

The **co-operative** bank
for people with **purpose**

Our Modern Slavery and Human Trafficking Statement 2018

The Co-operative Bank Holdings Limited &
The Co-operative Bank plc

About The Co-operative Bank plc

This is the Modern Slavery and Human Trafficking Statement of The Co-operative Bank Holdings Limited and its subsidiary undertakings, which includes The Co-operative Bank plc, incorporated in England and Wales. This statement is applicable to each entity within the group to which the reporting requirements of the 2015 Modern Slavery Act apply and covers the financial year ended 31 December 2018. The Co-operative Bank, Platform, smile and Britannia are trading names of The Co-operative Bank p.l.c.

The Co-operative Bank brand is defined by the values and ethics of the co-operative movement, set out in our **Ethical Policy**, which represents a clear point of difference that has set us apart from our competitors since 1992, when we were the first bank in the UK to launch a customer-led Ethical Policy. Today's policy reflects all aspects of our business, from our impact on the environment, the products and services we offer, our workplace, the relationships we have with suppliers, to the causes we support and our involvement in local communities. Our Ethical Policy underpins our commitments within this Modern Slavery and Human Trafficking Statement and enables us to stay true to our customers', colleagues', suppliers' and other stakeholders' aspirations to deliver a differentiated ethical banking service.

We provide a full range of banking products and services to almost 4 million retail customers, including current accounts, savings and mortgages, and provide business banking services to 85,000 small and medium sized enterprises ("SME"). We are based solely in the UK, with our Head Office site and a number of our large offices based in the North West of England and 68 branches across England, Scotland and Wales. The majority of our colleagues are direct employees of our Bank. We also have a small population of contractors and partnerships in place with outsourcing providers.

Our strategy and more details about the Bank's financial performance can be found in our Annual Report and Accounts, which can be found here:

co-operativebank.co.uk/investorrelations

Overview

We take a zero-tolerance approach to breaches of our standards on modern slavery and human trafficking and we will always take action to investigate suspected incidences of modern slavery and to immediately address any confirmed incidences.

We are committed to ensuring that our operations, supply chains and the way we do business are aligned with our customer-led Ethical Policy and the values and ethics of the Co-operative Movement which define our brand. 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.

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. Currently, development of our policies relating to modern slavery and human trafficking is led by the Procurement and People functions however going forward there is scope to expand this further across the business.

Our approach to unethical or illegal activity in our business and supply chains begins with our customer-led Ethical Policy and the values and ethics of the Co-operative Movement, which drive our culture and are reinforced through our governance structure. Our customer-led Ethical Policy is founded on the co-operative values, which are embedded into the Articles of Association of our business ensuring they guide the management and conduct of the Bank. Compliance with the Ethical Policy and adherence to the co-operative values is overseen by the Values and Ethics Committee, which is a committee of the Board of the Bank.

Ethical Policy

Our Ethical Policy has been in place for over 25 years and the most recent update was published in January 2015 and reflects over 320,000 customer and colleagues views. The Policy extends to cover key issues such as human rights, international development and tackling poverty. Our policy remains unique in UK banking and sets out how our business values and ethics shape the way we operate and the decisions we take. Read our full policy here:

co-operativebank.co.uk/assets/pdf/bank/aboutus/ethicalpolicy/ethical-policy.pdf

Our supply chain

With nearly 600 companies supplying a diverse range of goods and services, our supply chain helps us deliver services to all our customers and colleagues. It is important that our suppliers share our commitment to our customer-led Ethical Policy and the values and ethics of the Co-operative Movement, which define our brand.

To ensure this we assess whether the operations of our suppliers are consistent with our Sustainable Procurement and Supplier Policy, which reflects our customer-led Ethical Policy.

Our Ethical Policy and Sustainable Procurement and Supplier Policy screening reviews all potential suppliers (over a turnover threshold of £250,000 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.
- Compliance with our Sustainable Procurement and Supplier Policy forms part of the ongoing relationship with higher risk suppliers who are managed through the Bank's Supplier Management Framework.

The screening we carry out 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 periodically 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 contracting process

In addition to our Sustainable Procurement and Supplier Policy, when we enter into a contract with a supplier, our standard terms and conditions require that suppliers:

- adhere to all applicable law
- 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.

Working with our suppliers

Once a supplier is on boarded, our supplier management framework and third party supplier management policies set out how we will work with the supplier on a day-to-day basis and throughout the life of their contract. As part of the framework, we review suppliers against our Ethical Policy and Sustainable Procurement and Supplier Policy periodically. Suppliers identified as operating in geographies or industries which represent a higher risk, may be screened more often.

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. Additionally we would always

report any suspected criminal activity to the relevant authorities in the UK or overseas.

During 2019 we will be working to introduce a Supplier Code of Conduct. We will require suppliers to operate in accordance with this and it will outline amongst other things, how we manage human rights, and the behaviours and practices we expect suppliers to demonstrate to ensure compliance with our policies.

Our colleagues and customers

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.
- 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.
- Upholding the right of all employees to join a trade union if they wish.
- Ensuring co-operative values are embedded in our workplace culture.

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, although this will change in the future. As part of our recruitment policy we ensure that all recruitment contracts include reference to 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.

Identifying Money Laundering and the Proceeds of Crime

We have a 'three line' approach to managing risk which includes our policies on Anti-Money Laundering and 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.

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

Training our colleagues

We provide the following training to our colleagues to ensure our values and ethics remain embedded throughout our organisation:

- Code of Conduct - this 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.
- The training and policies we have in place 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.
- All our customer-facing colleagues receive training to help identify all forms of financial abuse, fraudulent activity and money laundering. The training covers how to engage in conversation with our customers and how to encourage them to disclose to us their circumstances and the support they need. This training is then re-enforced with an annual e-learning module to embed the learning.
- We recognise that providing basic banking facilities to survivors is a life-line but that challenges around account opening and providing proof of identity and address can be a barrier. With this in mind, we have added more accepted documents to our process for example, letters of introduction and Home Office documents.

- Where customers need further support beyond their banking needs, we have provided funding for a dedicated resource at Citizens Advice Manchester, who will work with our particularly vulnerable customers. They are able to support a whole range of issues such as immigration, benefits etc.

Whistleblowing

The Bank operates a Whistleblowing scheme, allowing employees to make an anonymous and confidential concern about the actions of business partners, managers and other employees. The scheme can be used for anything of concern including corruption, human rights violations and other areas of concern. These are then independently investigated.

Conclusion

Throughout 2018 we have continued to demonstrate our commitment to our Ethical Policy and we publish our achievement each year in our Values and Ethics Report. You can read our latest report here:

co-operativebank.co.uk/assets/pdf/bank/news/values-and-ethics-report-2018.pdf

The introduction of a Supplier Code of Conduct will be included in the 2019 Modern Slavery and Human Trafficking statement along with further information regarding the locations of where our goods and services are provided or manufactured from.

Additionally we believe our colleagues are equipped to identify all types of vulnerability within the customers they serve and our existing processes enable colleagues to refer customers to the most suitable source of support for their needs. Going forward we are committed to further strengthening our processes and raising the focus on this issue, by ensuring our colleagues understand the signs they need to look out for and how to offer support when needed.

We will also increase the focus within our Code of Conduct, mandatory training modules and induction programmes to maintain awareness of the issue with new and existing colleagues and strengthen our commitment to zero tolerance to modern slavery and human trafficking.



Andrew Bester
Chief Executive

18 June 2019