324.32m	48.7% £59.74m	39% £70.03m
Community and charitable sectors (including student unions, trade unions and charities)	58% £575m	54% £689.63m	32.2% £39.53m	43% £75.59m
Co-operatives and mutuals (including credit unions and housing co-operatives)	10% £104m	16% £198.64m	18.6% £22.75m	17% £30.41m
Environmental and social organisations (including international charities, utilities, public transport and social enterprises)	5% £54m	5% £66.47m	0.5% £650k	1% £0.97m

Credit unions

We provided banking facilities for 249 credit unions in 2017, which represents 55% of the UK credit union sector.



Community finance

The government's Regional Growth Fund Programme provides enterprise funding to SME businesses who are struggling to access traditional bank finance. This community finance in turn protects and creates employment in some of the most socially deprived boroughs in England, and drives investment into local communities.

The Fund continues to distribute lending, and as a result, our support for the Programme has provided loans totalling £14.6 million since 2012.

*Standard Industrial Classification Code

Supporting our customers' communities through our Customer Donation Fund

Community and charity customers can apply for up to £1,000 of project funding from our Customer Donation Fund, with the winners chosen by a panel of colleagues from across the Bank. In 2017, we donated more than £69,000 to 78 community organisations through our Customer Donation Fund, an increase of over £23,000 (50%) on 2016. Since 2003, the Fund has donated over £770,000 to 893 organisations. Here are some examples of causes our Customer Donation Fund has supported:



Wooden Canal Boat Society

The Wooden Canal Boat Society in Tameside is about much more than just restoring old canal boats.

It's a true community project that brings people from all walks of life together. Kath from the Wooden Canal Boat Society tells us how funding from The Co-operative Bank's Customer Donation Fund helped when emergency funds were needed.

"Everyone involved in the canal boat project is doing their bit to preserve the history and traditional skills associated with these boats. The boats we restore are used to provide respite trips for people suffering poor mental health or stress - there's something very relaxing about a trip on a canal.

"As well as learning new skills our volunteers also become part of a great community, giving them opportunities to socialise, make good friendships and break the cycle of loneliness and social exclusion that many have experienced. They get to contribute to something positive and make a real difference to our community.

"While we work hard to raise funds through our charity shop and other donations, we needed extra funds this year to fix the engine on the boat that tows one of our fully restored canal boats, Hazel. The funding came at just the right time as the engine had broken down just that month. If we hadn't received the money from The Co-operative Bank's Customer Donation Fund, Hazel would have been out of service for the summer.

"Hazel is now back on the water providing wellbeing trips where people can relax and enjoy a few hours at 'canal pace', meeting new people and enjoying some time to recharge their batteries."

Kath | Wooden Canal Boat Society

The Loss Foundation

The Loss Foundation is the only UK charity dedicated solely to providing bereavement support to spouses, family members, friends or colleagues following the loss of a loved one to cancer.

Charity spokesperson Clair tells us how a donation from The Co-operative Bank's Customer Donation Fund in 2017 will keep their unique services running in Oxford for many months:

"Our charity has been providing free support groups for people who have lost their loved ones to cancer since early 2011.

"Our groups provide regular spaces for people to share stories and experiences with others who have been through a similar kind of loss. Although our sessions are facilitated by psychologists, doctors and other professionals, the support groups are not formally therapeutic. They're actually very informal, providing a welcoming environment for people to share their experiences, thoughts and emotions.

"At all our events we aim to let people know that their experiences, as painful as they are, are a normal part of the bereavement process. As well as our general support sessions, we also host a termly group specifically for students who are coping with bereavement. This recognises the extra pressures young people will feel while dealing with their loss.

"Receiving funding through The Co-operative Bank's Customer Donation Fund makes a huge difference to the support we can provide in Oxford. In fact, the money we've received will fund all our local groups for the next year, allowing us to concentrate on providing a great service without constantly worrying about fundraising."

Clair | The Loss Foundation

Continuing to provide award-winning service to our customers

Throughout 2017 we continued to provide award-winning customer service* through our digital offering, contact centres and network of 95 branches.

In 2017 we saw the closure of 10 branches and, from June 2018, we will have a network of 68 branches. This is due to the continued decline in footfall and advancements in our do-it-yourself technologies.

We saw the development of webchat, payment enhancements, account opening improvements and online support for customers dealing with bereavement.

When closing a branch we follow the Access to Banking Standard which came into effect from May 2017. We were previously a part of the Access to Banking Protocol and made the decision to also be a signatory of the new standard moving forward.



customers now using our online banking platform



mobile banking users (up 18% on 2016)



of all current accounts now opened online



new online-only savings or ISA accounts

We've seen an increase in the levels of customer satisfaction in our channels throughout 2017*

	2016	2017
How satisfied have you been with the telephone banking service? †	68%	72%
In the last 3 months, how satisfied have you been with the internet banking service? †	72%	76%
In the last 3 months, how satisfied have you been with the mobile banking service? †	68%	71%

We finished 2017 in the Top 3 for Current Account Net Promoter Score (GfK). This is an improvement on last year where we finished 4th. In October, our branch satisfaction score reached a high of 76% and saw us top of the market.

Customer feedback: In 2017 our customers have completed 156,000 surveys. Their feedback has revealed the top three reasons why customers would recommend us are staff friendliness, staff knowledge and issue resolution, all of which are focused on the service that we provide. This is a great endorsement for colleagues.

* 'Large Centre of the Year' at the Customer Contact Association (CCA) Excellence Awards. Customer Response Team was 'Highly Commended' at the Customer Contact Association (CCA) Excellence Awards. † All figures sourced from GfK

* Table above shows percentage of people asked that responded either extremely or very satisfied.

Around **6 million** Co-operative Bank customer transactions were carried out via the Post Office network in 2017.

 All of our ATMs have 'talking' functionality and high-resolution screens so they can be used by blind and partially-sighted customers. We were the first bank in the UK to offer talking cash machines.

We continue to support customers through the Post Office network and our cash machines across the UK.

11,500 access points **108** cash machines

Making it our priority to protect customers from fraud

Due to technological improvements, we've seen levels of fraud decrease in 2017. As a result, we are seeing criminals revert to more traditional tactics.

To help address this and further protect our customers we have delivered:



Over 1.6m customer emails and 65 social media messages educating customers about different types of fraud.



A governance forum to oversee complex cases has been introduced. Where there is no requirement to refund, steps are taken with industry partners to attempt recovery of funds.



We supported the industry fraud awareness campaign 'Take Five' across our branch network and contact centres.



A dedicated scam line resourced by a fraud subject matter expert.



It is not uncommon for customers who have been a victim of a scam to be targeted multiple times. To further protect these customers an enhanced process is being developed where the account is restricted and monitored for a period of time.



The Fraud Education team attended a Citizens Advice event offering awareness advice to attendees to share in their communities.



As part of our UK Finance membership, we continue to actively contribute to an industry best practice group to establish more robust methods of preventing scams.



A new fraud awareness leaflet was issued to our non-digital customers over the age of 65 to warn them of common scams.



Going forward in to 2018 we are committed to continuing this activity in order to ensure our customers are protected.



We introduced 'Fraud Tips' on secure and mobile banking digital banners.

Supporting customers in financial difficulty through our pioneering partnerships

In addition to offering products and services that reflect our values and ethics, Pillar 2 includes our commitment to ensuring we help customers in financial difficulty.

We recognise that financial difficulty can come in many forms, and each customer's circumstances are unique to them. By referring our customers for help and advice, it allows them to get independent help which looks at their overall position and allows them to tackle their debt in a more holistic way.

Partnering with Citizens Advice Manchester

In 2016 we launched a ground-breaking new referral programme with Citizens Advice Manchester to help our customers who find themselves in financial difficulty. This could be for a variety of reasons; anything from serious illness to an extreme change in personal circumstances. This partnership therefore strives to give these customers the advice they need to get things back on track. In 2017 we have continued this partnership by providing funding for their colleagues to work with our particularly vulnerable customers.

Uniquely, this resource supports customers in financial difficulty by looking at their overall financial and personal circumstances, not just the accounts they hold with us, helping to get to the root cause of their difficulties and get them back on track. In total, throughout 2017, 744 customers were helped with 1,766 problems. This equates to the management of £400,000 of customer debt.



Partnering with StepChange

We work closely with StepChange, a debt charity who offer confidential, free, impartial and independent debt advice. The total number of direct referrals in 2017 was 341; meaning 1,363 clients were supported by StepChange in 2017.

We contribute to StepChange through a 'fair share' contribution, calculated as a percentage of the repayments it collects on our behalf.

How we support our vulnerable customers struggling to manage their finances

Mr E is in his 50s and has not worked for over 20 years. He has a long history of being informally overdrawn and often incurs charges. When overdrawn, his credit file would be negatively affected. When Mr E became overdrawn by £500, our Financial Support team attempted to come to an affordable payment arrangement. Over the following six months they set up several different arrangements to try and help Mr E but they never worked. Each time Mr E exceeded his formal limit, incurred charges, and further affected his creditworthiness.

One day whilst in branch, Mr E got talking with a colleague who realised that he had learning difficulties and therefore could be particularly vulnerable. Our colleague called through to our Customer Care team. The team were able to find out that Mr E had no one helping him, that he could not describe his spending habits with any clarity, struggled with his memory, and was unpredictably impulsive.

Since he had no one helping him, the Customer Care team referred Mr E to the Citizens Advice Bureau who were able to arrange a support worker to

visit him regularly to help him budget and get his spending under control. In order to help Mr E clear the overdrawn balance successfully, it was agreed that the account would be free of interest and any charges. We also agreed that rather than a fixed repayment schedule, Mr E would call us every two weeks and, based on his balance and any expenses coming up, we would agree what was affordable for him to pay. This flexibility in stepping outside the normal arrangement process meant that the overdrawn balance was halved in three months and cleared within a further three.

Helping the next generation of co-operatives thrive through our partnership with The Hive

The Co-operative Bank is proud to be supporting The Hive, a unique business development and support programme for people keen to start or grow a co-operative or community enterprise. Through a range of online resources, training and advice, The Hive is helping to build more co-operatives across the UK.

In 2017

The Hive supported over
355

groups and co-ops with expert advice worth over **£100,000**

We helped **10** communities to raise over

£2m

from local people and take ownership of vital assets and services

More than
10,000

employees, volunteers, Board members and members benefited through Hive support

Building the world's first community owned distillery

In 2017 The Hive helped the community of Dingwall in the Scottish Highlands.

Inspired by a long history of whisky distilling in the local area and recognising an opportunity to create jobs and increase tourism, Dingwall resident John McKenzie got a group of like-minded citizens together to form a co-op and launch a community share offer. Incredibly, the offer attracted 3,000 people from across the region and beyond, raising £2.6 million to kick off the planning and development of the GlenWyvis Distillery.

In 2017, when building work started on the distillery, the team realised they would need an extra £750,000 to complete the build. Rather than borrow money, the co-op's board turned to The Hive for support, as John explains:

“The team came up and helped us put together an Open Share offer. Without that support, we would really have struggled.”

“We needed some support and were signposted towards The Hive. The team came up and helped us put together an Open Share offer. Without that support, we would really have struggled. As part of this process, we were awarded the Community Share Standard Mark, which has given us the confidence as directors, which we've been able to pass on to the investors.”

John McKenzie | GlenWyvis Distillery

As a result, £460,000 of their target has now been raised, allowing them to complete building work and start their first whisky production to coincide with Burns Night.



Bristol Wood Recycling Project

Bristol Wood Recycling is one of a network of wood recycling social enterprises across the UK established with the support of the National Community Wood Recycling Project (NCWRP).

Whilst other wood recycling projects are social enterprises, Bristol Wood Recycling Project is the only one that is also set up as a co-op. They collect tonnes of good quality timber from construction yards and other businesses around the city that would otherwise be wasted and either sell it on or make amazing wooden products in their workshop. They have saved an incredible 4,000 tonnes of wood from landfill already.

Bristol Wood Recycling has nine paid employees and works with 100s of volunteers. Last year alone volunteers put in 1,000 days of work.

Kaleb Debbage, Workshop Manager said;

“Routinely in the workshop I might have people whose first language isn't English. Or I might have elderly retired

people, or people with mild learning difficulties or who are going through some mental health difficulties.

Providing those people a place where they can have a structured task, learn some new things and most importantly be together with other people from completely different places is one of the most valuable aspects of what we do.”

Bristol Wood Recycling applied to The Hive for some training and support around governance procedures. Kaleb says:

“Now we have a directorship which everyone wants to be a part of and we've got clear responsibilities and procedures for becoming a director.”



“Through The Co-operative Bank's support for The Hive we have been able to demonstrate co-operative ownership can improve people's lives, whether offering a secure alternative to the rise in precarious work or helping communities take control of the things that matter to them. By promoting co-operative approaches and backing that up with specialist advice and support, The Hive is helping to create a new wave of co-ops.”

Ed Mayo | Secretary General of Co-operatives UK

Pillar 3

Ethical business

**Governance
of values and
ethics**

**Ethical
supplier
relationships**

**Managing our
environmental
impact**



In 2017 we continued our commitment to running our business ethically by maintaining our external relationships and managing our impact on the economy, society and the environment. We also made some improvements in our processes to ensure our suppliers support our sustainable procurement supplier policy.

Governance of values and ethics

Since 2013, our Ethical Policy has been at the heart of our constitution through incorporation in our Articles of Association. Our expanded Ethical Policy provides the framework for our progress and since 2014 we have delivered enhanced governance and accountability.

The Values and Ethics Committee

Oversight and accountability for values and ethics is governed through the Values and Ethics Committee. This is a committee of the Board, chaired by an independent Non-executive director, Laura Carstensen, who was appointed to the Board in May 2014.

The Committee also includes further Non-executive directors and the CEO. It is attended by the Human Resources Director, the Director of Communications and other senior executives.

The Committee met four times during 2017. Its remit is to provide oversight and scrutiny of the way the business delivers against the five pillars of the Ethical Policy.

The work of the Committee

Following the completion of the Restructuring and Recapitalisation, the Ethical Policy continues to be reflected in the Articles of Association of the Bank. The delivery of the Policy is overseen by the Values and Ethics Committee of the Board.

The Committee oversaw the initiation of our new charity partnership with youth homelessness charity, Centrepoint, following the expansion of their operations into Manchester in early 2017.

It oversees our support for the co-operative sector through our sponsorship of The Hive, a business support programme for people wanting to start new or grow existing co-operatives or community enterprises.

It continues to monitor the outputs of our 2015/16 'My money, my life' campaign with the domestic violence charity Refuge and the results of our involvement with our trade body, UK Finance. We have chaired the UK Finance Financial Abuse Project Group and continue to press for the formulation of a new code of practice for the banking industry which is being finalised.

In 2016, we were proud to be one of the first signatories to the government's Women in Finance Charter, setting a target of 40% of women in senior roles by 2020. The Committee continued to monitor progress towards that target during 2017 and we reported on our position in 2017, alongside our Gender Pay Gap reporting.

Reporting and assurance

Our approach to values and ethics is guided by the principles of materiality, inclusivity and responsiveness as set out in the AA1000 Accountability Principles Standard (2008).

We have appointed DNV GL to independently assure this report to enhance stakeholders' confidence in the disclosures made.

DNV GL's approach to assurance is based on recognised standards, including the Global Reporting Initiative (GRI) and the International Standard on Assurance Engagements 3000 (ISAE 3000). Their assurance statement can be found at the end of this report.

Membership Fees

Membership fees are calculated by the organisations and are normally based on our annual turnover. They exclude VAT, where applicable.

Organisation	Membership / subscription fee	Organisation	Membership / subscription fee
Payments UK Management Limited	£112,500	Co-operatives UK Limited	£8,200
Council of Mortgage Lenders	£80,300	Intermediary Mortgage Lenders Association	£4,120
Lending Standards Board Ltd	£49,529	Association of Mortgage Intermediaries	£3,500
Banking Standards Board	£50,000	Inclusive Employers	£3,500
BBA (British Bankers Association)	£41,950	Business in the Community	£10,000
Professional Planning Forum Ltd	£16,000	Stonewall	£2,500

Ethical supplier relationships

Working with ethical suppliers through our Sustainable Procurement and Supplier Policy

In 2017, we continued to strengthen our supplier screening processes for new and existing suppliers. All prospective suppliers for Bank contracts with a value of £250,000 or more are required to sign-up to the SPSP and to complete a self-certification form.

After initial review those suppliers answering yes to any questions are sent to our Values & Ethics team for a more detailed assessment. We acknowledge that, in certain instances, we have no option but to work with a conflicting supplier, but, for those suppliers classed as 'Major issue / breach' that remain a preferred option, the relevant business area is required to make a business case as to why no alternative supplier is able to provide this product or service at a similar cost.

Screening of suppliers

In reviewing new or extended contracts we screened:

- Catering suppliers
- IT and electronic equipment supplier
- Work scheduling software supplier
- Mortgage conveyancing businesses
- Web application testing services
- Medical insurance providers

In reviewing our existing suppliers we screened:

- Marketing agencies
- Online banking security
- Waste paper management
- Mortgage repayment services
- Anti-fraud software

New / extended contract screening

SPSP screening 1 January – 31 December 2017 new / extended contracts		SPSP screening 1 January – 31 December 2017 existing contracts	
Suppliers screened	35	Suppliers screened	11
Referred to V&E	10	% Clean bill of health	8 (73%)
% Signed up to SPSP	100%	% Minor issue / breach	2 (18%)
% Clean bill of health	32 (91%)	% Major issue / breach	1 (9%)
% Minor issue / breach	3 (9%)		
% Major issue / breach	0 (0%)		

Contribution to national wealth

'Economic value generated and distributed' is defined as the contribution of commercial organisations to national wealth and the benefits they deliver to stakeholders. Economic value can be distributed as salaries to employees, taxes to governments, donations to charitable causes, and, if relevant, as profit and reserves to owners.



Contributed to national wealth in 2017

Direct economic value generated and distributed	2017 (£m)	2016 (£m)
Revenue	554.9	737.8
Economic value distributed	2017	2016
Operating costs	321.3	500.1
Employee wages and benefits	156.1	199.8
Payments to providers of capital	28.99	43.91
Payments to government	8.2	8.7
Community investment	0.9	1.1
Total economic value distributed	515.5	753.6
Economic value retained	39.4	-15.8

Taxation

We are committed to ensuring that we do nothing in our tax affairs that runs contrary to either the letter or spirit of UK tax legislation.

As evidence of this, we are signatories to the Code of Practice for the Taxation of Banks and our Tax Strategy is available on our website. Details of our 2017 corporation tax position are disclosed in our Annual Report and Accounts and can be found on our website:

[View report >](#)

Political support

The Co-operative Bank does not support or donate to any political party, politician or party political campaign group.

Modern Slavery Statement: We are committed to ensuring that our business and our suppliers are free from modern slavery and human trafficking. Our Modern Slavery Statement is available on our website:

[View Statement >](#)

Managing our environmental impact

Protecting the environment and promoting sustainable development have always been cornerstones of our Ethical Policy.

We support international efforts to tackle climate change, actively support organisations whose activities promote a healthy environment, and we do not provide banking services to customers that conflict with our commitments.



Total Greenhouse Gas (GHG) emissions by source (tCO2e)

Source of emissions	2017	2016
Fuel combustion	1,804	2,009
Electricity consumption	12,497	16,182
Refrigerant leakages	397	185
Business travel	790	1,183
Total	15,488	19,559
Carbon intensity (tCO2e/FTE)	4.2	4.41

Our carbon footprint

We have reported our greenhouse gas (GHG) emissions for over 18 years. We measure our direct GHG emissions in carbon dioxide equivalent (tCO₂e) using the latest UK government guidance.

Our direct GHG footprint encompasses energy consumption, refrigerant leakages from major occupancies and all business travel (air, rail and road). All greenhouse gas data and related commentary is externally assured.



Energy

We source the majority of our electricity from renewable sources. In 2017, we continued to reduce our own energy use and encourage our suppliers to make reductions in their own operations.



Water and natural resources

We continually seek to reduce our water usage and the amount of natural resources we consume.

Since 2011, we have reduced total water consumption in the buildings we occupy by almost 62%, down from nearly 175,000 m³ to 66,448 m³.

For the paper we use, our Policy requires that it contains a high proportion of recycled content, comes from certified sources, and is manufactured using reduced chlorine processes.



Waste

We reused or recycled just over 84% of the total 1,246 tonnes of waste we produced during 2017.

We also relocated our Manchester Head Office from the CIS Tower to our refurbished registered office in Balloon Street. Of the 526 tonnes of total construction waste removed from our Manchester Balloon Street site, 97% was recycled.

In 2018, we will improve our waste management systems and processes to allow for more accurate year on year comparisons. For instance, it has not been possible to collate total paper use from across the whole business in 2017.



Reducing our travel

Throughout 2017, we continued to encourage our colleagues to engage more in remote working, and to stay away from home less. As a result, we used 59% fewer hotel rooms in 2017 than the previous year. This meant less time away from home for colleagues and a reduction in their environmental impact.



Chemicals

In 2007 we were the first bank to issue customers with PVC-free credit and debit cards. In its place we use the plastic glycol-modified polyethylene terephthalate (PETG), which does not contain or use chlorine in its production. In 2017, we issued 1,045,402 PVC-free cards, with 2,857,782 cards in circulation. In addition there are 44,856 PVC cards in circulation from legacy Britannia products.

Furthermore, all the inks we used in our customer mailings were chlorine-free, and either water or vegetable based.



ClimateCare and carbon offset

We continued to source the majority of our electricity from renewables in 2017. We also maintained our 'beyond carbon neutral' status for the ninth consecutive year, offsetting our operational greenhouse gas (GHG) emissions, plus an extra 10%, which addresses the impact our business has had on historical CO₂ emissions. We do this by supporting carbon reduction projects, identified through climate and development experts ClimateCare.

Through our 2017 offsetting programme, we reduced carbon emissions by 3,428 tonnes. As well as offsetting our carbon emissions, these projects provide additional benefits for people and the environment around the world through their support for the Gyapa Stoves and LifeStraw Carbon for Water projects.

Through our support for the LifeStraw project in 2017, we have helped to provide over 4.5 million litres of clean, safe water to over 4,000 people in Western Kenya.

In total, this project cuts 2.4m tonnes of CO₂ emissions annually and brings

safe drinking water to more than 4.5 million people, with some 877,505 families using LifeStraw Family water filters to purify water in their home, rather than boiling water for drinking over open fires.

In 2017 our support for the Gyapa clean stoves project in Uganda has helped to give access to clean cooking for over 8,000 people.

Since our support for these two projects began in 2015, we have helped improve the lives of over 63,000 people through clean water and clean cooking.

In total, since we launched our offsetting programme in 2007, we have offset more than one hundred thousand tonnes of carbon emissions, and improved the lives of over 170,000 people as a result. Avoiding this amount of carbon emissions is the equivalent of:



OR



In 2017, we reduced carbon emissions by

3,428
tonnes



We helped provide almost

4,500,000

litres of clean, safe water to over 3,000 people in Western Kenya



Our support for the Gyapa clean stoves project has helped over

8,000

people to gain access to clean cooking

Pillar 4

Ethical workplace and culture

Women in Finance	Gender pay gap	Diversity and inclusion	Our colleague networks	Recruitment	Rewarding people fairly
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Pillar 4 is our commitment to creating an ethical workplace, both in terms of how we treat our employees and how our employees treat our customers. 2017 was an important year for our Women in Finance initiatives as we made good progress in reaching the target set out in our commitment to the HM Treasury led Women in Finance Charter.

Women in Finance

In August 2016 we were one of the first companies to sign up to the HMT Women in Finance Charter, which supports the progression of women into senior management roles.

We also appointed Steven Pickering, Chief Risk Officer, as our executive gender equality sponsor.

In 2017 we continued to build on this work by publishing our report 'Promoting equality in The Co-operative Bank', which documents our commitment to having 40% females in our senior roles by 2020, and our Five Point Plan which supports our commitment.

In 2017, we have seen a 2% increase in females in our senior leader population, which now sits at 34%. We are on track to meet our 2020 target of 40% and hope our Five Point Plan will help us exceed our target beyond 2020.



[View report](#)



Two of our most successful initiatives introduced in 2017 to support women across all departments were our Career Confidence programme and our Parental Workshops. Whilst the programmes are targeted at women, they are open to all colleagues.

How do you feel now you're a good way through the Career Confidence programme?

"I really feel that we are all in this together. Many colleagues have the same worries and things holding them back as I do, but we're getting more and more tools to start challenging ourselves and working through those things. I've also been really impressed at the level of commitment from the Bank, with multiple sessions and representation from the Exec, senior leaders and external facilitators giving us a range of viewpoints and ways of thinking. There's been an amazing range of speakers across the sessions, with the external facilitators being able to bring a wealth of knowledge on how to address our challenges. And senior leaders really bringing it to life with open and candid discussions of how they have faced challenges in their own careers.

I'm going to be working to minimise my 'limiting beliefs' (the things holding me back) and taking responsibility for being the best I can be. To help this, I've placed motivational Post-it notes all around to remind me that 'I am enough!' The great thing is, I've seen them on other people's desks as well!

In the spirit of doing the right thing and taking 100% responsibility for my own impact, I'm also making sure my voice gets heard when I wish to raise a challenge to a process or decision."



Katie Dixon | Treasury Lead
Liquidity Manager

"I've always had an intrinsic motivation to learn and develop myself, so once it was clear this programme wasn't only aimed at women, it was an easy choice for me. Almost all the content has been applicable to everyone, and any discussions that have been specific to women have been interesting for me. If colleagues are more aware of these specific challenges that can only be a good thing. Each day I've felt like it has elevated my perspective in some way - given me a sense of a bigger picture. My day to day work typically involves going deep into detail, and this was the opposite. I've been able to think about my own behaviour and also the operation of the Bank in a broader way."

Colin Greenshields | Data Developer

Parental Workshops have received excellent feedback from participants:

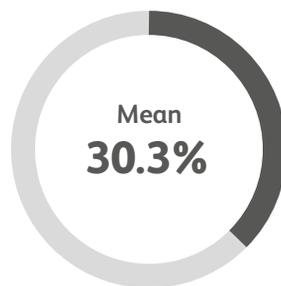
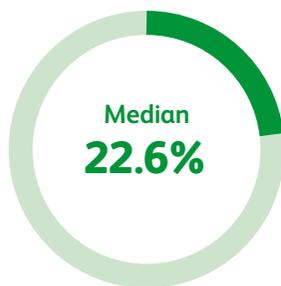
"I really found the Parental Workshop very thought provoking and it genuinely helped me work through a lot of the challenges I'm facing by returning to work. It was run in such a way that I now feel extremely positive about my job and very hopeful about my long term career. It also made me particularly proud to work for an organisation that cares enough about their people that they are prepared to invest in such training. I would definitely recommend it to my colleagues."

Carolyn Gregory | Products & Risk Analytics Manager

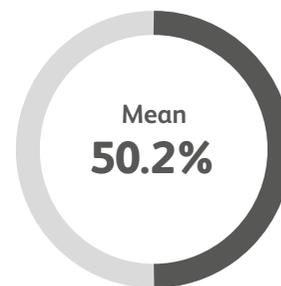
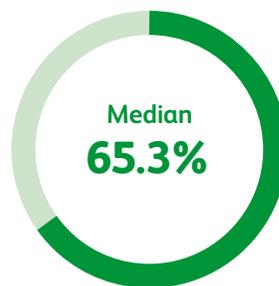
Gender pay gap

UK companies with 250 or more employees were required to publish their gender pay gap data by April 2018. We were an early reporter of our gender pay gap figures, reporting at the end of November 2017 in our ‘Promoting equality in The Co-operative Bank’ report.

Overall pay gap



Bonus gap



Our gender pay and bonus gap figures reflect the gender profile of our workforce. We have greater numbers of women in more junior, lower paid roles, with fewer women in senior management roles which attract higher salaries, as well as more women working part-time. Whilst we understand this gender profile is typical of many financial services companies across the UK, we're committed to addressing this alongside our commitment to the Women in Finance Charter.



Steven Pickering | Chief Risk Officer and executive sponsor for gender diversity

“We’re committed to supporting a fair and ethical workplace for all of our colleagues, including reducing our gender pay gap. Like many banks, our gender profile means that we have a pay gap which reflects the number of men in senior roles compared to the number of women. Through our Five Point Plan, we aim to achieve a material increase in the number of women in senior roles, which, in turn, will help reduce our gender pay gap. I am pleased at the progress we have made, but there is still much more to do.”

Diversity and inclusion

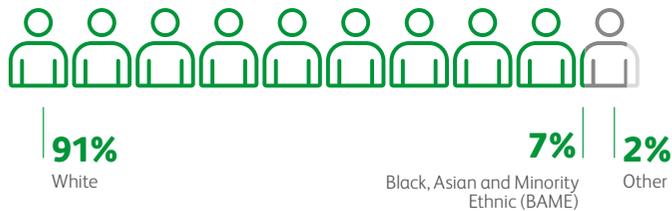
During 2017, we have also continued to focus on diversity and inclusion to support our Ethical Policy commitments to both our people and customers. The diversity and inclusion strategy was refreshed to ensure equality of opportunity regardless of personal characteristics.

Diversity demographic data

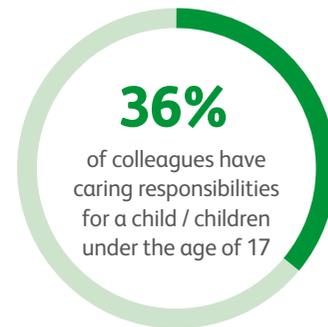
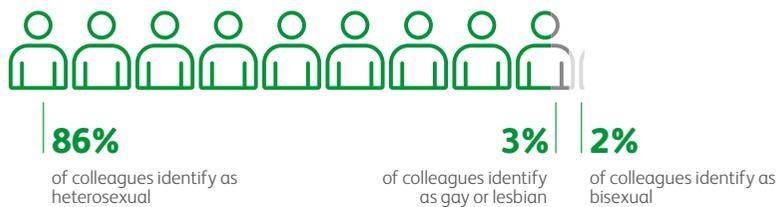
We encourage our colleagues to update their information on our human resource system and we also use our annual Speak Up survey to capture this data, to ensure we continue to understand more about our colleagues.

In 2017 our Speak Up survey told us:

More than **19 ethnicities** are represented across the Bank



Sexual orientation



Our colleague networks



Proud Together

Our colleague network, Proud Together, focuses on LGBT support and associated activities. Sponsored by our Director of Internal Audit, Chris Greenway, Proud Together has promoted key themed events and also led a strong Bank presence at Manchester Pride Parade in August 2017. For 2018, Proud Together's objectives are to maintain and increase their membership levels with a focus on the support of straight allies and further embedding each pillar of LGBT identity.



Elevate

Elevate, our women's career network, has continued to support and champion our gender focused work in 2017. They have targeted their efforts to drive positive change by inviting external speakers to provide a fresh perspective. This has been supported by the inspirational career journeys and skills sessions delivered by our leaders.

Employee engagement and values index

In October 2017, we carried out our annual Speak Up engagement survey to understand how colleagues feel about working at the Bank. This includes how well we continue to embed our workplace values and use these to guide how we work, act and make decisions.

Our Values Index continued to rise in 2017, up 7 points on 2016. This reflects our continued focus on reducing our risk, providing more development for our colleagues and more

consistent communications on Bank-wide strategy. This is supported by improved leadership scores. Belief that senior leaders act consistently with Bank values has increased by 16 points to 82% in 2017 (up 49 points since 2014).

We have agreed key themes of action based on the output of the survey to ensure we listen and act on colleague feedback through 2018. We will report on these in our 2018 Values and Ethics Report.

75% Overall colleague engagement



up 11 points on 2016 and 8 points above our external benchmarks

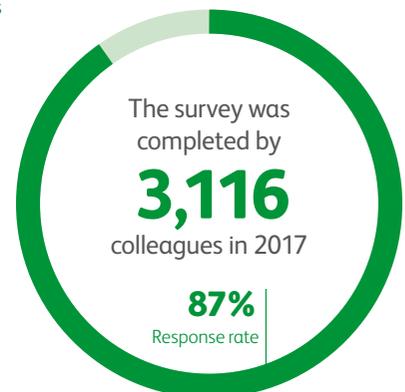
78% Employee experience and work environment



86% Our Values Index for 2017



up 7 points on 2016



Banking Standards Board

As part of our commitment to maintaining an ethical workplace, we continue to participate in the Banking Standards Board (BSB) annual cultural assessment, which aims to help banks embed high standards of culture.

The BSB is a private organisation open to any bank or building society that wishes to join.

Scores in the annual cultural assessment 2017 showed improvement in all categories compared to 2016. 81% of respondents said that the Bank puts customers at the centre of business decisions compared to 72% in 2016. 86% agreed the purpose and values of the Bank were meaningful to them. We have weaved the BSB insight through our key themes of action for 2018 so we can continue to make a difference to colleagues by acting on their feedback.

Code of Conduct

Our Code of Conduct sets out how we expect all of our colleagues to conduct themselves when working with other employees of the Bank, contractors, or stakeholders. The Code helps ensure we meet our legal and regulatory

obligations, as well as our Ethical Policy commitments. There is also a separate Code for contractors and agency workers employed by us.

Each year, every employee is required to complete a Code of Conduct e-learning module and to commit to upholding it every day.

Concern at work

We are committed to ensuring that colleagues can seek advice on and report any work-related concerns that they do not feel able to raise with their line manager, such as unethical behaviour, dishonesty, or breaches of internal policy. In 2017, the service received 25 reported concerns, down from 42 in 2016.

Working with our recognised trade unions

The Bank continued to work closely with our two recognised trade unions (Britannia Staff Union and Unite) throughout 2017. The Bank consults with the unions on proposals for change as well as working more proactively with the unions to understand the interests and needs of members/colleagues.

Recruitment

We have also continued to improve recruitment processes in 2017 with an aim of attracting more diverse candidates. We have improved our social media presence and our website to better represent our workforce.

We seek support from a number of diversity advisory bodies such as Inclusive Employers and Stonewall.

Social Mobility Foundation

Our relationship with the Social Mobility Foundation Charity (SMFc) was strengthened during 2017 with two new programmes. We commenced an annual e-mentoring programme in May 2017 and senior leaders now mentor five high potential students on this programme. We also welcomed SMFc high potential students in August 2017 for a week of work experience across six different business areas. Student feedback was extremely positive and we are participating again in 2018.



“It was amazing work experience, filled with people who want you to do well and are willing to help in any way, whether it’s advice about banking and finance, university options or just general life advice which will ensure you are successful. It was extremely helpful.”



Apprenticeships

In 2017 we ran our apprenticeship programme for colleagues in customer-facing roles, Risk and Compliance and our Business Improvement team. In partnership with Grade 1 rated OFSTED training provider, 3aaa, we have a total of 50 colleagues undertaking an apprenticeship programme and we will start to see these colleagues successfully achieve their apprenticeships in late 2018.

Graduates

We currently have seven graduate programmes with a total of 31 graduates working in different business areas. The latest cohort of nine new graduates started in October 2017. During the course of 2017, the first cohort completed their three year programme and rolled off the scheme into permanent leadership roles with us.



Leadership through Sport and Business

We continued to partner with Leadership through Sport and Business (LTSB) in 2017, which supports apprentices from diverse backgrounds to start a career in finance.

Based on the success of the partnership and achievements of our apprentices recruited last year, we recruited another apprentice at the end of 2017, Lewis Bond.

Lewis progressed through a four month pre-employment programme where he attained his AAT Level 2 qualification, before joining us to continue his study. The intention is for Lewis to spend time working across a number of teams within the finance function such as accounts payable, reconciliation, finance systems and data management. This will provide him with a breadth of knowledge to support his future career choices.

Lewis started his role with our Finance department in February 2018.

Here's what Lewis had to say:

Why did you decide to take a career in Finance and with the Bank?

"I took a career in finance due to the lifelong affinity with numbers, but also a great satisfaction with finding the correct answer, and there are many areas for me to progress in the Finance team. I am keen to learn how this

function works in a bank and understand the systems and processes to support my technical knowledge.

"I got an interview with the Bank and once I got my offer to work there it was an easy decision. I was given a fantastic opportunity to learn a range of skills and finance processes whilst gaining real experience in a team that is very welcoming and supportive."

What do you hope to do in your role?

"I hope to learn everything there is in accounts payable, so I can become a valued member of the team and an important asset to the everyday running, of not just this team, but the Bank as a whole."

"I was given a fantastic opportunity to learn a range of skills and finance processes"

Lewis Bond | LTSB Apprentice

Rewarding people fairly

We seek to recognise and reward our colleagues in a way that is ethical, represents best practice, and supports our business strategy.

Our remuneration policies and practices comply with the PRA and FCA Remuneration Code and include measures to prevent potential conflicts of interest between customers, colleagues and shareholders.

Pay and rewards for our senior executives are market-based, fair and responsible, and linked to both individual and company performance.

For colleagues in the roles below our senior levels we made an annual allowance payment in December 2017 to recognise their contribution throughout the year.

Our total colleague offering provides more than just salary, with a range of benefits offered. For example, a pension scheme paying significantly above statutory requirement and a

minimum 30 days' annual leave (plus 8 bank holiday days) pro rata after 3 years' service.

In addition we support the diverse needs of our colleagues through the provision of a range of lifestyle policies. These include four weeks' paid paternity leave, paid time off for IVF treatment, and an unpaid career break scheme.

The Living Wage

Our customers and colleagues have told us that supporting initiatives like the Living Wage is one of the key ways we can show support for economic and social development in the UK.

The Bank has been an accredited Living Wage employer since 2015, ensuring that our colleagues are paid a fair wage that reflects the cost of living, as calculated by the independent Living Wage Foundation.

We also encourage our suppliers to help tackle low pay among their workers through the Living Wage as part of our Sustainable Procurement and Supplier Policy.

In 2017, we again committed to implementing the new Living Wage Foundation minimum rates.



Equal Pay

We are committed to ensuring we pay men and women in equivalent roles equally, by applying consistent reward policies and practices, and actively monitoring the outcome of these on colleagues' pay on an annual basis. We also publish pay references on our intranet for the majority of roles.

Recognition

When one of our colleagues does something amazing, demonstrates our values and ethics in action, or makes a contribution to achieving our business strategy, they are recognised by their peers through our colleague recognition scheme, 'Everyday Heroes'.

From these peer-to-peer nominations each business area selects a monthly and a quarterly winner. In 2017 we held our second annual awards event. All quarterly winners were invited with one winner chosen for each of our workplace values, as well as a Values and Ethics award to celebrate the 25th anniversary of our Ethical Policy. One overall winner was also voted for by attendees on the night.

Training & Development

In 2017 each colleague and contractor was required to complete 10 Mandatory Training (MTs) modules; multiple choice assessments on essential areas such as risk, fraud prevention and data protection, designed by subject matter experts. Our colleagues completed over 41,000 mandatory modules.

In addition we also delivered:

- **164** training events
- more than **1,313** delegate days of training
- **2,400** visits to the online learning portal, Ashridge
- **3,100** hours of online learning

Going forward into 2018, we will also be offering online learning for colleagues in supporting vulnerable customers, new legislation surrounding payments, and a new module for Diversity and Inclusion.

Colleague volunteering

As part of our community investment, every colleague is given the opportunity to use up to two paid working days a year (pro rata) to volunteer and help good causes. It's a vital part of our culture and gives colleagues a genuine way to get involved in projects that make a real impact within their communities.

During 2017, a total of 6,080 volunteering hours were donated to our local communities:

	Team challenges	No. of volunteers	No. of hours
2017	88	923	6080
2016	43	559	4099
	up 51%	up 39%	up 33%

In 2018 we're working with our charity partner, Centrepoint, to offer more opportunities for our colleagues to support their vital work through volunteering.

Supporting our local communities

In addition to raising money for Centrepoint, our colleagues have also supported many other local and national charities through their own fundraising initiatives. Their combined efforts resulted in donations of over £33,000 to the charities that meant the most to them during 2017.

In 2017 we also launched Charity Boost, a top-up scheme to reward colleagues for exceptional fundraising. Each individual colleague who raises £100 or more - and every team fundraising effort that raises £400 or more - can apply for an extra donation to their charity from the Bank, resulting in an additional £15,000 to good causes in 2017.

The Co-operative Bank has a strong heritage in the North West of England and we are committed to our Manchester base. One of the most significant events of 2017 was the attack on Manchester Arena, which is located in close proximity to our Head Office. In response to the tragic events, colleagues played a key role in the community response, launching an immediate fundraising effort for the British Red Cross UK Solidarity Fund, and organising the facilitation of donations through our branches and customer contact centres.



donated to charities by our colleagues during 2017



Pillar 5

Ethical campaigning

The Co-operative Bank has a long history of campaigning for important causes. Guided by our customers and our co-operative values, we seek to use our influence and resources to improve society for everyone.

‘My money, my life’ campaign on Financial Abuse in Intimate Partner Relationships

Our ‘My money, my life’ campaign, in partnership with the UK domestic violence charity Refuge, campaigned to raise awareness of, and improve the way banks respond to, financial abuse in intimate partner relationships.

Whilst it was launched in December 2015, it remains an important initiative in raising awareness of this critical issue.

Our campaign research, the largest undertaken on this topic, showed that 1 in 5 UK adults has experienced financial abuse in a relationship.

The campaign has delivered on its key aims, including the planned introduction of an industry Code of Practice to improve how banks approach this sensitive issue.

This is designed to give victims reassurance that they can approach their bank in confidence, explain what they are experiencing, and receive a sensitive, consistent response.

Banks will be able to refer customers to the relevant specialist support services available for victims.

We have been working with banking trade body, UK Finance, to implement the Code of Practice. We have also played a key role in leading the industry on this sensitive subject by chairing the Financial Abuse Project Group at UK Finance, which consists of banks and key stakeholders with an interest in this subject.

Despite being launched two years ago, the ‘My money, my life’ campaign continues to receive interest from government and the media as a result of ongoing interest in the subject of domestic abuse and coercive control.



We were delighted to be represented at the Parliamentary launch of a new charity, Surviving Economic Abuse (SEA), launched by the author of the Bank’s report into financial abuse, Dr Nicola Sharp-Jeffs. The charity aims to raise awareness of economic abuse and to help victims and survivors to respond.

Partnering with Centrepont to tackle youth homelessness

Looking to 2018 and beyond, our partnership with Centrepont will enable us to support this growing charity in their efforts to end youth homelessness across the UK. We've committed to continue our support for a further two years.

Homelessness is a nationwide crisis. Manchester in particular, where our Head Office is located, has seen the rate of homelessness increase significantly over recent years.

There are tens of thousands of young people in the UK either homeless or at risk of it. In most cases, this is because they believe it's safer to leave home than to stay.

This is why we have chosen to partner with Centrepont – to help make a difference to the lives of young people in our local community.

“Our partnership with Centrepont has given us a fantastic opportunity to make a difference for thousands of vulnerable young people. We're committed to continuing our support and making a difference to communities both here in Manchester and across the UK.”

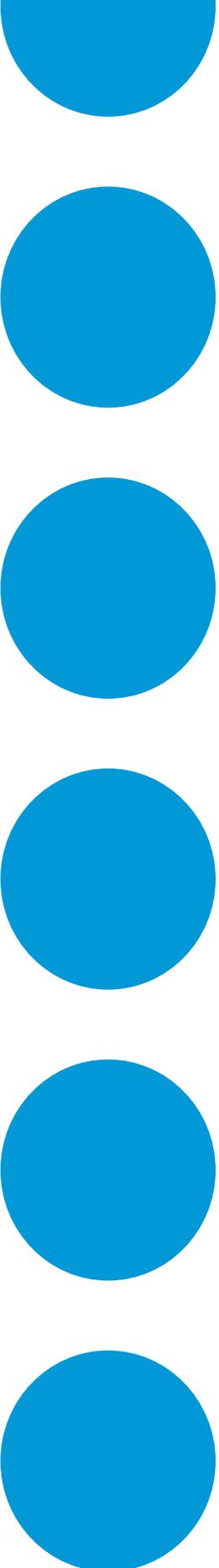
Liam Coleman | CEO, The Co-operative Bank

“Our relationship is more than just about fundraising, it's absolutely about how we can work together to get better results for Centrepont's young people.”

Sally Orlopp | Director of People, Skills & Employability, Centrepont

centre
point

**1 in 10 people
in the UK
think homeless people
are beyond help, but
we don't agree**



Find out more and get involved

Our values and ethics:

co-operativebank.co.uk/ethics

Our products and services:

co-operativebank.co.uk

Careers:

co-operativebankjobs.co.uk

Our Annual Report and Accounts:

co-operativebank.co.uk/investorrelations

Our partnership with Centrepont:

co-operativebank.co.uk/centrepont

Our Refuge campaign:

co-operativebank.co.uk/mymoneymylife

The Hive programme:

co-operativebank.co.uk/the-hive

Find us on:

 [@CoopBankUK](https://twitter.com/CoopBankUK)

 [@TheCooperativeBank](https://www.facebook.com/TheCooperativeBank)

 [@coopbankuk](https://www.instagram.com/coopbankuk)

 [The Co-operative Bank plc](https://www.linkedin.com/company/the-co-operative-bank-plc)

Independent Assurance Statement

The Co-operative Bank plc (the “Bank”) commissioned DNV GL Business Assurance Services UK Limited (“DNV GL”, “we”, or “us”) to undertake independent assurance of the Values and Ethics Report 2017 (the “Report”) for the year ended 31st December 2017.



Our Opinion: On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe the Bank’s adherence to the Principles described below. In terms of reliability of the performance data, nothing came to our attention to suggest that these data have not been properly collated from information reported at operational level, nor that the assumptions used were inappropriate.

Without affecting our assurance opinion, we also provide the following observations:

Stakeholder inclusiveness

The participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

The Bank continues to engage with its key stakeholder groups (customers, employees, investors, and regulators) on an ongoing basis. We recognise that 2017 has been a challenging year for the Bank, however, it has communicated openly to its stakeholders and listened to their concerns.

As the Bank regains economic stability, we recommend the business consider formalising its stakeholder processes. A future customer consultation to update the Ethical Policy can be an opportunity to formalise the Bank’s stakeholder engagement processes, and thus maintain an understanding of evolving stakeholder expectations.

Materiality

The process for determining the issues that are most relevant to an organisation and its stakeholders.

We found that the management approach for priority issues was well embedded within the business. The Report covers the material issues that are relevant to the Bank’s product offering. It also reflects on what the customer base considers to be the relevant issues for the Bank (consultation conducted in 2014 for the Ethical Policy).

It is important that, as the Bank streamlines its product portfolio and charitable approach, the business considers formalising a materiality analysis that reflects the Bank’s new operating model. This could be validated by the business and/or key senior groups (i.e. Values & Ethics Committee). We reiterate our recommendation to disclose how material sustainability issues have been agreed and prioritised by the Bank, including a clear indication of where the issues are being disclosed (e.g. Values & Ethics Report and/or Annual Report and Accounts).

Sustainability context

The presentation of the organisation’s performance in the wider context of sustainability.

The Bank’s reporting has remained current by disclosing its performance to relevant issues in the banking sector and in the UK context. It also continues to focus on its key stakeholder (customers, employees, investors, and regulators). Also, given its product offering, we consider its disclosures to be suitable for its sustainability context, for example, by reporting on how the Bank seeks to help customers in financial difficulties and/or vulnerable customers.

Completeness

How much of all the information that has been identified as material to the organisation and its stakeholders is reported.

The Ethical Policy has helped shape the Bank’s Report and focuses on areas that are material to the business. Based on the work performed, we do not believe that the Bank failed to report on any of its material issues. Moreover, it reports on what its customer base believes to be the most material issues for the Bank, and aligned to its regulatory environment (i.e. financial sector).

Reliability and quality

The accuracy and comparability of information presented in the Report, as well as the quality of underlying data management systems.

Most of the data in scope showed an established data management process (i.e. defined roles and responsibilities, clear monitoring activities, appropriate storage of evidence and regular checks to ensure the data’s accuracy and completeness). However, volunteering data still has room for improvement. There has been a great effort to systematically collect and report on this information. We recommend that the business considers additional checks over the aggregated data, in particular to validate the reported number of volunteering hours and total number of employees.

Scope and approach

We performed our work using DNV GL's assurance methodology VeriSustain™, which is based on our professional experience, international assurance best practice including the International Standard on Assurance Engagements 3000 ("ISAE 3000"), and the Global Reporting Initiative ("GRI") Sustainability Reporting Guidelines. We evaluated the Report for adherence to the VeriSustain™ Principles (the "Principles") of stakeholder inclusiveness, materiality, sustainability context, completeness, and reliability. We evaluated the performance data using the reliability principle together with the Bank's data protocols for how the data are measured, recorded and reported.

We understand that the reported financial data and information are based on data from the Bank's Annual Report and Accounts, which are subject to a separate independent audit process. The review of financial data taken from the Annual Report and Accounts is not within the scope of our work.

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'limited level' of assurance. A 'reasonable level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Data in scope

- Potential non-personal customers and suppliers referred for ethical screening
- Assets & liabilities that make a positive contribution to society
- Customer experience score
- Reportable customer complaints
- Payment of living wage
- Community investment
- Colleagues' volunteering
- Equal pay by gender for equal roles

Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at head office. We undertook the following activities:

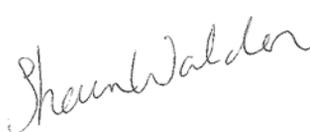
- Review of the current sustainability issues that could affect the Bank and are of interest to stakeholders;
- Review of the Bank's approach to stakeholder engagement and recent outputs;
- Review of information provided to us by the Bank on its reporting and management processes relating to the Principles;
- Interviews with four selected Directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed;
- Site visit to Skelmersdale Call Centre (UK) to observe the processes and systems for embedding the Ethical Policy into daily operations, including how employee performance is measured against its requirements;
- Review of supporting evidence for key claims in the Report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a head office level; and
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation.

For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK
18 May 2018



Douglas Farquhar

Principal Consultant and Lead Assuror
UK Sustainability, DNV GL – Business Assurance



Shaun Walden

Principal Consultant and Reviewer
UK Sustainability, DNV GL – Business Assurance

Responsibilities of the Directors of the Bank and of the assurance providers

The Directors of the Bank have sole responsibility for the preparation of the Report. In performing our assurance work, our responsibility is to the management of the Bank; however, our statement represents our independent opinion and is intended to inform all stakeholders. DNV GL was not involved in the preparation of any statements or data included in the Report except for this Assurance Statement. We have no other contract with the Bank. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Assurance Statement.

Level of Assurance

We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance opinion. We are providing a 'limited level' of assurance. A 'reasonable level' of assurance would have required additional work at Group and site level to gain further evidence to support the basis of our assurance opinion.

Independence

DNV GL's established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals.

DNV GL Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance.
www.dnvgl.co.uk/BetterAssurance