

**THE CO-OPERATIVE BANK PLC**  
**VALUES AND ETHICS COMMITTEE**

**Terms of Reference**

**1. CONSTITUTION**

- 1.1 The Values and Ethics Committee (the “**V&E Committee**”) terms of reference of The Co-operative Bank plc (the “**Bank**”) were approved by The Co-operative Bank Holdings Limited (the “**Parent**”), the sole shareholder of the Bank on 6 February 2019.
- 1.2 The purpose of the V&E Committee is to recommend to the board of directors of the Bank (the “**Board**”) for its approval and adoption the co-operative values and ethical policies of the Bank and to advise the Board of the Bank’s conformity with such values and ethics in its operations and activities.

**2. MEMBERSHIP**

- 2.1 The members and chairman of the V&E Committee shall be appointed in accordance with the articles of association of the Bank (the “**Articles**”). The chairman of the V&E Committee shall be an Independent Non-Executive Director (the “**Chairman**”) and membership shall consist of a minimum of two and maximum of four members (including the Chairman), the majority of whom shall be Independent Directors of the Bank and, to the extent there is a B Director on the Board, the B Director may be a member of the Committee.
- 2.2 The V&E Committee may contain a member who is not a director of the Bank, who must be a senior executive of the Bank or if not a senior executive of the Bank, the individual must have appropriate credentials for the role.
- 2.3 In the absence of the Chairman (and/or an appointed alternate member), the members present at any meeting of the V&E Committee shall elect one of their number to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board.

**3. SECRETARY**

- 3.1 The company secretary of the Bank, or an alternate selected by the Chairman, shall be the secretary of the V&E Committee (the “**Secretary**”).
- 3.2 The Secretary should ensure that the V&E Committee receives information and papers in a timely manner to support full consideration of the issues.

**4. QUORUM**

- 4.1 The quorum for meetings of the V&E Committee shall be two members present throughout the meeting, of whom one shall be a B Director (to the extent a B Director is a member of the V&E Committee) and the other shall be an Independent Director (or two Independent Directors to the extent no B Director is a member of the V&E Committee).
- 4.2 A member may be present for the purpose of paragraph 4.1 in person, by telephone or other electronic communications. A duly convened meeting of the

V&E Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the V&E Committee.

- 4.3 Subject to notice of a meeting of the Committee having been given in accordance with paragraph 5.2, in the event that it is confirmed to the Secretary prior to the scheduled start of such meeting that a non-executive B Director will not be able to attend such meeting, the quorum for this meeting only shall be any two members provided that the non-executive B Director in question has given his views on the business of the meeting to the Chairman in advance.

## **5. NOTICE**

- 5.1 Meetings of the V&E Committee may be convened at any time by the Chairman of the V&E Committee or on the reasonable request of any V&E Committee member who considers it necessary. There shall be at least four meetings of the V&E Committee in any one financial year of the Bank.
- 5.2 Unless otherwise agreed, notice of each meeting of the V&E Committee confirming the venue, date and time, together with an agenda of items to be discussed and supporting papers where appropriate, shall be forwarded to each member of the V&E Committee, each B Director of the Bank and to each other person invited to attend, in a timely manner to enable full and proper consideration of issues, usually no later than three working days prior to the date of the meeting.

## **6. ATTENDANCE AT MEETINGS**

- 6.1 Only the Chairman and members of the V&E Committee shall have the right to attend and vote at meetings of the V&E Committee. Non-members may attend at the invitation of the Chairman.
- 6.2 Subject to the Inside Information Framework (as defined in the Articles), the B Director(s) who are not members of the Committee shall be entitled to attend each meeting of the V&E Committee unless the Chairman reasonably determines it is inappropriate.

## **7. VOTING**

In the event of an equality of votes, the Chairman shall have a casting vote.

## **8. MINUTES OF MEETINGS**

- 8.1 The Secretary shall minute the proceedings and resolutions of all V&E Committee meetings, including the names of those present and in attendance.
- 8.2 Draft minutes of V&E Committee meetings shall be circulated promptly to all members of the V&E Committee. Once approved, minutes shall be circulated to all other members of the Board (and shall constitute an item for discussion/noting on the agenda of the next Board meeting) unless it would be inappropriate to do so in the opinion of the Chairman.

## **9. ANNUAL GENERAL MEETING**

The Chairman shall attend the annual general meeting of the Bank (the “AGM”) to answer any shareholder questions on the V&E Committee's activities and on the

annual report of the V&E Committee to the Board to be included in the annual report and accounts of the Bank. The members of the V&E Committee should be prepared to meet shareholders at the AGM.

## 10. RESPONSIBILITIES

- 10.1 The 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 all stakeholders in their dealings with the Bank in line with the objects of the Bank as described in the Articles 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.
- 10.2 The V&E Committee shall monitor the Bank's compliance with its statement to Co-operatives UK and report at least annually to the Board on the Bank's compliance with its statement to Co-operatives UK.
- 10.3 The V&E Committee shall monitor compliance with the Ethical Policy, by specifically, but not limited to,
- (i) the establishment of a clear 'ethical' policy and 'ethical' strategy informed by customer consultation that aligns with the commercial strategy and is reviewed annually;
  - (ii) providing Ethical Banking;
  - (iii) providing Ethical products and services, focusing on
    - a) 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);
    - b) alignment of treatment of the Bank's customers with its values and ethical policies;
    - c) provision of products and services to sectors/organisations with clear social justice or community benefit purpose;
    - d) the development of products and services with 'ethical' features;
  - (iv) conducting Ethical Business through
    - a) corporate social responsibility, community investment, environmental and other projects and activities of the Bank;
    - b) the Bank's approach to improving the social and environmental impacts of the Bank's own operations;

- c) the choice of suppliers, partners and third party relationships which should be informed by the Bank's 'ethical' policy;
- d) the Bank's allocation of resource and budget to its V&E function (as distinct from its marketing and investor relations functions);
- (v) Ethical workplace and culture
  - a) alignment of employee training and culture with its values and ethical policies;
  - b) the extent to which executive remuneration policies are consistent with the Bank's values and ethical policies;
- (vi) Ethical Campaigning
  - a) the Bank's ethical campaigning activities and adherence to any commitments made under Pillar 5 of the Values and Ethics Report.

## **11. OTHER MATTERS**

- 11.1 The V&E Committee shall have access to sufficient resources and support in order to carry out its duties, including access to the Company Secretariat for assistance as required.
- 11.2 The V&E Committee is authorised to engage at the Bank's expense such legal and other professional advisers to provide independent advice as considered appropriate by the V&E Committee.
- 11.3 The V&E Committee may not incur "out of pocket" expenses or other costs in performing its duties greater than £50,000 in aggregate during any calendar year without the approval of the Board but, for the avoidance of doubt, the costs of printing and publishing the annual report of the V&E Committee in the annual report and accounts of the Bank or the consolidated annual report and accounts of its parent undertaking, The Co-operative Bank Holdings Limited, shall be excluded from such figure.