

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

# Values and Ethics

## Report 2015



# About The Co-operative Bank

At The Co-operative Bank, we believe in doing things a little differently from other banks. In fact, we're rather proud of it. As the only major UK bank with co-operative values and an Ethical Policy written into its Articles of Association, The Co-operative Bank is distinguished by its Values and Ethics. We have been providing banking services to meet the needs of our customers for more than 140 years.

Our services include branch, telephone, internet and mobile banking, current accounts, mortgages, savings accounts, credit cards and loans. We pride ourselves on our customer service and industry-leading customer satisfaction levels, and put our customers at the heart of everything we do.

The Bank has around 4.1 million customers. Unlike most high street banks, the majority of our customers (4 million) are individual retail customers and the remainder are mainly small and medium-sized businesses, social enterprises, charities, credit unions or co-operatives. We continue to provide banking services to a small number of larger businesses and organisations. In 2015, customers were serviced by a nationwide network of 164 branches alongside our internet and digital channels, call centres and operational centres. (Figures correct as at 31 December 2015.)



## About this Report

Our 2015 Values and Ethics Report sets out how we are continuing to embed our Values and Ethics throughout our business.

This is our second report since ceasing to be wholly owned by The Co-operative Group and it builds on the Bank's heritage of sustainability reporting. It is structured around the five pillars of our expanded Ethical Policy. It should be read in the context of the Bank's wider economic performance, as set out in our Annual Report and Accounts 2015.

This Report has been independently assured by DNV GL – see page 48.

Cover image, bottom left, credit: Kate Holt

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# Our unique approach to Values and Ethics

Values and Ethics sit at the heart of everything we do – and continue to set us apart from other banks.

In the 2014 Values and Ethics Report, we introduced the five pillars of our extended Ethical Policy and this Report gives an update on activity within those pillars during 2015. We were the first bank in the UK to have a customer-led Ethical Policy in 1992 and today's Ethical Policy is the result of five evolutions of that policy. All those evolutions have been based on customer, colleague and stakeholder consultation, with over 320,000 participants helping to shape the policy.

Since 1872, when we were originally founded as the Co-operative Wholesale Society (CWS) Bank to provide banking services for the co-operative movement, these co-operative values have been key to our operations.

We continue to screen new accounts from businesses and other organisations to make sure they meet our Ethical Policy, ensuring we do not lend our customers' money to organisations that go against it.

## Extending and relaunching our Ethical Policy

2015 was a key year in the evolution of our Ethical Policy. In January, we launched our extended Ethical Policy, updated after close consultation with more than 74,000 customers, colleagues and stakeholders. The need for its extension and its crucial role at the heart of the Bank was supported by 84% of those surveyed, who told us that our Ethical Policy was a key reason why they bank with us.

We are committed to reporting our progress every year and this Report is our second independent update since ceasing to be wholly owned by The Co-operative Group.



**140+**  
**years**

of providing banking  
services for the  
co-operative movement.



**5**

evolutions of our  
Ethical Policy  
since 1992.



**84%**

of people state  
our Ethical Policy  
is a key reason for  
banking with us.



extended Ethical Policy  
embedded in our  
Articles of Association.

# Our Ethical Policy in detail

Five pillars guide our activity.

Our extended Ethical Policy is separated into five areas, or pillars. While each one represents a discrete area of activity, they combine to deliver on our customers', colleagues' and stakeholders' aspirations. As an overall strategy, we believe these will deliver some of the most ethical banking services in the UK.

Pillar one

## Ethical banking



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

Guides our decision making on new banking services to ensure that our customers' money is not used to provide banking facilities to organisations whose activities conflict with our Ethical Policy. Over time, this pillar will reduce in scope under our new simplification strategy, with the focus now in favour of retail, smaller business and charitable customers.

Pillar two

## Ethical products and services



We seek to offer products and services that reflect our Values and Ethics.

Defines our activity when developing financial products to ensure we actively support customers, businesses and organisations that are in tune with our Values and Ethics. It also guides our customer service approach, including helping vulnerable customers and those in financial difficulty. In addition, we ensure access to banking in socially deprived areas, as well as online.

Pillar three

## Ethical business



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

Ensures we run our business in an environmentally friendly, transparent and open manner. It guides our relationships with regulators, government and shareholders as well as the communities we serve. It ensures our suppliers operate in a manner consistent with our Ethical Policy.

Pillar four

## Ethical workplace and culture



Our workplace culture reflects co-operative values and our Ethical Policy.

Affirms our commitment to creating an ethical workplace, both for our own colleagues and also in how they treat our customers. This is achieved through embedding workplace values, codes of conduct and culture, and by open and transparent engagement. We also commit to reward our people fairly, be inclusive and help our colleagues be the best they can be.

Pillar five

## Ethical campaigns



We campaign for social and economic change in line with our Values and Ethics.

Represents an exciting return to our campaigning roots. We have a mandate to stand up and champion causes that reflect our customers' concerns and the spirit enshrined in our Ethical Policy. This has been a longstanding commitment of the Bank and this pillar preserves and gives prominence to this activity at the heart of our Ethical Policy.

# Chief Executive's introduction

Without our Values and Ethics we might be just like any other bank. Our customers have repeatedly told us that these values are a key reason for banking with us. This was re-affirmed through our customer and colleague poll in June 2014 where 74,000 people responded. In order to ensure Values and Ethics remain at the heart of everything we do, we embedded them into our Articles of Association.

At the start of 2014, the Board appointed Laura Carstensen to independently chair a newly formed Values and Ethics Committee. Already its influence is being felt across the Bank, and it has become a key committee of the Board. In 2015 it met six times and added real value in ensuring we remain focused on the things that differentiate us. The enhanced oversight it provides is helping to ensure that Values and Ethics are embedded across all aspects of our business.

In addition, in January 2015, we launched our strengthened and extended Ethical Policy to reflect the views of and feedback from our customers and other stakeholders. The extended Ethical Policy has been the cornerstone of activity during the year, as highlighted through this Report. We have

built on this during the year and will continue to do so in future years through everything that we do – in developing new products and services, our people policies and the overall way we run the Bank.

I was particularly pleased to see the launch of our new Everyday Rewards current account and our balance transfer credit card, both of which were developed in conjunction with our customers using the principles of transparency and fairness to differentiate us in the market. I am also delighted that we returned to our campaigning heritage by working with Refuge to highlight the scale of financial abuse in relationships and to drive change for customers who experience it.

I am confident that our activity during 2015 directly contributed to the continued stability of our franchise and will continue to do so in future years through better and more focused customer service, more relevant products and services, greater appeal to our customers, enhanced colleague engagement and a reduction in our environmental impact.



**Niall Booker**

Chief Executive, The Co-operative Bank



“

As I reported in the Bank's 2015 Annual Report and Accounts, during the year we made real progress in implementing our plan to turnaround<sup>1</sup> the Bank. This work to improve resilience, reduce cost and strengthen the performance of the core Bank continues to deliver positive benefits and we remain cautiously optimistic this will continue into 2016 and beyond.”

**Niall Booker**

Chief Executive, The Co-operative Bank

<sup>1</sup> Refer to the Bank's Annual Report & Accounts 2015 for further details on the turnaround plan, see pages 12 to 16 at [www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf](http://www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf)



# Values and Ethics Committee Chair's foreword

The Committee and I focused on both the launch of our extended Ethical Policy and the way it has been embedded into all aspects of the Bank.

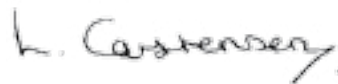
In particular, it has been integral to the development of products and services such as overdrafts, credit cards and our new current account. I have also personally engaged with activity on the ground, such as attending the annual congress of the co-operatives sector and helping the Bank to play its role through the launch of 'The Hive' in October.

The Hive is the result of an agreed £1 million three-year partnership with Co-operatives UK to support the development and growth of the UK's dynamic co-operative and social enterprise sector. The Terms of Reference of the Committee were changed in July 2015 to add an additional responsibility for the Committee to monitor the Bank's compliance with its commitment to Co-operatives UK on the use of the co-operative name. The launch of The Hive demonstrates our ongoing commitment to the co-operative movement.

I am especially pleased that 2015 culminated in a return to our ethical campaigning roots. After considerable preparation and research, in December we launched the My money, my life campaign. This campaign, which aims to lift the lid on financial abuse within intimate relationships, was launched in partnership with leading domestic violence charity, Refuge. We will continue to campaign during 2016 to enshrine the recommendations coming out of the research into an industry-wide Code of Practice.

I was delighted with our colleagues' exceptional efforts in fundraising during our Festive Fundraiser activity which saw close to £100,000 donated to local charities across the UK. Colleagues' support for the East Manchester Community Boat Project really exemplified this for me. The Boat Project is fundraising to help build a new boat for people with disabilities and the Marketing Team ran a series of fundraising activities for them. With Bank match-funding, this meant a donation of £2,400 towards their fantastic work.

In 2016 the Values and Ethics Committee will continue to help oversee and drive activity to enhance and embed the Bank's values and Ethical Policy.



**Laura Carstensen**

Chair of The Co-operative Bank's Values and Ethics Committee

“

2015 has been a crucial year for the Bank, particularly in evolving our Values and Ethics activity. This is my second report as the independent Chair of the Bank's Values and Ethics Committee and it presents in ever greater detail the sheer breadth of activity undertaken.”

**Laura Carstensen**

Chair of The Co-operative Bank's Values and Ethics Committee



# Our longstanding support for co-operatives

Our roots are in the strong and distinct co-operative values that are enshrined in our Articles of Association.



## The Hive: unique commitment to re-energising our support for co-operatives

In October 2015, we announced a first of its kind, three-year £1 million partnership with Co-operatives UK – the network for Britain's thousands of co-operatives, promoting and developing member-owned businesses across the economy. Together these businesses are worth £37 billion a year<sup>5</sup> to the British economy.

Referred to as The Hive, activity will support the development and growth of this co-operative and social enterprise sector. Activity officially launched in 2016 will run for over three years and is available to both new and existing co-operatives.

Nearly 7,000 businesses will be able to access this funding for online business advice and guidance, one-to-one support, peer mentoring and group training sessions. An online co-operative community will unite member-owned businesses across the country for the first time and provide networking and business development opportunities.



“

There has never been a better time to start or grow a co-operative and this innovative partnership with The Co-operative Bank will support growth and jobs in this vital sector of the economy.”

**Ed Mayo**  
Secretary General, Co-operatives UK

<sup>2</sup> The majority of the reduction is due to The Co-operative Group repaying a £49m term loan in October 2014 and a further £50m revolving credit facility was repaid in February 2015.

<sup>3</sup> More details can be found at [www.co-operativebank.co.uk/business/community/co-operatives-directplus](http://www.co-operativebank.co.uk/business/community/co-operatives-directplus).

<sup>4</sup> In 2015 there were 520 regulated credit unions and The Co-operative Bank has a relationship with 293 of these.

<sup>5</sup> Co-operatives UK report 'The UK co-operative economy 2015'.



# Our achievements in 2015



Total community investment

**£1.4m**



Our customers supported nine good causes through our charity credit cards, raising just short of

**£1m**  
(£961k).



Our Business and Commercial Banking lending to charities and social enterprises averaged

**£92m**

in 2015, up from £58m in 2014.



We launched our £1m support programme for Co-operatives UK – The Hive. Nearly

**7,000**

businesses will be able to access this funding.

In total, since we began our carbon offset programme, our support has helped

**148,000<sup>6</sup>**

people in developing countries.



We returned to our campaigning heritage by partnering with Refuge to lift the lid on financial abuse in intimate relationships. Our focus was to better understand the extent of this type of

**financial abuse**

and to raise awareness of this little understood issue.

The Bank provided a total of 554 opportunities for colleagues to volunteer

**4,352 hours**

to their local communities through volunteering.

We became Foundation Living Wage Employers.



## Awards we won in 2015

### ICMI Top 50 award for:

- \* Best Large Call Centre
- \* Most Improved Customer Service
- \* Best Bank For Call Centre Service

### Moneyfacts 5 star award:

- \* Standard current account
- \* Best Longer Term Fixed Rate Mortgage

### Moneyfacts 4 star award:

- \* Student current account

- \* **Best High Street Bank for Phone Customer Service in the uSwitch Current Account Awards**

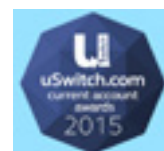
- \* **Awarded Most Improved Brand in the YouGov BrandIndex poll**

### Contact Centre Association: The Co-operative Bank picked up three awards:

- \* Third Overall Company for Call Service
- \* Most Improved for Call Service
- \* Best Large Centre

### Your Mortgage Awards:

- \* Intermediary Lender of the Year



6 Total number of people helped is derived from multiple sources and is provided by ClimateCare.

## Pillar 1

# Ethical banking

We will not use our customers' money in a way that conflicts with our Values and Ethics. We strive to support businesses and organisations that share our Values and Ethics.

The Co-operative Bank remains the only UK high street bank with a Customer-led Ethical Policy. This Policy has guided our decisions since 1992 to ensure that our customers' money is not used to provide banking facilities to organisations in conflict with our Values and Ethics.

“

This Pillar has been a cornerstone of the Bank's ethical activity for many years. It's a key part of our Ethical Policy and we remain committed to screening new business against our customers' priorities. The changes in our customer base have led to fewer declines than in previous years. As a consequence, the other four pillars of our Ethical Policy have become ever more important.”

**Guy Mason**

Values and Ethics Manager



In our Ethical Policy consultation in 2014, our customers reaffirmed that they want us to ensure that we only lend our customers' money in a way that does not conflict with our Values and Ethics. In 2015, not only did we reaffirm this commitment but we expanded on it by adding new categories of lending restrictions.

These commitments restrict us from providing banking services to certain business sectors and activities across key issues, such as where the business might infringe human rights, have negative ecological impacts, or reduce international development and harm animal welfare. We refer to this mandate from our customers as 'ethical screening' and it is a fundamental difference between us and other UK banks.

Historic exclusions include finance for the extraction and production of fossil fuels, the manufacture or transfer of arms to oppressive regimes, and animal testing for cosmetic and household purposes. After the expansion in January, there are three new areas included in the restriction of banking services to businesses involved in irresponsible gambling and payday lending, and those that do not take a responsible approach to the payment of tax in the UK or elsewhere.



### Declined banking services

- An engineering business supplying pipeline equipment to customers in the global oil and gas sector operating in Africa and the Middle East.
- A business contracted to manage an offshore drilling operation.

Why did we decline these? They were classified under our ethical screening process as intrinsic to the extraction and production of fossil fuels.

# Ethical screening

This screening process ensures that all new businesses and organisations that want to bank with us are reviewed against our ethical banking criteria<sup>1</sup>. Ethical Policy compliance is secured, in the main, by self-completion questionnaires as part of the application process, which are checked by account opening colleagues and referred to head office as appropriate.

The Bank is in the Don't Bank on the Bomb Hall of Fame for our stance on not financing the manufacture or transfer of indiscriminate weapons<sup>2</sup>.

**By issue, the majority of referrals are around**



<sup>1</sup> The Ethical Policy screening process covers all non-personal assets and liabilities held on the Bank's balance sheet, eg, business loans, deposits and savings; treasury dealings; and the investment of all retained balances.

<sup>2</sup> [www.dontbankonthebomb.com/wp-content/uploads/2015/11/2015-HallofFame.pdf](http://www.dontbankonthebomb.com/wp-content/uploads/2015/11/2015-HallofFame.pdf)

As a result of our simplification strategy, our core business focus is on retail customers and small and medium-sized businesses (SMEs), credit unions, social enterprises, charities and co-operatives, which by their nature are more likely to comply with our Ethical Policy.

2015 ethical screening was broadly in line with the previous year. We reviewed 304 potential new customers (2014: 290) and, of these, two were identified as not in compliance with the Bank's Ethical Policy and were declined (2014: four).

We do not name accounts declined for confidentiality reasons but the supplemental pages provide a full breakdown of the categories against which they were reviewed. The majority of Ethical Policy referrals continue to be for business banking customers.



Further information and a full copy of the report can be found on our [Values and Ethics website pages](#).

## Ethical screening referrals and outcomes



## Pillar 2

# Ethical products and services

We seek to reflect our Values and Ethics in the products and services we offer, in the way we treat our customers and in our contribution to social and economic value.

As well as ensuring that our customers' money is not used in conflict with our values, we create products and services that align to what customers want from an ethical bank by involving customers in the development of new products and through the creation of our Customer Standards.

Our strategic focus is on providing a simplified range of products and services to UK retail banking customers<sup>1</sup> and UK-based SMEs<sup>2</sup>, credit unions and social enterprises, alongside larger charities and co-operatives. Through our products, and in the way we treat our customers, we reflect our Values and Ethics and so contribute to social and economic value in the UK.



“

**We both work on the front line at our branch in Rotherham.**

Between us we have almost six years of service and have seen a number of changes over that time. When the Bank relaunched the Ethical Policy this was such a step forward as it ensured we continued to be different to other banks. We regularly hear customers at Rotherham branch commenting on it.

Having the right products and services on offer is crucial as it allows us to demonstrate this to existing customers and also to attract new people to bank with us. Recently we had a customer who was deaf and uses sign language to communicate. He visits the branch with his carer, and as we didn't know any sign language, we felt we were communicating more with the carer. We decided that it would be good for us to learn some sign language basics to make the customer's visit to branch a better experience. The activity in Pillar Two shows how we continue to take action like this to ensure that we are creating the Bank our customers want with fair and attractive products and services.”

**Katie Knowles and Vicky Hetherington**  
Rotherham Branch

1 This includes The Co-operative Bank, Britannia and smile products.

2 Companies typically with a turnover of less than £25 million and borrowing requirements of less than £5 million.



### Designing products for our customers

As part of our commitment to developing ethical products for our customers, in 2014, we introduced a more rigorous product development process and in 2015, we used this new process for the first full year. The changes we made to our overdraft charges are an example of how this process is used to create better products.

We conducted extensive research into how our customers, and those of other banks, use overdrafts. We also engaged with the consumer body Which? and built a new overdraft product based on three core principles. These ensure that the majority of Bank customers now pay less fees while still retaining this vital product.

### The Co-operative Bank's overdraft facility is driven by three key principles, underpinned by our Values and Ethics



#### Simple and transparent

A charging structure that is simple to understand and applied transparently.



#### Treat customers fairly

Helping customers to avoid being charged when mistakes are made.



#### Put customers in control

Giving customers more control of their overdraft facility.

### Products designed with Values and Ethics

To further enhance our product review process and to fulfil our desire to embed a set of design principles with Values and Ethics at its heart for new products and services, during 2015, we carried out further research in order to better understand what customers expect from an ethical bank<sup>3</sup>.

Colleagues, customers and non-customers alike have played an integral role in shaping our approach. To bring ethics to life for customers, we want to make a difference in their everyday interactions with us, from the way we handle a simple query right through to fundamentally how we design our products.

### The new product design process in action

The findings from our research were distilled into the creation of six new Customer Principles, which translate into 15 individual Customer Standards. These Customer Standards will form the foundation upon which all products, propositions and services will be built, putting Values and Ethics at the very heart of every development.

We adopted these new Customer Principles for key products created during 2015. In particular, our new Customer Standards were integral to product developments such as the balance transfer credit card and our Everyday Rewards current account. In addition, it led to our commitment that under our mortgage pricing policy we will not offer new customers better rates than our existing customers.

Adherence to the Customer Standards will be formally built into our product governance process in early 2016. In order to receive approval to launch, new products will need to provide evidence that the product or service fulfils the Customer Standards, thereby ensuring ethical banking is being applied consistently. We will report our progress on this next year.

<sup>3</sup> Research was conducted during customer focus groups in Manchester and London involving existing and non-Bank customers.\*

# Ethical retail products and services

Central to our product offering is helping our customers to support causes they believe in, such as environmental protection, human rights or biodiversity. We offer a range of products, including credit cards and current accounts, to help our customers support their favourite causes.

## Charity credit cards

In 2015, our customers supported nine good causes through our charity credit cards and raised just short of £1 million. The amount of £961,000 is slightly down from the £1.08 million raised in 2014 and reflects a change in the credit card market.

Our current range offers five credit cards linked to charity partners Amnesty International, Oxfam, Save the Children, Tearfund and the Woodland Trust. Through previously issued cards, our customers also continued to support Christian Aid, Greenpeace, the RSPB and WaterAid.



Our customers supported  
**9 charitable causes**  
through our charity credit cards:

WaterAid



GREENPEACE



Save the Children



OXFAM

TEARFUND



WOODLAND TRUST

AMNESTY INTERNATIONAL



christian aid



## Fighting global poverty with Oxfam

In 2015, Co-operative Bank customers helped to raise over £216,000 for Oxfam. Oxfam is a global movement of people who won't live with the injustice of poverty. Together they save and rebuild lives impacted by disasters. They help people build better lives for themselves and speak out on the big issues that keep people poor, such as inequality, discrimination against women and climate change. Oxfam has over 70 years of experience in tackling poverty in some of the most difficult places in the world.

With the support of Co-operative Bank credit card holders, they are able to continue to work in over 90 countries. For example, when a crisis such as the Nepal earthquake hits, Co-operative Bank customers' support allows Oxfam to respond immediately and continue to help people stand on their own two feet.



## Protecting the environment with the Woodland Trust

Last year, the Bank's Woodland Trust<sup>4</sup> credit card holders raised £29,000 for the Trust. This money is crucial in helping them nurture our precious ancient woodland environments, some of which are more than 400 years old and home to unique wildlife and plants. For example, the UK's woodlands harbour almost half of the world's native bluebells – our quintessential sign of spring.

At Nidd Gorge in North Yorkshire, thanks to card holders' support, last year the Trust was able to remove conifers to clear the way for new native trees to grow, such as the oak and silver birch – potentially paving the way for a splendid sea of bluebells to return.

## Protecting animal welfare with Born Free

The Co-operative Bank offers a youth account that supports animal welfare and conservation. Our Bonus Account gives free gifts to account holders that have been sourced by the Born Free Foundation. In return, the Bank provides an element of charitable contribution for each gift ordered.

Since 2003, our Bonus Account has provided in excess of £266,000 towards animal welfare and conservation projects around the globe, including anti-poaching units in Kenya and the establishment of a Wildlife, Rescue, Conservation and Education Centre in Ethiopia. In 2015 alone we donated £10,000.

## Our current account switching offer benefiting charities

In 2015, we offered an account switching package that benefited charities. Customers personally received a £100 credit for moving their current account to us and we offered an additional £25 donation to one of the Bank's chosen charities.

Since the start of this campaign, we donated more than £510,000 to these charities. This is accounted for by donations made in 2014 (£198,075), 2015 (£258,075) and 2016 (£57,475).

We offered the choice of supporting Amnesty International, Carers Trust, ActionAid, the Woodland Trust, Oxfam, Hospice UK or WaterAid. Through this, our customers could help to protect UK woodland, provide hospice care or clean water.

In total, through the credit card and current account switching incentive, our partnership with the Woodland Trust has seen almost £390,000 raised over its lifetime. That's enough to restore more than 14,000 hectares of woodland and to give around 200,000 children access to nature through tree planting and woodland discovery days.



<sup>4</sup> The Woodland Trust is a charity registered in England and Wales (No. 294344 and in Scotland (No. SC038885).

# Supporting social and economic development

We are committed to supporting social and economic development in the UK. This is reflected in our Ethical Policy commitments to support the social economy. This support is directed towards co-operatives, social enterprises, charities, community finance and credit unions.

## Deposits and loans supporting the social economy

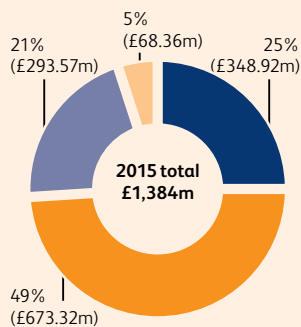
In 2015, just under half (49.7%) of the Bank's total average Business and Commercial liabilities (such as deposits etc.) came through social enterprises, co-operatives and environmental businesses. The total average balances of these liabilities was £1.38 billion, out of a total £2.78 billion average Business and Commercial Banking's liabilities. This is broadly the same percentage split as for 2014.

The total average assets (for example loans) to social and environmental organisations reduced to £224 million in 2015, versus £335 million in 2014. However, the percentage of the Business and Commercial Banking Division's total loan book (assets) to social and environmental organisations remained stable at 40%, versus 42% in 2014. This is due to the total loan book reducing.

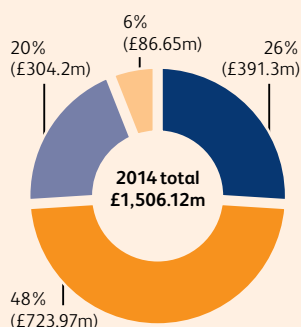
This is broadly in line with the expected position arising from the Bank's new operating strategy. The key impacts are the reduction in assets aligned to public services of £15 million and a reduction of £98 million for co-operatives and mutuals. The latter is due to repayment of assets in 2014 and early 2015, which impacts on the average figures over the 12-month period.

## Positive contribution of Core Business and Commercial Banking liabilities (eg, deposits) to society in 2015: £1,384 million

2015

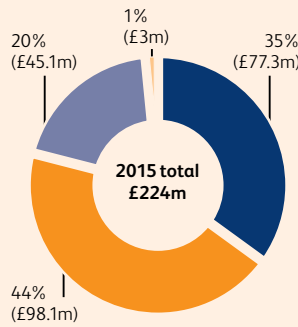


2014

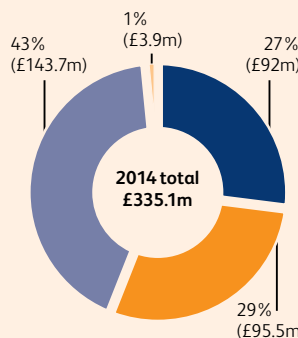


## Positive contribution of Core Business and Commercial Banking assets (eg, loans) to society in 2015: £224 million

2015



2014



### Key

#### Public services

(including local authorities, health, social and child care, and education)

#### Community and charitable sectors

(including student unions, trade unions and charities)

#### Co-operatives and mutuals

(including credit unions and housing co-operatives)

#### Environmental and social organisations

(including international charities, utilities, public transport and social enterprises)

## Community finance

The Bank is a longstanding supporter of the Government's Regional Growth Fund Programme<sup>5</sup> and, in 2015, our regional growth fund reached maturity. Through our support for the programme we have provided loans totalling £11.5 million since October 2012.

These funds provide enterprise funding to small start-ups 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 programme<sup>6</sup> was co-ordinated through 14 Community Development Finance Associations and safeguarded or created 8,250 jobs at an average cost of £3,459 per job<sup>7</sup>.

Further information can be found on page 51 in Supplementary Information.

## Supporting co-operatives and credit unions

The Co-operative Bank remains firmly rooted in the strong and distinctive Values and Ethics of the co-operative movement. These are incorporated in our Articles of Association.

## Providing banking products for co-operatives

In 2015, the total Business and Commercial Banking division's lending to co-operatives averaged £26 million. In addition, there were further undrawn facilities available of £64 million. Funds available to support co-operatives totalled £90 million.

This is substantially lower than the £120 million lent in 2014. This is due to the repayments of a loan and revolving credit facility.

We provide bespoke banking packages for co-operatives in the UK that are free of charge for day-to-day banking transactions, subject to certain limits<sup>8</sup>. We also offer an exclusive credit card for Co-operative Group members<sup>9</sup> that is fee-free and offers cashback on purchases.



## Clarke's Cabin

The Co-operative Bank partnered with BCRS Business Loans to provide a community finance loan to Clarke's Cabin. BCRS Business Loans provides loans ranging from £10,000 to £150,000 for viable businesses across the West Midlands who have been turned down for traditional credit. Their approach is not to rely on impersonal credit scoring methods but to take time to get to know each business.

Clarke's Cabin Transport Limited has been based in Lichfield for over 12 years and provides haulage and storage services for containers, as well as their sale and refurbishment. During a period of growth, Founder and Director Roger Clarke was unable to secure traditional funding to sustain the progress of his business. The Co-operative Bank's Regional Growth Fund finance, through BCRS Business Loans, met his need and the business is now flourishing.

Due to this funding, Roger was also able to grow his business from two to six employees, including someone who was previously homeless after a relationship breakdown. Not only did they give this person a job but also provided them with temporary accommodation and training in a transferable trade.

**"It is still very difficult for some small businesses to get the finance they need to grow. We were delighted to help Clarke's Cabin Transport and were particularly impressed with their ethical stance towards their employees."**

**Paul Kalinauckas**  
BCRS Chief Executive

<sup>5</sup> [responsiblefinance.org.uk/funding-innovation/regional-growth-fund/](http://responsiblefinance.org.uk/funding-innovation/regional-growth-fund/)

<sup>6</sup> The programme is a partnership between the Community Development Finance Association (CDFA), Government, The Co-operative Bank and Unity Trust Bank. Each of the two banks provides funding that is matched from the Regional Growth Fund (RGF1).

<sup>7</sup> Data supplied and verified by Responsible Finance in March 2016.

<sup>8</sup> For further details see: [www.co-operativebank.co.uk/business/community/co-operatives-directplus](http://www.co-operativebank.co.uk/business/community/co-operatives-directplus)

<sup>9</sup> [www.co-operativebank.co.uk/creditcards/members?int\\_cmp=tn1\\_cc\\_col1\\_row3-5\\_members%27-credit-card\\_07072015](http://www.co-operativebank.co.uk/creditcards/members?int_cmp=tn1_cc_col1_row3-5_members%27-credit-card_07072015)



### Providing banking for credit unions

The Co-operative Bank provided banking facilities for 293 credit union members, or around 55% of the UK credit union sector in 2015. This is broadly in line with the 60% supported in the previous year.

Credit unions are financial co-operatives that offer savings and low-cost loans to their members, many of whom do not have access to traditional services. They are particularly important in areas not served by mainstream financial providers.

The Bank's overall credit balances held by credit unions totalled £126 million in 2015, up from £125 million in the previous year.

### Customer Donation Fund

In 2015, we donated over £26,000 to community projects and fundraising activities through our Customer Donation Fund. This benefited 30 organisations.

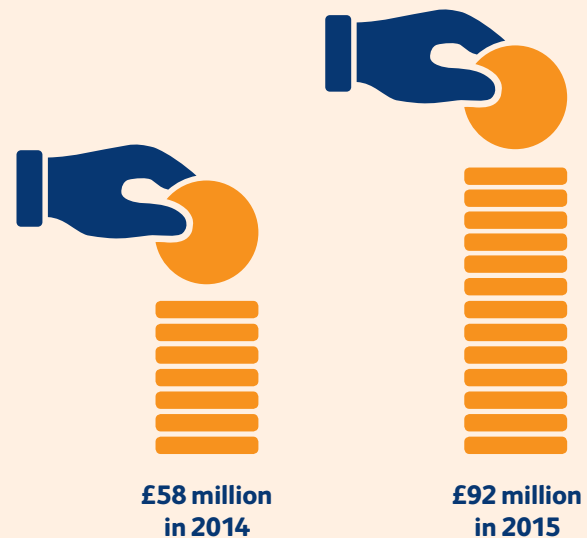
Our Community Directplus accounts provide bespoke banking services for community and voluntary organisations. Through these accounts we donate 20 pence for every £100 increase in collective balances to the Customer Donation Fund. Account holders can then apply for up to £1,000 project funding from the Fund.

### Supporting charities and social enterprises

Our Business and Commercial Banking division's lending to charities and social enterprises averaged £92 million in 2015, up from £58 million in 2014. This reflected the focus of our new core business strategy.

We provide a wide range of bespoke banking services for charities, community groups, voluntary organisations and social enterprises. Social enterprises are aligned to co-operative values as they operate according to a clearly defined social or environmental mission and reinvest the majority of profits to further this mission.

Examples of these banking services are our innovative Community Directplus<sup>10</sup> and Social Enterprise Directplus<sup>11</sup> accounts. Both accounts offer free banking and the Community Directplus account gives the opportunity to apply for project funding from our Customer Donation Fund, see above.



<sup>10</sup> [www.co-operativebank.co.uk/business/community/community-directplus](http://www.co-operativebank.co.uk/business/community/community-directplus)

<sup>11</sup> [www.co-operativebank.co.uk/business/community/social-enterprise-directplus](http://www.co-operativebank.co.uk/business/community/social-enterprise-directplus)



# Providing good customer service

Treating customers fairly is at the heart of our Ethical Policy. We ensure this in many ways, including the use of everyday plain language, investing in customer management systems, the way we incentivise colleagues and providing bespoke help for customers in financial difficulty or who are vulnerable.

## Fair fees and charges

All the Bank's marketing and promotional activity is created in line with the co-operative value of openness, as well as guidance produced by the Financial Conduct Authority, to try to ensure it is clear, fair and not misleading<sup>12</sup>. Towards the end of 2015, we began the process of reviewing existing customer letter templates to ensure they are all consistent and clear in their language and approach.

**We are focusing on improving the content and design of product terms and conditions with the aim of improving clarity and transparency.**

We continue to work with the Plain Language Commission to implement improved content as well as redesigning the layout of our terms and conditions to help customers to navigate through the detail more easily. This includes explaining potentially difficult terminology and highlighting key points that customers should be aware of, such as when the Bank can change agreement terms or the cost of services. These changes will start to take effect from early 2016.

## Rewarding good customer outcomes

Pay and reward for our colleagues is based on quality of service, good customer outcomes and risk control. We removed all sales incentives for colleagues working in branches and contact centres in 2012. See page 36 for more information on colleague reward.

## Customer experience

Since 2014, we have been measuring our customer experience ratings through a dedicated customer experience indicator. This indicator measures how satisfied our customers are with the service we provide as well as giving them the opportunity to tell us how we can improve<sup>13</sup>.

Branch and contact centre colleagues have an objective to achieve at least an 85% customer experience score from our Real Time Feedback (RTF) surveys. Customers are asked to complete the RTF via email or text after they have interacted with us. Feedback is used during the coaching of individuals as well as to support improvements to our customer experience activity. In 2015, we received almost 208,000 surveys, a significant increase on the 145,216 received in 2014 and in line with our expectations of increasing this feedback. Our customer experience score in the last six months of 2015 reached 90.4% against our target of 85%. In 2016, we will step this up with a new ongoing target of 90%.

Our customer service is independently benchmarked through the International Customer Management Institute (ICMI) and the Gfk customer surveying programme. This uses real customer feedback to measure customer service levels.

**In the ICMI Global Contact Centre Awards 2015, the Bank came third overall for all call centres and won the award for the best large call centre.**

We also achieved the highest-rated call centre for any UK bank or building society<sup>14</sup>.

<sup>12</sup> [www.fca.org.uk/firms/being-regulated/financial-promotions](http://www.fca.org.uk/firms/being-regulated/financial-promotions) and <http://fshandbook.info/FS/html/handbook/COBS/4>

<sup>13</sup> Based on the views of customers who take certain actions, such as switching a current account, taking out a personal loan or opening a savings account, following a colleague's conversation with them.

<sup>14</sup> [www.callcentre.co.uk/top50](http://www.callcentre.co.uk/top50)

## Enhancing our customer experience

In 2015, we partnered with Swiss Post to modernise our customer documentation system. The Bank had been operating a microfilm system for recording and storing customer and branch correspondence. While this worked well for long-term archiving it led to delays in response times due to the need for transporting microfilms between storage, branches and head office staff.

In 2015, over 5 million microfilm records were scanned onto a bespoke document management portal. This has reduced the time to access customer correspondence from an average five days to instantaneously, and is in use by over 700 colleagues. Customer service has been enhanced and the new system means the Bank is compliant with Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) regulations. As well as scanning the archive, all new account applications and customer correspondence are now also directly scanned into this portal when received.

In addition, the move away from microfilm has wider environmental benefits in reducing the use of printing, transportation and associated emissions. It also reflects a general move towards digital across the Bank for our customers and colleagues.

### Customer complaints

The total number of reportable complaints for the Bank fell by 19% in 2015 against 2014 levels. There were 37,102 complaints in 2015 (2014: 45,855). Much of this can be attributed to the decrease in payment protection insurance (PPI) sales complaints.

A reportable complaint is defined as one that has not been resolved by close of business the day after it has been received. The Bank received on average 3.2 reportable complaints per thousand accounts, live policies or investment products in the first half of 2015. This reduced to 2.9 in the second half<sup>15</sup>.

99% of customer complaints were resolved within eight weeks during 2015, maintaining the level achieved in the previous year and beating an industry average of 92%<sup>16</sup>.

### Customer satisfaction

Overall customer satisfaction increased from 71% at the end of 2014 to 79% at the end of 2015<sup>17</sup>. This was calculated using an Internal Representative Survey conducted by Optimisa Research. They interview a thousand customers each quarter on a range of criteria.

We also subscribe to monthly product level customer satisfaction data, based on an industry-wide syndicated survey<sup>18</sup>.

#### For 2015



### Net Promoter Score

We ended with a Net Promoter Score (NPS) for our current accounts of 24 versus 19 at the start of the year.



### Top 3 company

We were consistently in the top 3 of all financial services companies surveyed by Gfk.



### Mobile banking satisfaction

Our mobile banking satisfaction score rose to 77%, our highest ever score.



### Online banking satisfaction

Online banking satisfaction improved to 81%, the highest level since June 2014.

<sup>15</sup> Excluding PPI complaints, this equates to 2.37 and 2.06 complaints per thousand live policies, accounts or investment products respectively. See [www.co-operativebank.co.uk/aboutus/ourbusiness/2015-jan-june](http://www.co-operativebank.co.uk/aboutus/ourbusiness/2015-jan-june) and [www.co-operativebank.co.uk/aboutus/ourbusiness/2015-july-dec](http://www.co-operativebank.co.uk/aboutus/ourbusiness/2015-july-dec)

<sup>16</sup> 92.3% is the industry average for the first half of 2015 as the full year was unavailable at the time of writing.

<sup>17</sup> Figures represent The Co-operative Bank, Britannia and smile.

<sup>18</sup> [www.gfk.com/en-gb/industries/financial-services/](http://www.gfk.com/en-gb/industries/financial-services/)

# Access to banking

Our network of branches is an important part of our overall customer service offering, alongside our digital and telephone channels.

In line with the UK banking sector, our customers are increasingly using our digital and telephone channels to contact us and the numbers of customers using branches is declining. In 2015, we continued our investment in digital in order to expand this channel. Those customers who do prefer to use our branches tend to require more complex conversations and transactions and so we are continuing to redesign and modernise our branch network.

At the end of 2015, we had a total of 164 branches against a total of 222 branches at the end of the previous year. Closing branches is a difficult decision but reflects our strategy to restructure the Bank to become a simpler and more efficient business. When deciding on branch closures in 2015, we took into account factors such as the alternative branches in the area<sup>19</sup>.

We closed 58 branches in 2015. Before a branch closure, we communicate with customers at least 12 weeks in advance and, where possible, offer alternative roles to affected colleagues. We have announced the closure of a further 54 branches in 2016, taking the estate to 110 branches. That will mean a retained branch network footprint similar to that at the time of our merger with Britannia, which took place in 2009.

We also actively monitor the proportion of our branches in socially deprived areas to ensure access to banking for local residents<sup>20</sup>. At the end of 2015, 40% of our branches were located in socially deprived areas. This is an increase on 2014 (38%). For further information please see the Supplementary information on page 51.

## Our cash machine network

We do not charge customers for using any of our cash machines. As we reported last year, a substantial part of our ATM network was previously based in The Co-operative Group's food stores, which led to a significant reduction in the number of ATM machines when a new operator was announced in 2014.

At the end of 2015, we had a total of 142 ATMs, down from 1,911 in 2014. However, our customers can also access the UK network of 53,000 free cash machines.

All our ATMs have 'talking' functionality and high-resolution screens so they can be used by blind and partially sighted customers. This facility is also available to all Link and Visa cardholders using the Bank's ATMs<sup>21</sup>.

## Supporting basic bank accounts

The Bank is committed to reducing financial exclusion and ensuring that, where possible, all those that need it have access to a bank account. We continue to offer a basic bank account called Cashminder for customers who otherwise may not be eligible for our standard current account. Cashminder provides basic banking features, such as the ability to pay bills by direct debit and can help customers to organise their finances and increase their confidence in managing their money. Cashminder customers are also able to benefit from online banking.

In 2012, we called on other account providers, consumer groups and policy makers to work together to improve consistency in the provision of basic bank accounts. In support of this, we have subsequently worked with officials from HM Treasury to explain the benefits basic accounts bring to consumers who otherwise may not have access to banking facilities.

We welcomed the fact that in 2015 we, and eight other major banks and building societies, committed to the Government's Revised Basic Bank Account Agreement. The agreement reflects many of the elements we called for, including publishing details of banks' market shares. As a result of this commitment, the UK Government designated the Bank as a suitable provider of basic bank accounts to EU citizens from September 2016.

<sup>19</sup> In 2015, closing branches were generally within 10 miles of another Co-operative Bank branch and there is at least one Post Office within three miles. Co-operative Bank customers can undertake most day-to-day banking transactions at Post Offices or using our digital channels.

<sup>20</sup> Areas that correspond with the 20% most deprived areas identified in the Government's Indices of Multiple Deprivation for England (2015), Wales (2014), Scotland (2012) and Northern Ireland (2011). Deprivation is considered to be a multi-dimensional problem, encompassing a range of domains such as financial, health, education, services or crime (Venkatapuram and Marmot 2009). The four constituent nations of the UK have each developed their own index of multiple deprivation, providing a comprehensive assessment of deprivation at small area level within each country, and therefore this is the most appropriate definition in the context of deprived areas within the UK.

<sup>21</sup> [www.link.co.uk/AboutLINK/Statistics/Pages/Statistics.aspx](http://www.link.co.uk/AboutLINK/Statistics/Pages/Statistics.aspx)

# Providing support to our customers

Our Ethical Policy guides our day-to-day relationship with our customers as well as ensuring we go the extra mile to support them in times of difficulty.

## Helping customers in financial difficulty

We have produced a range of tools and processes to help personal customers who are experiencing financial difficulties. These include individual repayment plans, suspension of fees or charges and full or partial settlements, where this is the most appropriate outcome.

Our dedicated Financial Support Team is on hand to help and support our customers who are experiencing financial difficulty. We encourage customers to come and speak to us at their earliest opportunity to enable us to support them as soon as possible. Depending on what is most appropriate for the individual customer, the Financial Support Team may arrange repayment plans, suspension of fees or charges and full or partial settlements in order to help them.

Occasionally, due to their circumstances, we signpost customers to third party providers of debt advice, through direct referrals, our website and direct correspondence that provides guidance to help customers manage their debts. Our primary referral point is with StepChange<sup>22</sup>, which offers confidential, free, impartial and independent debt advice. In 2015, we referred over 500 customers to them and at the end of 2015, StepChange was working with almost 2,800 Co-operative Bank customers.

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

## Helping vulnerable customers

In 2015, we defined and introduced 22 control standards for the management of customer vulnerability, in line with recommendations made by the FCA<sup>23</sup>. The scope of these control standards includes staff training in identifying potential signs of vulnerability, the need to consider vulnerability requirements within the development of new products and services, and operational arrangements for supporting customers identified as vulnerable.

A vulnerable customer is someone who, due to their personal circumstances, is especially susceptible to personal or financial detriment. This could be due to serious illness, scams aimed at elderly customers or in challenging circumstances when a customer is less able to represent their own interests.



## Preston branch leading the way

In 2015, Giulietta Sharp and her team at Preston branch consistently went above and beyond in helping vulnerable customers. They worked with Chief Superintendent Sue Cawley's team to proactively raise awareness of the issue of financially vulnerable people and the ways in which financial vulnerability can be minimised. They also made a series of external presentations to raise this awareness further, including with Social Services.



Further information and a full copy of the report can be found on our **Values and Ethics website pages**.

<sup>22</sup> [www.stepchange.org](http://www.stepchange.org)

<sup>23</sup> [www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-8](http://www.fca.org.uk/your-fca/documents/occasional-papers/occasional-paper-8)

## Our work plan

### 1 Bank-wide e-learning



Develop and initiate a Bank-wide e-learning module to assist colleagues in recognising and engaging customers with respect to vulnerability.



### 2 Pilot support model



Pilot a customer vulnerability support model to allow escalation of challenging vulnerability cases from the front line to a specialist support team.



### 3 Launch a portal with a set of tools



Launch a portal to provide front line colleagues with a consolidated set of tools to assist them in supporting vulnerable customers.



In 2016, we will support the British Bankers' Association (BBA) Vulnerability Taskforce so we can take an active role in shaping further activity. We have established a vulnerable customer steering committee to support this.

## Pillar 3

# Ethical business

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

Conducting our business with honesty and transparency is at the heart of our Ethical Policy. Our Policy encompasses commitments around how we operate as a business – including the way we manage our impact on communities and society, our environmental impacts and relationships with our suppliers and external organisations.



“

Pillar Three for me is at the heart of our Values and Ethics as it brings to life my own and colleagues' passion around how we run our business and work with other companies in an ethical way. I admire the Rochdale Pioneers and believe the younger generation can learn a lot from their work but the challenge is to bring it to life for them. We can do more to help educate people so that we build a better future. The Bank is in a unique place to help make this happen.

To support this, I organised the first Ethical Fayre for our branch to help show customers and colleagues that it's good to be different. Bringing together other ethical businesses to promote their own products and services made a real impact and we got great feedback from customers. Activity through this Pillar helps to create a tangible and visual demonstration of our commitment to ethics. In the end we are all working towards the same goal and by amalgamation we can achieve it much faster.”

**Ommarabab Shah**  
Customer Strategy Executive



## Community investment activity



### Investing in communities

In line with our core ethical values and similar to other organisations across the co-operative movement, we are passionate about concern for communities, social responsibility and caring for others.

We turn this concern and desire to help others into action through our range of products and services with a charitable focus (page 15), and through our colleague volunteering and other charitable activities (page 41).



Over £1.25 million was generated through products and services. This is calculated through our charity credit cards, Community Directplus account, affiliate payments to charitable groups such as Born Free and our £25 to charity current account switching offer.

In addition, over £158,000 was generated through activities such as colleague volunteering (page 41), payroll giving and our carbon offset programme (page 29).

<sup>1</sup> The total community investment figure includes investment through products and services and other activities such as colleague time spent on volunteering, our carbon offset programme and investment that the Bank facilitated (leveraged), through colleague payroll giving.

# Politics, tax and government

## Political support

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

Each year, we disclose our principal memberships, subscription fees, and donations to trade and business associations that engage in public policy activities, together with our involvement in other organisations that seek to influence public policy or business practice. The membership fees we pay are calculated by the organisations and are normally based on our annual turnover. These fees are itemised on page 52 of Supplementary information.

The Bank is also supporting the Financial Services Trade Associations Review. This is an independently led review into the effectiveness and efficiency of the financial services trade association landscape with the aim of strengthening representation of the UK financial services sector<sup>2</sup>.

## Corporation tax

The Bank was one of the original signatories which unconditionally adopted the Government's voluntary Code of Practice on Taxation for Banks.

This is in line with our maintenance of a transparent relationship with HM Revenue & Customs. We endeavour to comply fully with our tax obligations and do not undertake tax planning that aims to achieve a tax result that is, in our opinion, clearly contrary to the intentions of Parliament.

Our 2015 corporation tax details are disclosed in our Annual Report and Accounts (page 194)<sup>3</sup>.

## Public policy engagement

We engage with the Government, UK Parliamentarians and wider political stakeholders on a range of public policy matters, principally focused on banking policy or the development of related legislation. We also work through trade bodies, such as the BBA.

In 2015, for example, we reached agreement with HM Treasury on the provision of basic bank accounts to provide the wider benefits described on page 22. We also engaged with the Department for Business, Innovation and Skills to agree the Access to Banking Protocol<sup>4</sup>. This protocol sets out what steps a bank should take to measure the impact of a decision to close a branch on customers, how this decision should be communicated to them and the steps required to ensure that they can continue to access banking services. We will continue to engage on similar public policy issues in 2016.

We abide voluntarily with the relevant elements of the Association of Professional Political Consultants' Code of Conduct. This provides a recognised ethical standard and best practice for our relationships with public institutions.

We also publish details of all formal meetings between government ministers and members of the Bank's Board and Executive. These can be found in the Supplementary information on page 53.

# Economic value distributed

'Economic value generated and distributed' is defined as the contribution of commercial organisations to national wealth and the benefits they deliver to stakeholders.

In 2015, we contributed £613.7m to national wealth<sup>5</sup>.

Economic value can be distributed as:



<sup>2</sup> [www.tradeassociationsreview.com](http://www.tradeassociationsreview.com)

<sup>3</sup> [www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf](http://www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf) page 194.

<sup>4</sup> [www.co-operativebank.co.uk/assets/pdf/bank/branchupdates/Access%20to%20Banking%20Protocol.pdf](http://www.co-operativebank.co.uk/assets/pdf/bank/branchupdates/Access%20to%20Banking%20Protocol.pdf)

<sup>5</sup> See Supplementary information (page 53).

<sup>6</sup> Based on GRI indicator G4-EC1 ([www.globalreporting.org/resource/library/GRIG4-Part2-Implementation-Manual.pdf](http://www.globalreporting.org/resource/library/GRIG4-Part2-Implementation-Manual.pdf)). Economic value distributed = operating costs + employee wages and benefits + payments to providers of capital + payments to government + community investments.

# Our supplier relationships

Behaving in an ethical manner extends beyond our direct colleagues and our products and services. We need to ensure that we behave ethically through our supplier relationships too.

## The Co-operative Bank Sustainable Procurement and Supplier Policy

We expect every supplier directly engaged by us to adopt the principles of our Sustainable Procurement and Supplier Policy (SPSP). This is the interpretation of our Ethical Policy into providers of third party goods and services.

Since ceasing to be wholly owned by The Co-operative Group, we have been gradually building our own capacity. In 2015, we established a standalone Bank procurement function. We recognise our responsibility to carry out our activities in an ethical and sustainable manner and to encourage our supply chain to minimise negative environmental and social effects associated with the products and services they provide. In order to better manage these effects, we updated and re-launched the Procurement Policy.

We use the Procurement Policy to screen new and existing suppliers. Since 2014, the Policy has applied to all Bank procurement activities above an agreed spend threshold or deemed to be potentially high risk<sup>7</sup>. It is kept under review and will be updated at least every two years, or earlier if appropriate.

## SPSP core commitments

| We promise to:   | We expect our suppliers to:  |
|--|--|
|  <p><b>1</b> Pay suppliers on time within our agreed terms of business.</p>                           |  <p><b>1</b> Increasingly utilise renewable energy and manage resources efficiently.</p>          |
|  <p><b>2</b> Operate to the highest professional standards.</p>                                       |  <p><b>2</b> Minimise waste and maximise recycling.</p>   |
|  <p><b>3</b> Conduct any tendering and assessments in a fair, open and honest manner.</p>             |  <p><b>3</b> Reduce reliance on persistent and bio-accumulative substances.</p>                   |
|  <p><b>4</b> Carry out regular sustainability assessments of key suppliers.</p>                       |  <p><b>4</b> Embrace natural products and services.</p>   |
|  <p><b>5</b> Seek to procure products and materials from recognised responsible sourcing schemes.</p> |  <p><b>5</b> Treat people in an enlightened manner against recognised ethical considerations.</p> |

<sup>7</sup> Applies to goods and services not for resale, classified as high or medium risk, according to an established risk matrix.

# Managing our environmental impacts

Protecting the environment is one of the underpinning goals of our Ethical Policy. A key element of this is ensuring we do not provide banking services to businesses or organisations that conflict with our commitments on environmental sustainability and that we actively support organisations whose activities promote a healthy environment.

Also fundamental is the way in which we run our own banking operations and how we seek to minimise our environmental impacts.

## Beyond carbon neutral

99%



In line with previous years, we continued to source 99% of our electricity from renewables in 2015<sup>8</sup>.

109,000 tonnes



Since 2006 under our 'beyond carbon neutral' policy, we have offset our operational greenhouse gas (GHG) emissions<sup>9</sup> plus an extra 10% to address legacy issues. We have offset over 109,000 tonnes of carbon over this time.

Climate Care



We partner with ClimateCare on our carbon offsetting programme, supporting carbon reduction projects which also improve the health and wellbeing of some of the world's poorest communities. One of our longest-running activities in Kibale, Uganda, was successfully completed in 2015<sup>10</sup>.

Ghana and Kenya



The carbon offset in 2015 will enable the provision of Gyapa Stoves to communities in Ghana and provide LifeStraw filters to families in Kenya.



## Case study: Supporting reforestation in Kibale National Park

Kibale forest is what remains of a rainforest that used to stretch across the entire Congo Basin. It's a haven for many species including more than 370 bird species and is believed to have one of the largest populations of chimpanzees in the world.

In the 1970s and 1980s, 15,000 hectares were cleared. Although the area is no longer farmed, elephant grass prevents new trees from growing. Through ClimateCare we've supported a reforestation project that has created hundreds of local jobs, cutting back and managing the elephant grass, growing and planting new seedlings and looking after the trees as they grow to maturity. Once mature, this forest will store up to 400 tonnes of CO<sub>2</sub> per hectare. The forest attracts rain and so is surrounded by a thriving agricultural belt. Digging trenches to prevent elephants raiding crops and providing safe water to local communities are all part of the project's holistic approach to protecting the environment and improving lives.

"The Co-operative Bank has dug shallow wells and constructed protected springs to provide clean water to the communities. By doing so it has reduced the number of sicknesses which people contract through taking dirty water." **Wilfred Chemutai**  
Project Manager, Kibale National Park

<sup>8</sup> We sourced our electricity from Scottish Power on a renewable tariff that is exclusively from wind and small-scale hydro technologies.

<sup>9</sup> Remaining emissions from gas, brown electricity, business travel and major occupancy refrigerants after green electricity is discounted.

<sup>10</sup> [climatecare.org/our-projects/kibale/](http://climatecare.org/our-projects/kibale/)

## Our carbon footprint

We have been reporting our greenhouse gas (GHG) emissions for over 16 years. We measure our direct GHG emissions in carbon dioxide equivalent (tCO<sub>2</sub>e) using the latest UK Government guidance<sup>11</sup>. 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<sup>12</sup>.

## Total greenhouse gas emissions by source

| Source of emissions   | Total emissions (tCO <sub>2</sub> e) |               |
|---|--------------------------------------|---------------|
|   | 2015                                 | 2014          |
| Fuel combustion   | 2,449                                | 2,774         |
| Electricity consumption <sup>13</sup>                       | 20,068                               | 24,335        |
| Refrigerant leakages <sup>14</sup>                          | 131                                  | 373           |
| Business travel   | 995                                  | 1,121         |
| <b>Total</b>  | <b>23,643</b>                        | <b>28,603</b> |
| <b>Carbon intensity (tCO<sub>2</sub>e/FTE<sup>15</sup>)</b> | <b>4.19</b>                          | <b>4.87</b>   |

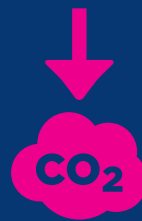
## Energy

In November, we signed the Paris Pledge on not financing power generation from coal prior to the United Nations Summit on Climate Change in Paris.



Our suppliers share our aspiration to reduce environmental impacts and, in 2015, Moorcroft and Oberthur made significant progress.

### Our debt collection agency Moorcroft has reduced its carbon footprint in 2015 by:



- replacing old hand dryers for more energy efficient versions to save 48,424 kWh a year
- saving 39,600 kWh per annum after a review of heating and air conditioning usage
- replacing fluorescent lighting with LED at head office, which saves 83,845 kWh per year.

### Oberthur, which supplies all The Co-operative Bank's payment cards and card readers, has taken significant steps to reduce its energy use through:



- 25% electricity and 46% gas reductions during 2015 at its Tewkesbury centres and offices versus the previous year
- replacing an inefficient heating and ventilation system in August 2015
- replacing existing fluorescent lighting with LEDs in a warehouse, loading bay and office.

<sup>11</sup> Department for Environment, Food & Rural Affairs, Environmental Reporting Guidelines: Including mandatory greenhouse gas emissions reporting guidance, June 2013

<sup>12</sup> Assurance is provided by DNV GL.

<sup>13</sup> If electricity from renewable sources is accounted as zero carbon, then emissions from electricity would be 201 tCO<sub>2</sub>e.

<sup>14</sup> Refrigerant gas data includes major occupancy properties only.

<sup>15</sup> Average number of full-time equivalent employees (FTE) for the year.

## Waste

We reused or recycled 88% of the total 1,087 tonnes of waste we produced during 2015. This is versus 2014 when we produced 2,165 tonnes of waste of which 70% was reused or recycled. This significant reduction was mainly delivered through the reduction in our branch estate. See page 53 of the Supplementary information for more details.

## 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 more than 40%. This has meant that our average water consumption per site has reduced by over 30% over this time. For further details please see the Supplementary information on page 54.

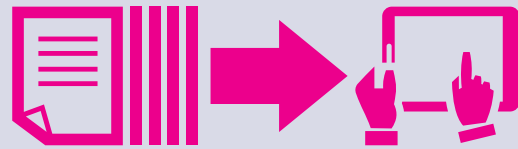
Our policy specifies sourcing timber that is Forest Stewardship Council (FSC) certified or high recycled content MDF for all wood used during our branch refurbishment programme. During 2015, we refurbished a total of 32 branches.

The amount of paper we use continues to decline<sup>16</sup> and in 2016, we will put in place additional measuring systems to track our usage by business area. Our paper policy states that paper should contain a high proportion of recycled content, come from certified sources and be manufactured using reduced chlorine processes.

## Chemicals

We were the first bank in 2007 to issue customers with PVC-free credit and debit cards and we continue to do so<sup>17</sup>. In its place we use the plastic glycol-modified polyethylene terephthalate (PETG), which does not contain or use chlorine in its production. In 2015, we issued more than 1.1 million PVC-free cards and have almost three million cards in circulation. Most other cards in circulation are made of PVC.

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



## Going digital

In March 2015, we launched our Digital Transformation Programme to help our customers go paperless and to improve online access to our banking services.

Initially, this allowed customers to request paperless statements, online applications for credit cards and online-only savings and ISA accounts.

Our customers embraced these changes and over the course of 2015, we saw:

- nearly 14,000 customers registered for online banking
- over 279,000 customers opting for paperless statements
- over 3,900 customers completing online savings account applications
- nearly 3,000 new online-only savings or ISA accounts opened.

This digital strategy is a key part of our business strategy and, in 2016, we will continue to add more functionality and services in order to reduce our use of natural resources and encourage our customers to do the same.

<sup>16</sup> Paper reduction figures are based on units of paper purchased, which for 2015 was 14,155 and in 2014 was 17,358.

<sup>17</sup> We have issued PVC cards under the Britannia subsidiary brand since 2009. In 2015, this was around 8% of total cards issued.



# Governance of Values and Ethics

In a significant step for UK banking, during 2013 we embedded co-operative values and ethical policies into the Bank's 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 internal governance and accountability.

Oversight and accountability for Values and Ethics is governed through the work of the Values and Ethics Committee. This is a committee of the Board with an independent chair, Laura Carstensen, who was appointed in May 2014. Laura is also a commissioner at the Equality and Human Rights Commission.

The Committee met six times during 2015. Further information on the role, remit and work of the Committee can also be found in our Annual Report and Accounts 2015 (page 73) and in our Articles of Association<sup>18</sup>.

**The Bank has a dedicated Values and Ethics Team responsible for ensuring continued delivery against our aspirations embodied in our Ethical Policy. In 2015, we created a new post of Head of Values and Ethics to drive strategic delivery and embedding of the Policy across all aspects of the Bank's business.**

## 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)<sup>19</sup>.

We have appointed DNV GL to independently assure this Report to help improve our performance in future and to enhance stakeholders' confidence in the disclosures made. DNV GL's approach to assurance was 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 on page 48.

DNV GL were used for our first Values and Ethics report last year and have provided assurance for the Bank's reporting for many years whilst the Bank was part of the Co-operative Group.

 Further information and a full copy of the report can be found on our [Values and Ethics website pages](#).

<sup>18</sup> [www.cooperativebank.co.uk/aboutus/governance/terms-of-reference-for-board-committees](http://www.cooperativebank.co.uk/aboutus/governance/terms-of-reference-for-board-committees)

<sup>19</sup> [www.accountability.org/standards/aa1000aps.html](http://www.accountability.org/standards/aa1000aps.html)

## Pillar 4

# Ethical workplace and culture

Our approach to Values and Ethics extends across the way we treat our colleagues and those acting on our behalf.

We are committed to creating an ethical workplace both in terms of how we treat our colleagues and how our colleagues treat our customers. Guided by our Ethical Policy, we take a two-fold approach – through our work to embed our Values and Ethics in our workplace culture and through the way we treat and reward colleagues.



“

Pillar Four has been key to making us strong advocates of the Bank's Values and Ethics. This Bank was built to support the co-operative movement which championed gender equality and welcomed the first women to join the Rochdale Equitable Pioneers Society 80 years before they had the parliamentary vote.

Today this is demonstrated in our strong roots in gender equality. I chose to chair the Elevate committee, our women's career network, because I'm passionate that women should have truly equal opportunities and I want to change the historic culture in financial services that has previously favoured men.

It's really encouraging that both Elevate and our LGBT network Proud Together have the support of the senior leadership. I'm proud to be its first chair, helping to make the Bank an employer of choice for the LGBT community.

We want the Bank to be representative of the diverse communities it serves. The networks are run entirely by volunteers. On a personal level I know some issues encountered by the LGBT community can be difficult to manage alone and this group is important in providing support to colleagues.”

**Emma Summerfield**

Banking Leadership Graduate and Chair of ELEVATE

**Paul Casey**

Test Services and Chair of Proud Together

# Ethical culture

## Refreshing our workplace values

Phase one of our Cultural Transformation Programme began with the development and launch of our updated guiding values and behaviours, which took place from November 2014 to April 2015. During 2015, our guiding values have been woven into our key people processes, including code of conduct, performance management, induction, recruitment and recognition.

This will be extended in 2016 with the launch and delivery of Phase Two of our Cultural Transformation Programme. This will seek to further reinforce, build and embed the positive characteristics of our culture that are aligned to our values and our strategic plan, while reducing any negative characteristics that are barriers to success.

## Code of Conduct

The Bank's Code of Conduct sets out how we expect all colleagues to conduct themselves with other colleagues and wider stakeholders. The Code helps ensure the Bank complies in full with its obligations and takes an appropriate attitude to risk. There is also a separate Code that covers contractors and agency workers.

We update both Codes regularly to provide clarity on the roles and responsibilities of our leaders and colleagues, underpinned by our Values and Ethics. Everyone, whether a colleague, contractor or agency worker, is required to complete a mandatory e-learning module on the Code every year and to agree to comply with it and so uphold our Values and Ethics.

In 2016, we will update the e-learning module to include a renewed focus on our guiding Values and Ethics.

## Our Values

We're committed to ensuring that our workplace values are aligned with our Ethical Policy and with co-operative values.

### Our values are:



We are courageous enough to stand up for what we believe in; doing the right thing to make a positive difference to the lives of our customers and communities.



We take personal responsibility in every action, however small, to build a sustainable and successful future for our Bank.

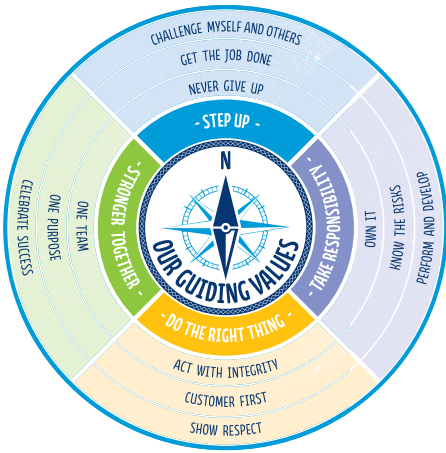


We co-operate, working together to benefit customers, shareholders, colleagues and communities because we're stronger together than on our own.



We don't believe average is good enough. That's why we look for ways to make things easier for our customers and our colleagues, moving quickly to take the right actions.

## Transforming the way we work – our guiding values



### Employee engagement

Employee engagement is a broad measure of how colleagues feel about their workplace. The Bank measures the engagement of our employees based on responses to five key questions. In 2015, we carried out a limited temperature check ‘pulse’ survey in May followed by an all colleague survey in October.

### We measure how our colleagues feel every year across



For 2015, the employee engagement index was 66%<sup>1</sup>. This represented a 16-point improvement on survey results from November 2014. We use the results of this twice-yearly survey to continue to improve colleague experience and performance within the Bank and to monitor our progress.

<sup>1</sup> Based on October 2015 all colleague survey.

### Values index

The employee engagement survey also measures how well we are aligning the organisation to our values in how we work, act and make decisions. The values index for 2015 was 79%, based on the October survey. This represented a 30-point improvement from November 2014.

The improvements reflect the Bank’s focus over 2015 to listen and act on colleague feedback and to communicate local and Bank-wide activities, focused on improving the experience colleagues have when they come to work, as well as activity that has taken place to embed our values in all we do.

We will use the results of this twice-yearly survey to continue to improve colleague experience and performance, and will actively monitor our progress.

### Whistleblowing

The Bank is 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 behaviours, dishonesty or breaches of internal policy.

We maintain a Concern at Work service through which all colleagues can report concerns by telephone, text or email. All concerns are treated sympathetically and in the strictest confidence by trained internal investigators experienced in dealing with sensitive issues. The employees of suppliers are also encouraged to use this service.



# Rewarding people fairly

We seek to implement best-practice reward and recognition strategies that support our business strategy and are aligned with our Ethical Policy.

Our remuneration policies and practices comply and align with the Prudential Regulation Authority / Financial Conduct Authority Remuneration Code and the best-practice principles of the UK Corporate Governance Code. They also include measures to avoid potential conflicts of interest in the way incentive arrangements are designed, to ensure that the interests of customers, colleagues and shareholders are aligned. The Bank has not operated any sales incentive schemes since October 2012.

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.

## The Living Wage

We remain committed to paying our colleagues at least the Living Wage. The Living Wage is an hourly rate, which is set independently by the Living Wage Foundation<sup>2</sup> and is calculated according to the basic cost of living in the UK. Employers choose to pay the rate set by the Living Wage Foundation on a voluntary basis. This Living Wage is set at a higher level than the National Living Wage introduced by the UK Government.

In our Values and Ethics poll in June 2014, customers and colleagues told us that supporting initiatives like the Living Wage and committing to implement it at the Bank is one of the key ways we can show support for economic and social development in the UK. We also encourage our suppliers to help tackle low pay among their workers through initiatives like the Living Wage. In 2016, as part of our updated Sustainable Procurement and Supplier Policy we will continue to embed this.



“Since April 2015, all Bank colleagues have been paid the Living Wage, as a minimum.”

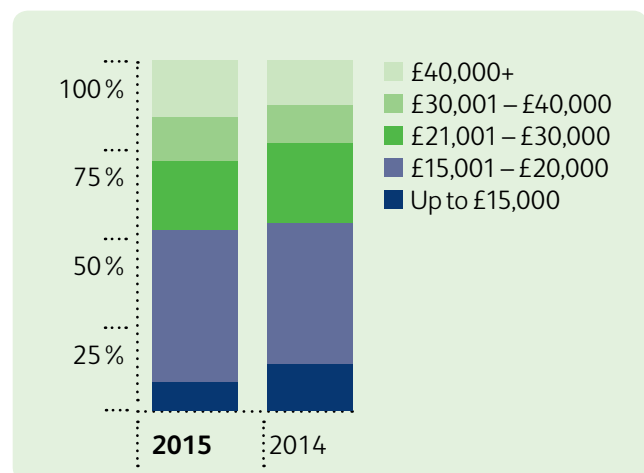
In October 2015, the Living Wage was increased by 5%, which meant that more than 200 colleagues saw their pay rise to this new Foundation Living Wage, as a minimum, during the 2016 Annual Salary Review process.

## Salary and reward

We have made significant strides in tackling low pay over the last few years. From 2016, none of our colleagues will be paid less than £15,000 pro rata on a per annum basis. For further information, including details on part-time working, please see the Supplementary information on page 56.

We are committed to ensuring that pay and rewards for our senior executives are market based, fair and responsible, and linked to individual and company performance. Further information on Executive Director salaries and total remuneration can be found in the Bank's Annual Report and Accounts 2015 (page 87)<sup>3</sup>.

## Breakdown of salary and reward



<sup>2</sup> [www.livingwage.org.uk](http://www.livingwage.org.uk)

<sup>3</sup> [www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf](http://www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf), page 87

## Recognition

In the autumn of 2015, we launched our Bank-wide colleague recognition scheme Everyday Heroes. We want our colleagues to feel valued and appreciated for the great work they do and we want to celebrate our success with them. Whenever one of our colleagues does something amazing, something that shows how they've embraced our Values and Ethics, or makes a contribution to achieving our strategy, we want to shout about it.

Since its launch in September, more than 2,000 colleagues have been nominated for an Everyday Heroes award, with over 100 monthly award winners and 20 quarterly winners.

In 2016, we will extend this with the addition of an Everyday Heroes Annual Event where all the achievements of the quarterly winners will be celebrated and annual overall winners will be selected.

## Employee numbers

We have continued to resize and reshape the business to cut our costs and simplify the Bank in line with our turnaround plan. This has involved some difficult decisions and a reduction in the number of people working for the Bank. Overall staff numbers will continue to fall over the course of the plan. In making such decisions we always try to ensure that colleagues are treated with dignity, respect and fairness.

The average number of people working for the Bank during 2015 was 5,643 (2014: 6,367). Avoidable colleague turnover (colleagues who have resigned during the year) was 17.4% (2014: 18.7%). More information can be found in the Supplementary information on page 56.

## Employee benefits

In 2015, colleagues were offered a range of benefits above the statutory minimum. These include holidays, pension scheme, childcare vouchers, enhanced maternity and paternity benefits, personal accident and private medical insurance schemes and sick pay, as well as access to an employee assistance programme.

85%



In 2015, 85% of our colleagues were members of our Pace Pension Scheme.



# Promoting an inclusive workplace

The Bank seeks to promote an inclusive work environment that engages the talents, beliefs, backgrounds, capabilities and ways of working of unique individuals, to create a culture of belonging in which people are valued and respected.

We do this through a range of inclusion initiatives, which are underpinned by our Diversity and Inclusion Policy. Our membership of external diversity advisory bodies, such as Inclusive Employers, the Business Disability Forum and Stonewall, provides us with expert support and helps us to develop our approach to inclusion.

## During 2015 we:

- set up a Diversity and Inclusion Committee
- launched two colleague network groups: a gay, lesbian, bi-sexual and transgender (LGBT) network, Proud Together; and a women's career network, Elevate
- refreshed our diversity and inclusion mandatory training module for all colleagues
- held events to raise colleague diversity and inclusion awareness during National Inclusion Week in September
- continued to hold the Jobcentre Plus Positive about Disabled People symbol.



In 2016, we will continue to embed an inclusive culture across the Bank by providing ongoing support to our colleague networks, continued development of our internal diversity and inclusion training and resources, and through involvement in and promotion of external inclusion events.

## Diversity

A breakdown of colleague diversity is shown in the Supplementary information on page 56. In 2015, 61% of the Bank's total employees were female and around 404 managers (52%) were women. At the end of 2015, the Executive Management Team was 22% female and two (18%) of the Co-operative Bank's Board members were female. This is in line with the previous year although, in 2015, there were additional male Board appointments which have reduced the overall percentage split.

The proportion of colleagues in each age band has remained stable from 2014, with the majority in the 35–49 age band (37%).

In 2015, we improved our capability to capture data on other areas of colleague diversity through changes to our Human Resources systems. Additional activity will be undertaken in 2016 to ask colleagues, where they feel comfortable to do so, to complete their diversity data. This will enable us to better understand our colleague diversity profile.

## Health, safety and wellbeing

For further information on our work to create a culture in which people are valued and respected, including health, safety and colleague assistance, please see the Supplementary information on page 57.

# Training and development

We have embedded our Values and Ethics in our induction training and they have been incorporated into appropriate business and e-learning modules throughout 2015. For further information on our Mandatory Core Knowledge Training, please see the Supplementary information on page 57.

## Graduates

As part of our continued commitment to investing in emerging talent, our Graduate Programme continues to grow. We recruited 14 graduates onto the 2015 programme (2014: 8), which took our total to 22. We will increase this further in 2016 by offering 19 spaces. The programme is sponsored by our Chief Executive and the Executive Team with each graduate being given a business mentor and helped to attain a relevant professional qualification.

### Graduate community challenge<sup>4</sup>

Our 2014 graduate cohort took part in a community challenge as part of their core development and worked hard to transform a fantastic community resource that supports adults with learning difficulties. We took the opportunity to video our graduates during the challenge to help us get more insight into what it is really like to be on the Bank's Graduate Programme.

“

A lot of the work I've been exposed to has been related to risk and there's a lot of crossover between the Audit and Risk schemes. On my rotations I've learnt all about what audit is and the great scope we have across the Bank. I've also been working with my fellow graduates on an insight study for our CEO. It's been daunting but really enjoyable. I've been so impressed with the programme, it's made me want to work hard to repay the investment in me.”

**Kenji King**

2014 Graduate Entrant



<sup>4</sup> Videos can be viewed at [www.youtube.com/watch?v=HvFTzcCO3WY&feature=player\\_embedded](http://www.youtube.com/watch?v=HvFTzcCO3WY&feature=player_embedded).

## Apprenticeships

The success of our 2014 Apprenticeship Programme, when we recruited two external people and supported 63 internal colleagues to achieve apprenticeships, led us to review our programme and objectives. Due to this we did not recruit any further apprentices in 2015, but will be re-launching a more focused programme in 2016.

We are looking to pilot this programme with a small group of apprentices, initially into customer-facing roles, with a view to expanding the programme into other areas of the Bank. We will be specifically seeking applicants from diverse demographic backgrounds, targeting underprivileged schools in line with our desire to improve career opportunities for everyone.

“



[My] Branch Manager is... willing to go the extra mile with staff with support and training to help achieve personal goals.”<sup>5</sup>

“



...the senior leaders are always encouraging and leading by example in the values and we are always encouraged to speak up and embrace the values.”<sup>5</sup>

## Supporting our talent

In addition to our talent hiring programmes, in 2015, we continued to identify and support the development and future careers of high-potential existing colleagues to help them move into leadership roles.

<sup>5</sup> Quotes are taken from the annual colleague survey, which is anonymous to encourage engagement and truthful feedback from colleagues.

## Colleague volunteering

Our Colleague Volunteer Programme is a key part of our approach to community investment. Colleagues can take part in team challenges or can volunteer through a variety of individual opportunities.

Our Colleague Volunteer Programme was re-launched in June 2015. To make it easier for colleagues to engage, enquiries were directed to an intranet site instead of to an email address. Since the re-launch, the number of colleagues registering to volunteer is nearly four times higher than in 2014<sup>6</sup>. We have been working with Volunteering Matters since 2006 to provide delivery and management of our volunteering activity.

In 2015, the Bank provided a total of 554 opportunities for colleagues to volunteer 4,352 hours to their local communities through volunteering and fundraising activities. This benefited at least 5,578 young people and at least 7,164 other people<sup>7</sup>. Measuring impact is complex; for example a team activity to create a sensory garden may create a relatively low impact for hundreds of people, whereas a mentoring relationship may only benefit one person but the impact could be potentially life changing.

As part of this total, 50 team challenges (2014: 31) took place over the year.



## Fit4Finance

Individual volunteering opportunities included Fit4Finance where, in 2015, volunteers helped secondary school pupils understand the world of money management. Bank colleagues also carried out Number Partners volunteering, which involved working with primary school children to improve their numeracy skills.

“



[Managers] work closely across channels & involve other areas of the business, actively promoting ‘stronger together’ and they do the right thing – for both colleagues & customers. They challenge when things aren’t right and take responsibility in terms of customer complaints resolution and putting the customer first.”<sup>8</sup>

<sup>6</sup> Data supplied annually by Volunteering Matters.

<sup>7</sup> Data collected and provided by Volunteering Matters under the two Ethical Plan themes of Inspiring Young People and UK Communities.

<sup>8</sup> Quotes are taken from the annual colleague survey, which is anonymous to encourage engagement and truthful feedback from colleagues.



## Festive Fundraiser

As part of our festive fundraiser, the Marketing Team supported the charity East Manchester Community Boat Project. The team spread Christmas cheer by running a personal shopping service, present wrapping station, candy cane wishes and mince pie sales. The ideas overflowed and colleagues stepped up with their own fundraising ideas. We discovered that we had a graphic designer, a fashion designer, an ex-personal shopper and a keen crafter who loves the movie Mean Girls who would make hundreds of candy cane wishes at home. We learnt so much about each other and pulled together to make £950, which then received additional funding from the Bank. This smashed our expectations and we are really proud of each other for putting the extra time in to achieve this. From this, the Bank donated further money as we had reached the target to qualify for matched funding.

Individual volunteering opportunities included our Schools Partnership Programme. Through this programme, colleagues could help students under the Fit4Finance, Reading Partners or Number Partners activities. In total, colleagues supported 56 organisations including 19 schools and 37 community organisations.

**i** Further information and a full copy of the report can be found on our [Values and Ethics website pages](#).

“



I helped out in the success of a team completing the 3 Peaks for Charity – ‘We Take Responsibility’, ‘We do the right thing’ and ‘Stronger Together’.”<sup>9</sup>



## Supporting North Cornwall National Trust

During October, Bank colleagues supported the North Cornwall National Trust. The South West Coast Path, due to its popularity, is badly eroded in places and particularly at a steep section overlooking Trebarwith Strand. Twelve Co-operative Bank Area Managers from across the UK came together and under the leadership of Tom, the North Cornwall Ranger, regraded and rebuilt a 120-metre stretch of path. This included improving drainage and path widening to enhance its usage. This has ensured the path will be fit for purpose for years to come.

<sup>9</sup> Quotes are taken from the annual colleague survey, which is anonymous to encourage engagement and truthful feedback from colleagues.

## Pillar 5

# Ethical campaigns

We campaign for social and economic change in line with our Values and Ethics.



“

It's my team that manages and runs our ethical campaigns. They bring to life our passion to stand up for important issues and causes. It's also something that I'm personally proud of and passionate about. This year marked a return to our ethical campaigning roots with the launch of My money, my life, our campaign to lift the lid on financial abuse in intimate relationships. It's a hidden issue but our research revealed it affects one in five of the population and so is clearly an area where our campaigning can have a massive impact.”

**Paul Lawler**

Head of Communications



At The Co-operative Bank, we have a long tradition of campaigning for causes that reflect our customers' and our colleagues' concerns. For us, this is about operating with integrity beyond our own direct business activities and shining a light on hidden issues while campaigning for positive change on behalf of our customers. We are proud to have campaigned in the past against landmines, supporting human rights and on the need to tackle climate change.

In June 2014,

**a poll of over  
74,000 of our  
customers, colleagues  
and other stakeholders**

led to the implementation of our extended Ethical Policy in January 2015. They made it clear that they wanted to see us return to our campaigning heritage – using our voice and scale to stand up for under-served causes that match our Values and Ethics.

## Long campaigning history



**Climate change**



**Anti-personnel landmines**



**Arms trade**



**Human rights**

# My money, my life campaign



We partnered with Refuge, the national domestic violence charity, to lift the lid on financial abuse in intimate relationships. Our focus was to better understand the extent of financial abuse and to raise awareness of this little understood issue in order that steps could be taken to start to address it.

## Identifying the extent of financial abuse and coercion

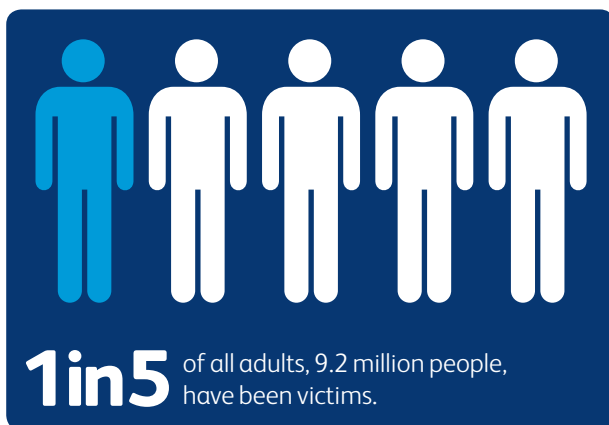
Along with Refuge, we commissioned Nicola Sharp-Jeffs, the author of 'What's Yours is Mine'<sup>1</sup> and a Research Fellow at the Child and Woman Abuse Studies Unit at London Metropolitan University, to help us understand the matter.

We instigated the UK's largest ever research on this topic including a nationally representative insight study<sup>2</sup>, an extensive literature review and a series of 20 interviews, to better understand the real life experiences of women who'd experienced financial and domestic abuse. Our key objectives were to understand the issue and to share our insights in order to raise awareness of this hidden and overlooked concern.

## Uncovering hidden victims

Our report uncovered a widespread, yet not well known, type of coercive control where money is used as a weapon. This financial abuse can be found in various guises, often subtle, but all leading to the victim being psychologically and emotionally controlled. Financial abuse in relationships is a form of domestic abuse and is about power and control.

Forms of abuse can range from being forced to hand over wages or having to provide receipts for all purchases, stealing money from a partner or stopping a partner from going to work. Women are more likely to be targeted and financial abuse against women is most likely to start at key life stages compared to men. It is nearly twice as likely to begin when they move in with a partner, get married or have children.



## Taking action

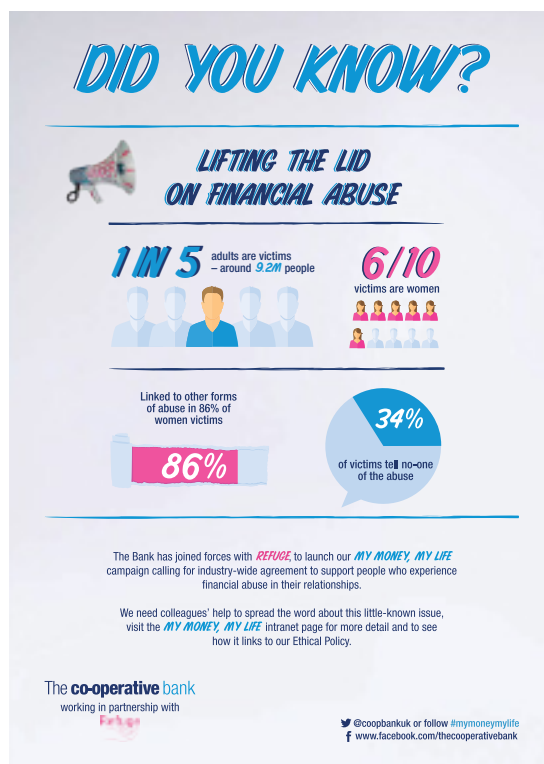
We launched the campaign and highlights from our report on International Human Rights Day. This day marked the end of 16 days of action to end gender violence. We are calling for a coherent approach to start to tackle this appalling crime and to help victims become aware that it is happening to them and where to find help.

### Our campaign action plan

- 1 Raise awareness of its existence.
- 2 Produce a guide to support victims.
- 3 Develop a code of practice for financial institutions.

We believe that having uncovered this hidden activity and given it the oxygen of publicity, we will provide the momentum for the financial services industry, regulators and governments to join us in raising awareness and by doing so to move towards greater recognition and resolution of this widespread abuse.

The Government also credited us for this campaign in its Violence against Women and Girls Strategy<sup>3</sup>. Further information and a full copy of the report can be found on our Values and Ethics website pages.



Refuge is delighted to have worked in partnership with The Co-operative Bank to launch the vital My money, my life campaign, to reveal the true extent of financial abuse in this country.

Thanks to the Bank's support, we're also delighted to be able to offer a practical guide for women experiencing this form of abuse. The My money, my life guide is now being shared across our services, which support 3,700 women and children on any given day.

The Co-operative Bank's partnership has been invaluable. Together, we can achieve lasting and much needed change."

**Sandra Horley CBE**

Chief Executive of Refuge



Further information and a full copy of the report can be found on our **Values & Ethics website pages**.

- 1 2008 Refuge report into financial abuse in relationships ([www.refuge.org.uk/files/Whats-yours-is-mine-Full-Report.pdf](http://www.refuge.org.uk/files/Whats-yours-is-mine-Full-Report.pdf))
- 2 Opinion Research LLP of 4,002 UK adults, August 2015.
- 3 [www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/505961/VAWG\\_Strategy\\_2016-2020.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/505961/VAWG_Strategy_2016-2020.pdf)

# Supplementary information

## **48 Independent assurance statement**

### **50 Supplement to pages 09–12**

Notes from Pillar 1: Ethical banking

### **51 Supplement to pages 13–24**

Notes from Pillar 2:  
Ethical products and services

### **52 Supplement to pages 25–32**

Notes from Pillar 3: Ethical business

### **56 Supplement to pages 33–42**

Notes from Pillar 4:  
Ethical workplace and culture

# Independent Assurance Statement

## Scope and approach

The Co-operative Bank p.l.c. (the “Bank”) commissioned **DNV GL Business Assurance Services UK Limited** (“DNV GL”) to undertake independent assurance of the Values and Ethics Report 2015 (the “Report”) for the year ended 31 December 2015, including the Report’s Supplementary Information section, as well as GHG emissions and Colleagues’ volunteering data included on page 45 of the Bank’s Annual Report 2015.

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, responsiveness, completeness, neutrality and reliability.**

As part of the work performed we reviewed supporting evidence for key claims and data as well as specified key performance data. 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. The performance data in scope was:

- 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
- GHG emissions

Although performance data for ‘Equal pay by gender for equal roles’ was originally in scope for our engagement, no data was included in the Report.

We understand that the reported financial data and information are based on data from the Bank’s Annual Report 2015, which are subject to a separate audit process by Ernst & Young LLP. 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 ‘moderate level’ of assurance. A ‘high 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.

## Responsibilities of the Directors of The Co-operative 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 of the Bank’s 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 and this is the second year that we have provided assurance of the Report, since the change of ownership of the Bank in 2013.

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 Assurance Statement.

## Basis of our opinion

A multi-disciplinary team of sustainability and assurance specialists performed work at the Bank’s headquarters and site level. 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 information provided on its reporting and management processes relating to the Principles
- Review of information provided to us by the Bank on its reporting and management processes relating to the Principles
- Interviews with five selected Directors and Senior Managers responsible for the strategic direction and governance of sustainability issues and review of selected evidence to support issues discussed
- Site visits to the Bank’s offices in London to review processes and systems for preparing site level sustainability performance data and implementation of sustainability strategy
- Site visit to City Office branch in London 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 and data in the report. Our checking processes were prioritised according to materiality and we based our prioritisation on the materiality of issues at a consolidated corporate level
- Review of the processes for gathering and consolidating the specified performance data and, for a sample, checking the data consolidation

## 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 VeriSustain™ Principles. 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.

## Observations

Without affecting our assurance opinion we also provide the following observations.

## Materiality

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

While the Report continues to discuss the sector's most material sustainability issues, and addresses those identified through the Bank's 2014 Ethical Policy consultation, it does not clearly communicate how they have been agreed and prioritised by the business. Furthermore, it is often unclear how the Bank has decided where material issue should be disclosed, i.e. in the Values and Ethics Report versus the Annual Report. In the future, if key topics are disclosed in the Annual Report, they should be clearly signposted and cross-referenced to the Report.

## Stakeholder inclusiveness

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

Last year we recommended that the business should consider actions to formalise its stakeholder engagement processes in order to maintain an understanding of evolving stakeholder expectations. This Report provides commentary on actions that build on the previous stakeholder engagement to review the Bank's Ethical Policy. However, we continue to note a lack of formalisation of these processes.

The Annual Report 2015 states that attraction and retention of staff remains a key risk. As staff are a priority internal stakeholder, future Reports should acknowledge this and provide more information on the Bank's plan and relevant actions to improve attraction and retention.

## Responsiveness

The extent to which an organisation responds to stakeholder issues.

We note that the new Ethical Policy is now the key instrument that sets expectations for employee behaviour. It appears that it has been well received by stakeholders and we anticipate that future reports should disclose how it is further implemented and monitored across the business. Such reporting should also address how the Values and Ethics strategy links to the wider business strategy.

While the Bank continues to report on issues and performance data that are of concern to its stakeholders, a number of disclosures have not been expanded upon. For example, we recommended last year reporting how the Bank incorporates the protection of human rights into its strategy and product development. As the Values and Ethics strategy is rolled out further, the business should increase its reporting to stakeholders on the issues faced, such as redundancies and remuneration, and upon plans to address them. We also restate our recommendation to develop long-term, measurable targets in line with the Ethical Policy commitments and stakeholder expectations, and establish SMART<sup>1</sup> key performance indicators (KPIs) to report on a regular basis.

## Completeness

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

The Report communicates a good overview of performance across the business and includes reporting on products, behaviours and underpinning policies that drive the culture of the Bank. Last year we recommended reporting in more detail on how the Bank incorporates the protection of human rights into its strategy and product development. We restate this recommendation and also note that no further disclosure on progress about Bank's strategic approach to supporting social and economic development is provided this year.

In addition, the Bank has not disclosed data or commentary on equal pay by gender for equal roles for 2015. Given that this is a material issue for stakeholders, we recommend reinstating disclosure of this indicator and related reporting in the future.

## Neutrality

The extent to which a report provides a balanced account of an organisation's performance, delivered in a neutral tone.

While we recognise that the Bank continues to report on relevant areas of performance, the challenges faced during the past year should be discussed in greater detail, especially in relation to redundancies and remuneration. As the Bank matures in its reporting practices, we expect greater balance in future reporting cycles.

## Reliability

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

The Bank has demonstrated reliable process for collecting and reporting on performance data at a corporate level. We found a limited number of non-material errors and these were corrected prior to inclusion in the Report.

We noted that this year there was a change in the way the Bank collates and calculates its community investment data. We recommend that internal guidance is developed to ensure future reporting follows a consistent approach for disclosure of this information. We encourage the Bank to develop these reporting criteria for all performance data.

**For and on behalf of DNV GL Business Assurance Services UK Limited, London, UK**

**25th May 2016**



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



**Jon Woodhead**  
Regional Assessment Services Manager and Reviewer, DNV GL – Business Assurance

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<sup>1</sup> Specific, Measurable, Achievable, Relevant, Time phased (SMART)



# Supplement to pages 09–12

## Notes from Pillar 1: Ethical banking

### Ethical screening

#### Bank Ethical Policy customer screening overview (1 January – 31 December)

The expanded Ethical Policy and associated Bank customer screening criteria covering the new statements on irresponsible gambling, pay day loans and companies that do not responsibly pay tax in the UK and elsewhere, came into effect on 20 January 2015

There were 304 referrals from 1 January – 31 December 2015 (2014: 290) with two businesses declined (2014: four).

2015 data is broadly comparable with 2014 data in terms of the number, nature and source of referrals and their impact on the Policy. This reflects the Bank's simplification strategy, with the focus on retail customers and SMEs, credit unions, social enterprises, charities and co-operatives.

The majority of Ethical Policy referrals continue to be for Business Banking customers. By issue, the majority of issue continue to relate to labour standards (in particular overseas sourcing issues), climate change (oil and gas support businesses), biodiversity (in particular timber and forestry issues) and animal welfare (animal farming issues).

#### 2015 referrals by business area

|                                    | Referrals YTD |            | Declined YTD |          |
|------------------------------------|---------------|------------|--------------|----------|
|                                    | 1 Jan–31 Dec  |            | 1 Jan–31 Dec |          |
|                                    | 2015          | 2014       | 2015         | 2014     |
| AML                                | 1             | 2          | 0            | 0        |
| Business Banking                   | 264           | 254        | 1            | 4        |
| Business Banking (Charities)       | 1             | 1          | 0            | 0        |
| Business Banking (Community)       | 15            | 10         | 0            | 0        |
| Commercial Banking                 | 12            | 12         | 1            | 0        |
| Renewable Energy and Asset Finance | 9             | 9          | 0            | 0        |
| Treasury                           | 2             | 2          | 0            | 0        |
| <b>Total</b>                       | <b>304</b>    | <b>290</b> | <b>2</b>     | <b>4</b> |

#### 2015 referrals by issue

|                                   | Referrals YTD |                       | Declined YTD |          |
|-----------------------------------|---------------|-----------------------|--------------|----------|
|                                   | 1 Jan–31 Dec  |                       | 1 Jan–31 Dec |          |
|                                   | 2015          | 2014                  | 2015         | 2014     |
| Labour standards & human rights   | 125           | 142 <sup>2</sup>      | 0            | 1        |
| Social inclusion                  | 2             | 3                     | 0            | 0        |
| <b>Protecting the environment</b> |               |                       |              |          |
| Climate change                    | 31            | 34                    | 2            | 2        |
| Chemicals                         | 2             | 2                     | 0            | 0        |
| Waste                             | 0             | 2                     | 0            | 0        |
| Biodiversity                      | 65            | 42                    | 0            | 0        |
| <b>Protecting animal welfare</b>  | <b>49</b>     | <b>42</b>             | <b>0</b>     | <b>0</b> |
| <b>Tax</b>                        | <b>5</b>      | <b>0</b>              | <b>0</b>     | <b>0</b> |
| <b>Gambling</b>                   | <b>7</b>      | <b>2</b>              | <b>0</b>     | <b>0</b> |
| <b>Irresponsible marketing</b>    | <b>2</b>      | <b>3</b>              | <b>0</b>     | <b>0</b> |
| <b>Other</b>                      | <b>16</b>     | <b>18<sup>3</sup></b> | <b>0</b>     | <b>1</b> |
| <b>Total</b>                      | <b>304</b>    | <b>290</b>            | <b>2</b>     | <b>4</b> |

<sup>2</sup> 2014 reported total of referrals = 145. Three screenings have been reallocated under the irresponsible marketing heading in line with the expanded Policy launched in 2015.

<sup>3</sup> 2014 reported total of referrals = 20. Two screenings have been relocated under the gambling heading in line with the expanded Policy launched in 2015.

# Supplement to pages 13–24

## Notes from Pillar 2: Ethical products and services

### Supporting social and economic development

#### Community finance

The Community Development Finance Institution (CDFI) programme is a partnership between the Community Development Finance Association (CDFA), Government and The Co-operative Bank and Unity Trust Bank. Each of the two banks provides up to £15 million, which is matched by up to £30 million from the Regional Growth Fund (RGF1). All recipients of funding have had traditional bank funding declined.

The CDFI programme:

- supported 1,149 businesses across England
- is delivered on the ground by 17 CDFIs across England that invest directly in small businesses
- the gross cost per job to Government is only £3,459. This compares to the national average for RGF projects of £37,400
- 95% of jobs created and saved are outside London and the South East
- creates long-term impacts – as the programme is based on lending rather than grants, the funds are recycled. This enables CDFIs to re-lend the money to other local businesses in the future, creating long-term sustainable economic impacts.

For more information about the programme see:

[www.nao.org.uk/report/progress-report-on-the-regional-growth-fund](http://www.nao.org.uk/report/progress-report-on-the-regional-growth-fund)

### Providing good customer service

#### Reportable complaints in 2015

| Period  | Total received complaints | Complaints per 1,000 <sup>4</sup> |
|---------|---------------------------|-----------------------------------|
| H1 2014 | 23,316                    | 3.5                               |
| H2 2014 | 22,538                    | 3.5                               |
| H1 2015 | 19,940                    | 3.2                               |
| H2 2015 | 17,162                    | 2.9                               |

### Access to banking

#### Branches

#### Proportion of The Co-operative Bank branches in deprived areas

| 2015  | 2014 | 2013 | 2012 | 2011 |
|-------|------|------|------|------|
| 40.8% | 38%  | 38%  | 38%  | 37%  |

<sup>4</sup> The bank received on average 3.21 reportable complaints per thousand accounts, live policies, or investment products in the first half of 2015, reducing to 2.90 in the second half of the year. Excluding PPI complaints, this equates to 2.37 and 2.06 complaints per 1000 live policies, accounts or investment products, respectively.

# Supplement to pages 25–32

## Notes from Pillar 3: Ethical business

### Politics, tax and government

#### Trade and business association membership fees and donations 2015

| Organisation  | Membership subscription/fees <sup>5</sup> |
|---|---|
| Payments UK   | £174,000                                  |
| Council of Mortgage Lenders (CML)   | £107,000                                  |
| UK Cards Association  | £60,000                                   |
| Lending Standards Board   | £51,000                                   |
| British Bankers' Association (BBA)  | £34,000                                   |
| European Association of Co-operative Banks (EACB)                                 | £25,986                                   |
| Professional Planning Forum   | £15,000                                   |
| Co-operatives UK (associate member)   | £8,200                                    |
| UK Sustainable Investment and Finance Association (UKSIF)                         | £6,630                                    |
| Business Disability Forum   | £3,400                                    |
| Inclusive Employers   | £3,250                                    |
| Intermediary Mortgage Lenders Association (IMLA)                                  | £3,250                                    |
| Association of Mortgage Intermediaries (AMI)                                      | £3,200                                    |
| Social Enterprise UK  | £2,800                                    |
| National Council for Voluntary Organisations (NCVO)                               | £2,500                                    |
| Stonewall   | £2,500                                    |
| Charity Finance Group   | £1,700                                    |
| All Party Parliamentary Group on Debt and Personal Finance (affiliate membership) | £1,000                                    |
| Social Enterprise Scotland  | £946                                      |
| <b>Total</b>  | <b>£506,362</b>                           |

<sup>5</sup> Excluding VAT, where applicable

## Supplement to pages 25–32 continued

### Notes from Pillar 3: Ethical business

## Formal meetings

### Formal meetings between Government Ministers or Senior Civil Servants and members of the Bank's Board and Executive 2015

| Board/Executive Committee member | Date            | Minister/Civil Servant                               | Purpose of meeting |
|----------------------------------|-----------------|--|--------------------|
| Niall Booker (CEO)               | 29 June 2015    | John Kingman (Second Permanent Secretary, HMT)       | Update on the Bank |
| Niall Booker (CEO)               | 9 December 2015 | Harriet Baldwin (Economic Secretary to the Treasury) | Update on the Bank |

## Economic value

### Direct economic value generated and distributed<sup>6</sup>

|   | 2015<br>£m   | 2014 (R) <sup>7</sup><br>£m |
|---|--------------|-----------------------------|
| <b>Revenue<sup>8</sup></b>                  | 821.6        | 1,064.8                     |
| <b>Economic value distributed</b>           | <b>2015</b>  | <b>2014</b>                 |
| Operating costs <sup>9</sup>                | 281.3        | 326.1                       |
| Employee wages and benefits                 | 287.5        | 304.1                       |
| Payments to providers of capital            | 22.7         | 23.0                        |
| Payments to government <sup>10</sup>        | 20.8         | 20.7                        |
| Community investment                        | 1.4          | 1.6                         |
| <b>Total economic value distributed</b>     | <b>613.7</b> | <b>675.5</b>                |
| <b>Economic value retained<sup>11</sup></b> | <b>207.9</b> | <b>389.3</b>                |

## Managing our environmental impacts

### Waste and recycling

|             | Total waste arisings (t) | Reused/ recycled (t) | Waste to landfill (t) |
|-------------|--------------------------|----------------------|-----------------------|
| <b>2015</b> | <b>1,087</b>             | <b>958</b>           | <b>128</b>            |
| 2014        | 2,165                    | 1,508                | 657                   |
| 2013        | 2,637                    | 1,800                | 837                   |
| 2012        | 2,571                    | 1,721                | 850                   |
| 2011        | 2,493                    | 1,350                | 1,143                 |

We produced 1,087 tonnes of waste in 2015, of which 88 % was reused or recycled.

6 Based on GRI indicator G4-EC1 ([www.globalreporting.org/resourcelibrary/GRI-G4-Part2-Implementation-Manual.pdf](http://www.globalreporting.org/resourcelibrary/GRI-G4-Part2-Implementation-Manual.pdf)). Economic value distributed = operating costs + employee wages and benefits + payments to providers of capital + payments to government + community investments.

7 Comparative figures have been restated as disclosed in the Annual Report and Accounts 2015.

8 Revenue comprises of interest receivable and similar income.

9 Including administrative expenses, operating lease rentals and direct expenses from investment properties.

10 Total of income tax received and FSCS levy paid.

11 Calculated as 'direct economic value generated' less 'economic value distributed'.

## Supplement to pages 25–32 continued

### Notes from Pillar 3: Ethical business

#### Estimated water consumption<sup>12</sup>

We have reduced total water consumption by 40.2% since 2011.

|             | Total water consumption (m <sup>3</sup> ) | Average water consumption per site (m <sup>3</sup> ) |
|-------------|---|--|
| <b>2015</b> | <b>104,501</b>                            | <b>339.30</b>  |
| 2014        | 117,988                                   | 364.16   |
| 2013        | 123,111                                   | 369.70   |
| 2012        | 128,863                                   | 400.20   |
| 2011        | 174,987                                   | 490.16   |

#### Governance of Values and Ethics

The responsibilities of the Values and Ethics Committee (as outlined in its Terms of Reference) are:

##### Responsibilities

The Values and Ethics (V&E) Committee shall recommend to the Board for approval and adoption the co-operative values and ethical policies of the Bank and shall represent, monitor and advise the Board on matters concerning the interests of customers, suppliers, employees and other stakeholders in their dealings with the Bank in line with the objects of the Bank as described in the Articles of Association having regard to:

- (i) the legal and regulatory requirements applicable to the Bank and its directors;
- (ii) the need for the Bank's operations to be commercially sustainable and profitable; and
- (iii) the desirability of maintaining and enhancing the public reputation and image of the Bank.

The V&E Committee shall monitor and report on the following:

- (i) customer satisfaction levels (with a focus on service levels and on the product offering in the light of the Bank's ethical policies, in each case assessed by reference to relevant customer metrics);
- (ii) alignment of treatment of the Bank's customers with its values and ethical policies;
- (iii) alignment of employee training and culture with its values and ethical policies;
- (iv) corporate social responsibility, community investment, environmental and other projects and activities of the Bank;
- (v) the establishment of a clear 'ethical' policy and 'ethical' strategy informed by customer consultation that aligns with the commercial strategy and is reviewed annually;
- (vi) the extent to which executive remuneration policies are consistent with the Bank's values and ethical policies;
- (vii) provision of products and services to sectors / organisations with clear social justice or community benefit purpose;
- (viii) the development of products and services with 'ethical' features;
- (ix) the Company's approach to improving the social and environmental impacts of the Bank's own operations; and
- (x) the choice of suppliers, partners and third party relationships which should be informed by the Bank's 'ethical' policy.

The V&E Committee shall:

- (i) monitor the Bank's compliance with its statement to Co-operatives UK; and
- (ii) report at least annually to the Board on the Bank's compliance with its statement to Co-operatives UK.

For further information please see [www.co-operativebank.co.uk/assets/pdf/bank/aboutus/governance/values-and-ethics-committee-terms-of-reference.pdf](http://www.co-operativebank.co.uk/assets/pdf/bank/aboutus/governance/values-and-ethics-committee-terms-of-reference.pdf)

<sup>12</sup> We have metered water bill data for 90% of Bank locations. For the remaining 10%, water use is estimated based on 'site average consumption'.

## Supplement to pages 25–32 continued

### Notes from Pillar 3: Ethical business

## Governance, management and reporting on Values and Ethics

### Values and Ethics (V&E) strategy and management

**Ethical Policy:** Our Ethical Policy provides the framework for our work on Values and Ethics (page 04).

**V&E Committee:** Accountability for Values and Ethics is ensured through the work of the Bank's Values and Ethics Committee (V&E Committee) – a committee of the Board with an independent chair, Laura Carstensen (appointed May 2014). Laura is a commissioner at the Equality and Human Rights Commission and a former partner at lawyers Slaughter and May.

**V&E Team:** Operational delivery and implementation of the Bank's commitment to Values and Ethics is co-ordinated by a new Values and Ethics Team, which sits within the wider Communications Team. In 2015, a new Head of V&E was appointed to take forward the co-ordination of Values and Ethics activity.

**Risk management:** We provide a full account of the Bank's approach to, and governance of, risk management, along with an outline of the principal risks and uncertainties we face, in our Annual Report and Accounts (page 97)<sup>13</sup>. Reputational risks associated with issues that could be damaging to the Bank's reputation as an ethically led organisation are included in risk management.

### V&E management, reporting and assurance principles

**Principles:** Our approach to Values and Ethics reporting is guided by the principles of materiality, inclusivity and responsiveness – as set out in the AA1000 AccountAbility Principles Standard (2008)<sup>14</sup>.

**Materiality:** We use a range of methods to identify the economic, social and environmental issues that are of relevance to our stakeholders and our business, to determine the significance of those, and to develop responsible business strategies and objectives. This includes considering issues raised by customers, colleagues, other stakeholders and wider business and society interests expressed through, for example, various consultations, our business strategy and risk management processes, societal normal and emerging issues, and external reporting standards and benchmarks.

**Inclusivity:** Our stakeholders are involved in helping us determine these material issues and ways we can respond. In 2014, we carried out extensive stakeholder engagement, most notably through our Ethics and Values Poll, in which more than 74,000 customers, colleagues and stakeholders took part, as well as a programme of regular engagement with wider stakeholders during 2015.

**Responsiveness:** This Report provides examples of how we have responded to the issues raised through these various mechanisms, for example by expanding and relaunching our Ethical Policy (page 04).

**Guidelines:** We have used a range of other external standards and guidelines in developing this Report, including the GRI's reporting framework and financial services supplement.

**Assurance:** We appointed DNV GL to independently assure key performance data and claims made in this Report, to help drive our performance and to enhance stakeholders' confidence in the disclosures made in it. DNV GL's approach to assurance draws on recognised standards including GRI and the International Standard on Assurance Engagements 3000 (ISAE 3000). Their assurance statement can be found on page 48.

### Scope of this Report

This is our 2015 Values and Ethics Report, published in June 2016. Performance relates to the calendar year 2015 (unless otherwise stated). Wherever possible, data presented reflects our business operations in 2015, post-separation from The Co-operative Group. Where this has not been possible (eg, where data capture is not yet completely separated) this is indicated in footnotes.

<sup>13</sup> [www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf](http://www.co-operativebank.co.uk/assets/pdf/bank/investorrelations/2015-Annual-Report-and-Accounts.pdf)

<sup>14</sup> [www.accountability.org/standards/aa1000aps.html](http://www.accountability.org/standards/aa1000aps.html)



# Supplement to pages 33–42

## Notes from Pillar 4: Ethical workplace and culture

### Rewarding people fairly

#### Part-time working

| Salary          | 2015 | Full time  | Part-time  |
|-----------------|------|------------|------------|
| Up to £15,000   | 8%   | 7%         | 1%         |
| £15,001–£20,000 | 43%  | 27%        | 16%        |
| £21,001–£30,000 | 20%  | 17%        | 3%         |
| £30,001–£40,000 | 12%  | 11%        | 1%         |
| £40,000 +       | 17%  | 16%        | 1%         |
|                 |      | <b>78%</b> | <b>22%</b> |

Based on period 13 2015

In the Bank, 22% of colleagues work part-time, reflecting our approach to supporting a healthy work–life balance. The table above provides a breakdown of colleagues by salary, level and working status.

#### Employee numbers

The overall reduction in employee numbers during 2015 comprised a combination of leavers and new starters to the business. Of the 2,273 leavers, 43% resigned, 18% left through redundancy and the remaining 39% left for other reasons (eg, retirement, dismissal and a significant majority through TUPE transfer). The TUPE transfer refers to colleagues who transferred to Capita, circa 700 people.

In the event of redundancy, we offer a flexible, individually tailored outplacement support service to help colleagues reconnect to their chosen career or job. This includes practical advice and guidance, help with CVs, and online learning events and courses.

#### Avoidable employee turnover

This is defined as employees who resign from the business for one of the following reasons:

- alternative employment
- better career prospects
- better pay
- dissatisfaction / management style
- dissatisfaction / terms of employment
- dissatisfaction / working conditions
- ill health
- leaving area
- long hours
- maternity / pregnancy
- personal / domestic reasons
- violence in the workplace
- within probationary period by business
- ill health partial
- ill health total.

#### Absence

In 2015, the absence rate at the Bank was 4.5% (2014: 5.9%).

Absence has fallen, particularly the long-term absence rate, mainly due to open cases being more closely managed.

### Treating people equally

#### Ethnicity and diversity

The diversity data provided with regards to ethnicity and disability in the 2014 report has now been identified as incomplete. This was due to reliance on external Human Resources systems that had low levels of colleague completion. Our capability to capture colleague diversity data was improved at the end of 2015 with the introduction of new Human Resources systems within the Bank. Through 2016, we will undertake activity to encourage colleagues to update Human Resources systems with their data, thus enabling future accurate reporting on diversity information. For these reasons, we have not re-stated and updated the table from 2014 showing the proportion of female, ethnic minority and disabled employees. This will be included in our 2016 reporting.

## Supplement to pages 33–42 continued

### Notes from Pillar 4: Ethical workplace and culture

#### Proportion of employees in each age band

| Age band | 2015 |
|----------|------|
| <24yrs   | 12%  |
| 25–34yrs | 31%  |
| 35–49yrs | 37%  |
| 50–64yrs | 19%  |
| 65+yrs   | 1%   |

Based on period 13 2015

#### Gender diversity by seniority

| YE 2015                                 | Female no.   | Female %   | Male no.     | Male %     |
|---|--------------|------------|--------------|------------|
| Board <sup>15</sup>                     | 2            | 18%        | 9            | 82%        |
| Executive Management Team <sup>16</sup> | 2            | 22%        | 7            | 78%        |
| Other employees <sup>17</sup>           | 3,078        | 61%        | 1,988        | 39%        |
| <b>Total</b>                            | <b>3,082</b> | <b>61%</b> | <b>2,004</b> | <b>39%</b> |

| YE 2014 <sup>18</sup>     | Female no.   | Female %   | Male no.     | Male %     |
|---------------------------|--------------|------------|--------------|------------|
| Board                     | 2            | 22%        | 7            | 78%        |
| Executive Management Team | 2            | 29%        | 5            | 71%        |
| Other employees           | 3,897        | 63%        | 2,299        | 37%        |
| <b>Total</b>              | <b>3,901</b> | <b>63%</b> | <b>2,311</b> | <b>37%</b> |

#### Employee assistance

All Bank colleagues and their families are offered the services of an employee assistance programme, operated by Validium. This is a 24-hour service for all colleagues, which offers counselling and support on a range of work and personal issues. In 2015, 10% (2014: 5%) of colleagues used these services.

<sup>15</sup> Board of Directors: includes executive and non-executive directors.

<sup>16</sup> Executive Management Team: includes senior managers who have responsibility for planning, directing or controlling the activities of the company.

<sup>17</sup> Other employees: includes all other permanent employees.

<sup>18</sup> The colleague categories have been redefined for the 2015 report.

The YE 2014 figures (using the new definitions) are therefore included in this Report to enable comparison.

#### Health and safety

The Bank continued to monitor and report accident rates in 2015 in line with the Health and Safety Executive requirements. In 2015, we recorded two reportable and 74 non-reportable accidents.

#### Employee relations

We recognise the right of our colleagues to join a trade union, if they wish. Colleagues are able to join one of two trade unions recognised by the Bank – Unite and Britannia Staff Union (BSU). We seek to foster stable working relationships with the unions based on trust and integrity. We schedule weekly meetings, with executive support as required, to inform and keep the unions up to date with strategic and operational developments and to consult on organisational change, terms and conditions of employment and pay.

## Training, development and volunteering

#### Mandatory Core Knowledge Training

The Bank's Mandatory Core Knowledge Training (MCKT) modules are designed in partnership with Human Resources and Subject Matter Experts across the business, and reviewed annually to ensure that they are relevant to all colleagues and meet the requirements of our regulators.

In 2015, there were 11 modules for colleagues and contractors, all with multiple choice assessments. In 2015, the total number of modules completed was approximately 90,850.

We also offer a range of business-specific and management development training and, in 2015, we delivered more than 16,400 delegate days of training to 6,300 delegates.

#### Volunteering: Summary of activity in 2015 from Volunteering Matters

|               |   |                 |
|---------------|---|-----------------|
| Individual    | New volunteer matches with community partners | 12              |
|               | Volunteers that have attended placements      | 33              |
|               | Individual volunteering hours                 | 613.5           |
| Team          | Team challenges                               | 50              |
| volunteers    | Team challenge volunteers                     | 495             |
|               | Team volunteering hours                       | 3,297           |
| Self-arranged | Total self-arranged volunteers (in work time) | 13              |
| volunteers    | Self-arranged volunteering hours              | 108.75          |
| <b>Totals</b> | <b>Total active volunteers</b>                | <b>541</b>      |
|               | <b>Total volunteer hours</b>                  | <b>4,019.25</b> |

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