



The Co-operative Bank Holdings Limited & Co-operative Bank plc Modern Slavery and Human Trafficking Statement 2017

Activity in 2017

This is the Modern Slavery and Human Trafficking Statement of The Co-operative Bank Holdings Limited which is the ultimate parent company of The Co-operative Bank Group and is incorporated in England. The Group comprises of a number of different subsidiary entities, including The Co-operative Bank plc. This statement is applicable to each entity within the Group to which the reporting requirements of the 2015 Modern Slavery Act are relevant and covers our financial year 2017.

During this time we have taken steps to further strengthen our supplier screening and reporting processes. These are set out in our annual Values and Ethics Report which reviews our performance against our Ethical Policy. Our latest Values and Ethics report can be found here:

<https://www.co-operativebank.co.uk/assets/pdf/bank/news/values-and-ethics-report-2017.pdf>

Background

The Bank is defined by its Values and Ethics and we are committed to ensuring that our operations, supply chains and the way we do business are aligned with those values. We work with our customers and suppliers to uphold the standards set out in our Ethical Policy, which include environmental sustainability, human rights and social responsibility. We take a zero-tolerance approach to breaches of our policies and standards on modern slavery and human trafficking and we will always take action to investigate suspected incidences of modern slavery or to immediately address any confirmed incidences.

As part of this commitment and in line with our regulatory obligations we publish this annual statement outlining the policies, procedures and training we have in place to prevent incidences of modern slavery and human trafficking occurring in our business and supply chains, investigating suspected incidences and how we address confirmed incidences.

About The Co-operative Bank plc

The Bank is a retail and SME bank based exclusively in the UK. The majority of our supply chains are also based in the UK. We operate from 68 branches across the UK and several large offices primarily based in the North West of England. Our supply chains include goods not for resale (such as paper, stationery, uniforms, furniture and marketing materials), ICT equipment and services, professional services such as auditing and accounting, and business services such as cleaning, catering and facilities management.

Further information about the Bank, its strategy and its structure can be found in our Annual Report and Accounts and our Interim Results, which can be accessed here:

<http://www.co-operativebank.co.uk/investorrelations>

Our ethical approach to business

Our approach to tackling unethical or illegal activity in our business and supply chains begins with our values and ethics which drive our company culture, and is further reinforced by our governance structure. Co-operative values, reflected in our customer-led Values and Ethics Policy, are embedded in the Articles of Association of the Bank ensuring that they guide the management and conduct of the Bank. Compliance with this policy is overseen by the Values and Ethics Committee, which is a sub-committee of the Board of the Bank, and chaired by an independent non-executive director. The Values and Ethics Committee reviews the Bank's activity to ensure it meets the commitments set out in our Ethical Policy.

The Bank's risk framework enables the Bank, to assess regulatory, legal and reputational risks. This is overseen by the Risk Committee, a sub-committee of the Board of the Bank.

Our Ethical Policy has been in place for over 25 years and the most recent update was published in January 2015 and reflects input from around 74,000 customers and colleagues. The policy provides a framework for all employees of the Bank, ranging from front line customer facing colleagues to our senior executives to ensure that Values and Ethics are reflected in decisions at every level. The core principles of the Ethical Policy include promoting human rights and equality, and reducing poverty by supporting international development. These values and ethics are also reflected in our business policies, practices and culture, guiding our colleagues on their duty of care and responsibility to each other.

We expect our suppliers and our business and corporate customers to uphold the same values and commitments as set out in our Ethical Policy, and this is governed by our supplier screening process (see below). We seek to work with suppliers, partners and customers to make a positive contribution to our pursuit of sustainable development, both in terms of environmental sustainability and social responsibility.

As well as a strong culture of Values and Ethics, the Bank also has several specific policies and processes in place that make clear our expectation that our colleagues, suppliers and non-personal customers behave ethically and always comply with the law in the UK and overseas, based on the principles set out in our Ethical Policy:

- Potential suppliers for Bank contracts with a value of £250,000 or more and business customers undergo our Ethical Policy and Sustainable Procurement & Supplier Policy screening processes
- During on-boarding of new suppliers, they are requested to confirm that they are compliant with the principles of our Sustainable Procurement and Supplier Policy and to complete a self-certification form
- Suppliers must agree to abide by all relevant laws, regulations and industry codes of practice as part of our tendering and contracting process
- Our Supplier Management Framework sets out how we work with suppliers throughout their relationship with the Bank, including regular re-screening against our Ethical Policy and Sustainable Procurement & Supplier Policy criteria
- A risk framework that all colleagues across the Bank use to identify and manage regulatory, legal and reputational risks
- Resourcing policies that we follow when recruiting new colleagues or working with employment agencies
- Training and policies to enable our colleagues to identify customers who may be money laundering or handing the proceeds of crime, which could arise from human trafficking or modern slavery
- Codes of conduct and training for all of our colleagues and contractors setting out the ethical standards we expect them to meet

Further information on all of these processes can be found below.

Our Ethical Policy

Our Ethical Policy sets out our commitment to be an ethical bank and workplace. This includes:

- Our commitment to paying the National Living Wage (as calculated by the Living Wage Foundation) and encouraging our contractors and suppliers to become Living Wage employers, and in doing so require our contractors to pay employees operating at our sites the UK Living Wage
- Upholding the right of all employees to join a trade union if they wish
- Ensuring co-operative values are embedded in our workplace culture

For further information on our Ethical Policy, please visit:

<http://www.co-operativebank.co.uk/aboutus/ourbusiness/ethicalpolicy>

Our Risk Management Framework

Like all banks, we have a formal structure for identifying, reporting, monitoring and managing risks, comprising our Board approved risk appetite statements, underpinned by a Risk Management Framework (RMF). The RMF sets out the high level policy, standards, roles, responsibilities, governance and oversight for the management of all risks across the Bank.

Third party supplier risk has been identified as being significant and is therefore included in the RMF and must be managed, monitored, measured and reported through our governance procedures. Our Third Party Supplier Risk Policy outlines the key principles to be applied when managing third party supplier risks. This includes:

- Third party suppliers must have the ability, capacity and any appropriate regulatory authorisation to perform the function, service or activity
- Outsourcing must be managed in line with the Bank's Material Outsource Operating Model (MOOM) arrangements or Supplier Management Framework
- Initial and ongoing risk assessments of third party suppliers must be conducted
- Where a third party uses another third party (subcontractor) to meet its obligations to the Bank, they must manage the third party (subcontractor) in line with the Third Party Supplier Risk Policy and its supporting control standards, and this arrangement must be disclosed to the Bank

Our Resourcing Policies

When recruiting colleagues or working with employment agencies, we use a number of policies and procedures to ensure that we always behave ethically and manage risk:

- All permanent, temporary and contractor recruitment is outsourced to a third party. One of the criteria for the selection of our external recruitment partners is that they must have a Slavery and Human Trafficking policy that highlights a zero tolerance approach to modern slavery and includes a commitment to acting ethically and with integrity in all business dealings and relationships. The policy must also form part of any of our partners' sub-supplier agreements
- We undertake an annual payroll audit to ensure all of our colleagues are being paid at least the Living Wage Foundation rate, including an audit of our employment suppliers' payroll

Identifying money laundering and the proceeds of crime

In common with all banks, we have a 'three line' approach to managing risk amongst our customers, including policies on anti-money laundering and the proceeds of crime. These policies are intended to prevent the Bank from providing banking facilities to those engaged in illegal or criminal activities, which may also include modern slavery and human trafficking.

Our Ethical Policy and Sustainable Procurement and Supplier Policy screening processes

Our Ethical Policy and Sustainable Procurement and Supplier Policy (SPSP) screening reviews all potential suppliers (over a specific turnover threshold or those in high risk-sectors) and all non-personal customers to ensure they are compatible with our Ethical Policy, before any

commercial contracts are agreed, or services supplied.

- All suppliers are asked to complete a pre-qualification questionnaire, which requests information on a range of issues including labour standards
- After initial review, details of those suppliers answering yes to any questions are sent to our Values & Ethics team for a more detailed assessment. For those suppliers classed as 'Major issue / breach' that remain a preferred option, the relevant business area is required to make a business case as to why no alternative supplier is able to provide this product or service at a similar cost
- SPSP compliance forms part of the ongoing relationship with higher risk suppliers who are managed through the Bank's Supplier Management Framework

The Sustainable Procurement and Supplier Policy screening enables us to identify high risk supply chains by gathering information about their business, parent or subsidiary companies and the sectors and jurisdictions in which they operate, at the outset of our relationship.

What does the policy mean in practice?

We ask suppliers to confirm that they do not breach our Sustainable Procurement and Supplier Policy which sets out our expectations that a supplier's core activities are sustainable, fair, legal and ethical. This includes a number of terms relating to labour standards. For example:

- Support the Fundamental International Labour Organisation Conventions and not engage in or support the use of forced labour, and recognise that workers should be free to terminate their employment after a reasonable agreed period of notice
- Not engage in or support the use of child labour, and to provide specific consideration to young persons between the ages of 15 and 18, particularly in respect of their hours of work and safety
- Meet legislative and industry standards pertaining to working hours, whichever afford the better protection, and ensure that employees shall not, on a regular basis, be expected to work for more than 48 hours per week

Our tendering and contacting process

In addition to our SPSP, during the onboarding process suppliers are required to agree to our standard terms and conditions, confirming that they:

- Will remain in compliance with all relevant regulations, both at home and abroad
- Comply with all customer policies concerning ethics, anti-bribery and/or anti-corruption as well as with any relevant industry code on anti-bribery

For full details of our Sustainable Procurement and Supplier Policy processes, please see our latest version of the annual Values and Ethics Report:

<https://www.co-operativebank.co.uk/assets/pdf/bank/news/values-and-ethics-report-2017.pdf>

Our Supplier Management Framework

Once they become a supplier of goods or services to the Bank, our Supplier Management Framework and third party supplier management policies set out how we continue to work with our commercial suppliers on a day to day basis, throughout the lifetime of their contract. As part of the Framework, we review these suppliers against our SPSP criteria annually. Suppliers who present a higher risk may be screened more often.

We also monitor the progress of our suppliers in developing and implementing ethical improvement initiatives.

Training our colleagues

As part of our risk-based approach we provide the following training to our colleagues to ensure they uphold our values and ethics.

- 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

Investigating suspected incidences of modern slavery and human trafficking

As set out in our SPSP, we adopt a zero-tolerance approach to basic standards of conduct. If breaches of basic standards occur, such as those involving corruption, fraud, bribery and modern slavery, we require suppliers to address these immediately. We expect action to be taken to investigate the conduct, remediate where possible, and ensure plans are put in place to avoid the situation recurring. We would always report any suspected criminal activity to the relevant authorities in the UK or overseas.

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.



Liam Coleman
Chief Executive
26 June 2018