



Promoting equality in The Co-operative Bank

**Gender Pay Gap
Reporting**

and

**Women in Finance
Charter Update**

November 2017

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

“..a target of 40% of women in senior management roles by 2020.”

At The Co-operative Bank, we are committed to continuing to create a fair and ethical workplace in which all of our colleagues can perform at their best - regardless of gender, sexuality, ethnicity, or other characteristics.



In 2016, we were pleased to be one of the first banks to sign up to the Women in Finance Charter - an initiative by HM Treasury - committing to a target of 40% of women in senior management roles by 2020. In this report we outline the steps we've taken towards achieving our target and we also publish our gender pay gap figures.

These figures are directly linked to the fact that we have fewer women than men in senior leadership roles. In this report we highlight the actions already underway to reach our 2020 Women

in Finance Charter target, which, as a result, will help us reduce our gender pay gap in the future.

I confirm the Gender Pay Gap reporting data in this report to be accurate.

A handwritten signature in black ink that reads "L. Coleman".

Liam Coleman
Chief Executive

“We're committed to gender equality and ensuring a diverse and inclusive workforce.”



**Rochdale Pioneers
of Worker Education**

Our commitment to an ethical workplace and culture

We're committed to gender equality and ensuring a diverse and inclusive workforce. This is reflected in our heritage; The Co-operative Bank was originally formed to support the co-operative movement, and to reflect the values and ethics of that cause. The Rochdale Equitable Pioneers Society welcomed women to join – 80 years before women were given the right to vote in parliamentary elections.

Today, our commitment to ensuring an ethical workplace reflecting co-operative values is one of the five key pillars of our Ethical Policy. This policy has been shaped by over 320,000 customer responses over the last 25 years. We are committed to ensuring that the people who work for us are paid fairly.

Our commitment to the Women in Finance Charter



What is the Charter?

The Women in Finance Charter asks financial services firms to support the progression of women into senior management roles. The Charter looks to develop colleagues with the potential to progress, setting public targets for improving gender diversity in senior management roles, and requiring firms to publicly report on progress against their targets to drive change.

Increasing the number of women in senior management roles

In 2016 we were one of the first companies to sign up to the Women in Finance Charter.

The Charter helps improve opportunities and progression for women, and ensures that talent rises to the top in the finance sector regardless of gender. Our target is to achieve 40% representation of women in senior management roles by 2020 – a 25% increase on our 2016 benchmark of 32%. This is already changing the way we work and we are seeing progress towards our target: **by October 2017, this figure had risen to 34%.**

We have put clear measures in place to help us deliver our 2020 target and will also seek to exceed it, if possible, beyond 2020.

In August 2017:

around 59% of our total employees were women

59%

51%

and around 360 managers (51%) were women.

our Executive Management Team was 27% women

27%

17%

and two (17%) of The Co-operative Bank's Board members were women.

Delivering on our Charter commitments

We signed up to the Charter in August 2016
- so what progress are we making?

Charter pledge	What are we doing to achieve this?
1. Having one member of our senior executive team who is responsible and accountable for gender diversity and inclusion.	We have appointed Steven Pickering, our Chief Risk Officer, as our Executive Committee member accountable for gender diversity and inclusion, ensuring that it is embedded in, and an ongoing priority for, the most senior leadership of the Co-operative Bank.
2. Setting internal targets for gender diversity in our senior management.	<p>We are aiming for 40% female representation in senior management roles by 2020, a 25% increase on our 2016 baseline of 32% of senior management roles.</p> <p>In August 2017 this figure had increased to 33.5% of senior management roles.</p> <p>We are at 34% as at October 2017 - with a peak to 35% occurring in June. As this population is a relatively small group, figures can fluctuate throughout the year.</p>
3. Publishing progress annually against these targets in reports on our website.	We are publishing progress against our targets on our website and these are reflected in this report.
4. Having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.	Senior Executives' pay is now aligned to our commitment to diversity. Diversity targets, amongst of course other targets, have been included in the Long Term Incentive Measures, as part of our people objectives. We have also added diversity targets into individual Executive objectives from 2017 performance year onwards.

Our gender pay gap figures 2017

On the following pages you will find our gender pay and bonus gap figures. They reflect the gender profile of our workforce. In April 2017, 58% of colleagues measured for gender pay gap reporting were women. We have greater numbers of women in more junior roles that have lower salaries, but fewer women than men in senior management roles with higher salaries, as well as more women working part-time. Whilst we understand this gender profile is typical of many financial services companies across the UK, we're committed to addressing this alongside our commitment to the Women in Finance Charter.

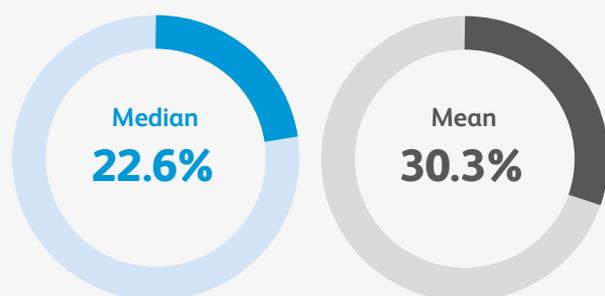


In April, 58% of colleagues measured for gender pay gap reporting were women.



Our gender pay gap data 2017

Overall pay gap



The mean (or average) is the sum of all hourly rates divided by the number of relevant employees.

The median number is the middle figure when the hourly rates of all colleagues are listed in ascending order.

Our gender profile by pay quartiles

	Proportion of male colleagues	Proportion of female colleagues
In our lower pay quartile	35%	65%
In our lower middle pay quartile	31%	69%
In our upper middle pay quartile	41%	59%
In our upper pay quartile	61%	39%

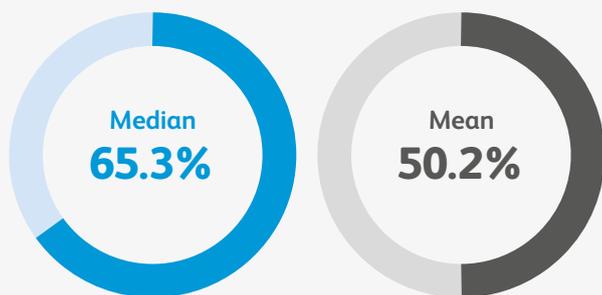
Our gender pay gap and headcount by our organisational levels*

Band	Number of male colleagues	Number of female colleagues	Mean Gender Pay Gap	Median Gender Pay Gap
All bands	1,620	2,220	30.3%	22.6%
A*	35	13	14.2%	-2.9%
B	279	159	8.2%	7.3%
C	582	601	6.6%	7.1%
D	724	1,447	-0.3%	-0.8%

*Band A includes members of The Co-operative Bank's Executive
All table data accurate as of 5 April 2017.

Seniority ↑

Bonus gap

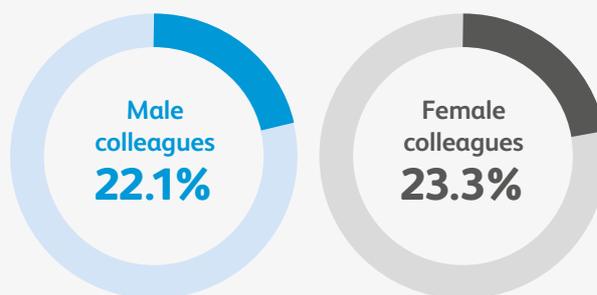


The mean (or average) is the sum of all bonus pay paid during the relevant period* divided by the number of relevant employees.

The median number is the middle figure when the bonus payments paid in the relevant period to all relevant colleagues are listed in ascending order.

*the relevant period means the period of 12 months from 06/04/2016-05/04/2017.

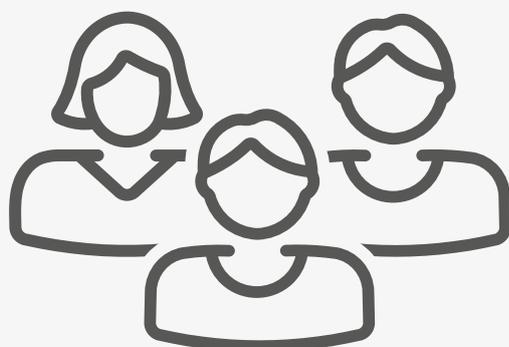
Proportion of colleagues receiving bonus pay



Understanding why we have a gender pay gap

The table above shows we have fewer women in our more senior roles that attract higher salaries, while in our lowest pay band we have a minimal gender pay gap.

This makes it clear that we need more balance in the numbers of men and women at our more senior organisational levels where the pay gap is greatest, and specifically in roles that normally attract the highest salaries, like specialist roles.



Understanding our bonus gap

Whilst the proportion of males in receipt of a bonus is similar to the proportion of females, our bonus data shows a significant gap because (as shown in the table on page 6) there are more males in our more senior roles earning higher salaries and significantly more females in less senior roles earning lower salaries. There is, therefore, an overall lowering of the average female bonus in comparison to the male bonus.

Variable pay, including bonuses, represents a key part of the Bank's approach to remuneration, providing a basis by which we can reward our colleagues' achievements against key milestones in our longer-term recovery plan. However in 2016 for regulatory reasons the Bank was unable to award bonuses, as it had not met its capital or profitability targets.

The bonus gap data includes all bonus payments in the period 6 April 2016 to 5 April 2017 and therefore includes bonuses paid to colleagues at all grades in April 2016 which were awarded on the basis of 2015 performance, with the Bank only paying bonus to the highest performing colleagues. There were no performance bonuses paid in 2017 based on 2016 performance other than those deferred from earlier years.

Taking action: our five point plan

“With our five point plan, we are already taking steps to close our gender pay gap by encouraging more women to consider applying for promotions into senior roles. We want to focus on our pipeline of talent and encourage more women to consider joining The Co-operative Bank.”

Tracey Kneller, HR Director



Taking action: our five point plan

1. Listening to our colleagues and improving our policies

We track and analyse how all our colleagues feel about working at The Co-operative Bank through our annual Speak Up colleague engagement survey and other feedback opportunities. 87% of all colleagues across The Co-operative Bank completed our October 2017 survey and this helps us really understand how our colleagues feel about working at The Co-operative Bank and enables us to act on their feedback.

As a result of listening to our colleagues over time, we have:

- refreshed our flexible working policies based on colleague feedback to simplify the process and better support colleagues.
- made improvements to our recruitment website and advertising strategy with the aim of attracting more female candidates. We have already seen a positive impact here in our graduate scheme.
- ensured that there is a gender balance in our assessment centre hiring colleagues and interview panel members, and that all colleagues involved in recruitment undergo diversity training.
- launched an Unconscious Bias e-learning module to help our colleagues understand their own unconscious bias and the impact it can have in the workplace.



2. Supporting colleagues through flexible working and professional development

We're helping colleagues to remain in, and return to, work after taking time out with their families. Over the past year we have:

- launched parental workshops for leaders and colleagues with over 70 colleagues taking advantage to date. These focus on helping parents return to work and continue with their careers following time away from the business. Feedback has been extremely positive from both leaders and colleagues attending
- updated our parental, maternity and adoption policy and toolkits to better support our colleagues
- piloted a mentoring scheme in 2017 with a group of colleagues to provide career support and professional development guidance
- pro-actively focused on promoting positive role models through our Elevate careers network, delivering inspirational career journeys and personal development sessions.

We have also launched a Career Confidence Programme from June 2017, which is predominantly aimed at women and helps unlock barriers to career development. Over 200 colleagues have benefitted from these sessions so far, and we launched Business Acumen sessions in November 2017.

These are intended to help participants build their confidence in the workplace. And while they have been created with the particular hurdles in mind which affect more women, they will be open to all.

This is what colleagues thought about our career confidence sessions:

"I thought that the session was really informative – really well run and it made me feel that the Bank was taking people investment seriously."

Amy Wordingham

"I absolutely loved the session – the passion, common sense, the drive and determination of the guest speakers, the knowledge and passion of the presenters – just loved it! And I really do see the positive value it gives me as an individual, and the collective difference it can make to the organisation."

Jeanne Duffy

"...it made you realise how much talent the Bank already has and what a loss it would be if this was not harnessed. It was great to take time out to reflect on your own behaviours and of those around you. It helped me to recognise why I sometimes act in a particular way, and why that is not a sign of weakness... it's just a difference."

Ettrut Hussain

Taking action:

our five point plan

3. Ensuring equal pay between male and female colleagues

We continually monitor our business and guide our leaders to ensure that colleagues with similar skills and experience are being paid consistently for doing the same or similar roles, regardless of gender. Our activities include:

- Every year we conduct an equal pay audit. Our focus is to ensure that colleague value is reflected in their reward and benefits package, and that difference in gender does not affect this
- Monitoring starting salaries and salary increases between men and women in similar roles to ensure pay is fair
- We use pay reference guides: these guides help to ensure colleagues are paid fairly, equitably, consistently, and in line with comparable roles within our business
- Performance Related Pay: our approach to reviewing salaries during the year and at the Annual Salary Review (ASR) in April is strongly focused on performance and takes into consideration a colleague's position relative to the pay reference guide.



Elevate

Our women's network

Elevate is our women's careers network, run by colleagues, for colleagues, with the support and sponsorship of our Executive team. It is an inclusive network open to all colleagues regardless of gender, grade or location.

The network's aim is to enhance colleagues' experiences at work and empower members to achieve their potential. The ambitions of the network are to:

INSPIRE

our members through increasing access to role models, and providing opportunities to understand our wider business.

CONNECT

members by creating networking opportunities and events.

DEVELOP

our members by providing them with the tools to develop their careers.

The network began in 2015 and since then it's been great to watch our network grow to 400 colleagues. Some of the events we have hosted over the last 12 months have included:

- Arranging inspirational seminars from senior women leaders. Speakers have included Debbie Strickland, Head of Assurance, Risk & Control; Caroline Richardson, Chief Accounting Officer; and Jo Mayer, Head of Customer Service & Experience.
- Interactive career confidence session with executive coach and founder of the Women Leaders Association, Sandra Green



Taking action:

our five point plan



4. Delivering tailored plans to promote gender diversity across The Co-operative Bank

Every area of The Co-operative Bank has a responsibility to address gender and diversity, but we recognise that all our departments face different needs and challenges. So each department is developing its own plan, from accounting to Information and Communications Technology (ICT) to property management.

- Our ICT team plans to promote internal secondments to women in a traditionally male environment, encouraging female colleagues to consider a career in this area.
- Business areas across The Co-operative Bank are working closely with schools to develop strong links with students.
- We are encouraging leaders to ensure careful consideration is given to gender diversity during the development and promotion processes.

- We are including gender diversity targets as part of Executive remuneration policy.

In addition:

- We also have a relationship with the charity Smartworks in Manchester, which provides high quality work clothing, styling advice and interview training to help women look and feel confident at the vital moment before a job interview.
- We are also working to provide e-mentoring for beneficiaries of the Social Mobility Foundation - a charity which aims to make a practical improvement in social mobility for young people from low-income backgrounds.

5. Supporting female progression into senior roles – through our commitment to the Women in Finance Charter

Our commitment to Women in Finance has been outlined earlier in this report. We are also:

- continuing our ambition to improve gender diversity on our Executive Committee and Board
- encouraging women to develop their careers within our new talent development programme for high potential colleagues - currently 63% of those on the programme are women.



Summary

Through our commitment to the Women in Finance Charter, we have set ourselves a target of having 40% (baseline, 32%) female representation in senior roles by 2020. This should help to address our gender pay gap by ensuring that more of our roles that attract higher salaries are occupied by women.



Target of having 40% female representation in senior roles by 2020
(baseline, 32%)



“Banking has historically been a sector with more men than women in senior roles. We’re determined to make a difference, and enable more women to have successful careers at The Co-operative Bank.

The Co-operative Bank has put in place a number of initiatives to help give women the flexibility and confidence they sometimes need to progress – focusing on those returning from having a family as well as helping them develop the skills they need for more senior roles. We are beginning to see the difference this is making.”

Heather Lauder

Director of Retail and Business Banking

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

Steven Pickering

Chief Risk Officer and executive sponsor for gender diversity, The Co-operative Bank

