

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) SUPPLEMENT 2017

# DOING THE RIGHT THING

### Our approach and priorities

ESG at Metro Bank comes down to doing the right thing. And for a business focused on customers and colleagues, for the long term, that's in our DNA. Our AMAZEING behaviours underpin everything we do. We focus on putting FANS first, making Metro Bank a great place to work, supporting our communities and managing the other impacts we have, for example on the environment.

We are open and transparent about our responsible business activities.

We believe in integrated reporting. That means what we think matters is included throughout the Annual Report.

This supplementary report explains some of our specific ESG actions in more detail and should be read alongside the Annual Report.

### Our ESG Priorities

Priorities	Description	Key themes
<b>1 Our FANS</b>	Creating FANS by providing excellent service to each and every customer	Customer engagement; customer satisfaction and complaints handling; use of technology and customer preferences; and customer respect and inclusion
<b>2 Our colleagues</b>	Creating careers, safeguarding our unique culture and making Metro Bank a great place to work	Culture and conduct; talent attraction and retention; developing careers; fair treatment of employees; remuneration practices; and health, safety and wellbeing
<b>3 Our communities</b>	Engaging with the communities we proudly serve	Entrepreneurial support; community investment and impact; financial education; and economic contribution
<b>4 Data privacy and security</b>	Protecting our customers' data, just as we do their money	Management of cyber threats; business continuity; and customer data privacy and use
<b>5 Our planet</b>	Being aware of our impact on the environment	Carbon emissions; environmental management; and climate-related risk management
<b>6 Our suppliers</b>	Treating everyone fairly, and doing our bit to make sure our partners do too	Human rights; and responsible procurement and partnerships

### Materiality

Our long-term success depends on creating value for our customers and wider stakeholders. Knowing what matters to them helps us to evolve our vision and approach, keeping stakeholders at the heart of what we do.

In 2017, we asked Deloitte to assess our most material ESG priorities to inform our reporting on responsible business, and to highlight potential risks and opportunities that might inform the decisions we make. The six priorities are detailed in the materiality matrix opposite:

Materiality matrix





## Our FANS 1

**Engaging with FANS to provide excellent customer service** – Surprising and delighting FANS means delivering the best customer service every single day.

### 2017 Annual Report

- Strategic overview (P. 6)
- Strategic summary (P. 8)
- Company overview (P. 10)
- CEO statement (P. 12)
- Breaking the mould (P. 20)
- Investing in our technology (P. 22)
- Environment and social summary (P. 38)

[www.metrobankonline.co.uk](http://www.metrobankonline.co.uk)

- Complaints Data

**Positive and negative feedback** – We monitor customer service through our 'Voice of the Customer' survey.

We manage Expressions of Dissatisfaction (EoDs) and ensure appropriate resolutions are provided to our Customers in a timely manner. We have measures in place to manage the Bank's relationship with the Financial Ombudsman Service and the British Banking Association's complaints handling advisory board.

Complaint data is available for inspection on our website, where it is updated every six months.

These outcomes are monitored by the Executive Leadership Team (ELT) and reported to the Board. The ELT is responsible for incorporating these findings into the decision-making process.

**Respect and inclusion** – We recognise and value our diverse customer base and we know that in order to create FANS it needs to be a two-way conversation. As an example, we now provide an 'Mx' option for customers identifying as genderless and continue to incorporate any feedback we receive.

**Supporting vulnerable customers** – At Metro Bank we are all about providing unparalleled levels of service and convenience to all our customers. We make sure we have great conversations that help customers choose products and services that are right for them. We have partnered with the Plain English Society, the Alzheimer's society and Place 2 Be amongst others, and have had over 500 colleagues that have

become 'Dementia Friends'. This helps us to serve the more vulnerable members of our society. We have also developed a set of Vulnerable Customer Guidelines to help our colleagues better understand the needs of these customers.

Our stores are designed to be physically accessible.

We strive to ensure customers facing financial difficulty are treated fairly.

### We continue to invest in technology to give our consumers choice

We are revolutionising British banking, so we understand that the future of retail is the combination of the best in store, online and mobile banking integrating the customer experience. As many banks are closing their branches, we've seen that our customers still value the face-to-face experience. We've listened to their requirements, and have now expanded our network to 55 stores, open 8am to 8pm on weekdays and also open at weekends.

### Low-risk, diversified lending

We offer simple lending products that meet the personal and business needs of our customers, whilst making sure we are acting responsibly.

In 2017 we did not receive any fines or non-monetary sanctions for non-compliance with laws and regulations concerning the provision and use of products and services.



## Our colleagues 2

Our colleagues and our unique culture are key to our success. They create a customer experience to surprise and delight our customers and create FANS for the long-term success of our business.

### 2017 Annual Report

- Strategic overview (P. 6)
- Strategic summary (P. 8)
- Company overview (P. 10)
- CEO statement (P. 12)
- Growing our talent (P. 24)
- Risk factors and management (P. 30)
- Environment and social summary (P. 39)
- Nominations Committee Report (P. 62)
- Remuneration Committee Report (P. 64)

Our Chief People Officer is the Executive Team member responsible for delivering our people objectives, and the Board's Remuneration and

Nomination Committees set policy and monitor implementation relating to their areas of responsibility.

Our annual 'Voice of the Colleague' engagement survey, helps us to understand how we can be better for our colleagues. The results of the survey, including text analytics, are closely monitored by the Executive Leadership Team and Board.

**Developing careers** – Colleague behaviours and delivery are captured during our AMAZEING reviews. Objectives are set and agreed at the start of each year supported by monthly one to ones and more in depth conversations every six months. During Reviews we discuss behaviours, delivery, career progression and development.

Metro Bank University is built to support every colleague to realise their career potential, arranged into three Colleges covering Customer & Relationship; Specialist Support and Leadership.

**Remuneration Practices** – We take a consistent approach to remuneration for all our people with a focus on making everyone feel like an owner through the award of share options.

### Health safety and wellbeing

All colleagues benefit from Health & Safety training when they join Metro Bank. Colleagues are encouraged to participate in mental health awareness training and also have access to Employee Assistance and the independent and confidential Bank Workers Charity contact line that provides information, advice and expert support services.



## Our communities 3

As a community bank we are conscious of our community investment, impact and economic contribution.

### 2017 Annual Report

- Strategic overview (P. 6)
- CEO statement (P. 12)
- Breaking the mould (P. 20)
- Growing our talent (P. 24)
- Environment and social summary (P. 40)

**Entrepreneurial support** – We proudly consider ourselves to be the 'Entrepreneur's Bank', the type of bank that provides SME customers with their own Relationship Manager

who knows and understands their business. We open new accounts for entrepreneurs in hours not weeks.

Each year we hold hundreds of local business networking events in our stores. These are opportunities to meet and network with fellow local entrepreneurs and to talk to us about how we can help their businesses. People like doing business with people they like – so we get to know the people who matter in their community.

[www.metrobankonline.co.uk](http://www.metrobankonline.co.uk)

- Community Involvement
- Kids Zone
- Tax Strategy

All of our stores offer a room for our FANS, including our SME customers, to hold meetings at a convenient location – enhancing the reputation of our stores as a hub for the local business community. Our extended opening hours, including weekend and bank holidays, allow our commercial customers to deposit their day's takings and to conduct their business at a time that suits them, rather than being restricted to inconvenient, conventional banking hours.

### Community investment and impact

– Metro Bank continues to open new stores, contributing to the revitalisation of high streets and their local communities in the UK and giving customers access to face-to-face banking, while our competitors are progressively closing their branch networks.

Our operations incur a variety of business taxes in the UK including payments for corporate income taxes, customs duties, excise duties, stamp duties, business rates and employment related taxes. We also collect and pay employee taxes and indirect taxes such as VAT. Metro Bank has no overseas subsidiaries and all taxes are paid in the UK. We are committed to ensuring full compliance with all statutory obligations, supporting a transparent approach to taxation and paying the right amount of tax at the right time.

**Economic contribution** – In 2017 we opened 8 new stores, creating c.25 new jobs in each local community, with over 600 new roles created in total. We invested over £50m in 2017 in stores.

We delivered on our pledge to extend £1bn of new net lending to SMEs in 2017, and have committed to the same again in 2018. Business and Commercial

customers now comprise 33% of our loan portfolio.

**Financial education** – Our Money Zone initiative introduces pupils to financial skills, helping them understand how money, saving and banking work. Our sessions are incorporated into the school curriculum, and are linked to the wider government curriculum guidelines. In 2017 we developed the programme to Key Stage 3 Level.

Our community actions are reported to and monitored by the Executive Leadership Team.

### Data privacy and security ④

Protecting our customers' data, just as we do their money, is central to building the trust of our customers and creating FANS.

Our Chief Information Officer is accountable for the delivery of secure and resilient IT services to our FANS and colleagues. Performance is reported and monitored by the ELT and Board.

### 2017 Annual Report

- Risk factors and management (P. 34-36)
- Environment and social summary (P. 40)

**Cyber Threats** – Cyber-crime continues to pose a significant threat to the financial services industry as a whole and Metro Bank has invested in technology and expertise to strengthen our defences. A dedicated Information Security team is responsible for leading the work in this area.

The Information Security team works closely with other parts of the IT team and with industry bodies such as the Cyber Defence Alliance to share best practice and intelligence. They also work to keep colleagues and customers alike apprised of new threats and issues.

**Business continuity** – Metro Bank works with multiple call centres, data centres, and offices in order to ensure no single point of failure in its operations. Colleagues can relocate to other stores or locations in the unlikely event of an incident affecting access to their normal places of work.

A call cascade tree enables urgent messages to be passed to colleagues

including out of hours, and this is tested biannually. A member of management is on call 24/7 to react to any out of hours incidents and is able to escalate where necessary.

Our Customer Support and Operational Risk teams are responsible for putting our business continuity policy and arrangements into practice.

### Customer data privacy and use

Metro Bank takes data protection very seriously. Every colleague, no matter where they work, must take a training course in data protection before joining the bank, with annual refreshers. Colleagues verify customers against a photograph taken at account opening (or via passwords and access codes for telephone requests) before providing account data. Our security software ensures that data is only accessible on a need to know basis. And as an additional control, we're rolling out two-factor authentication for our data servers.

We're also working towards implementation of the General Data Protection Regulation which takes effect in May 2018.

### Our planet ⑤

We are a new, growing domestic UK retail bank and we are mindful of the environment in which we operate. As we continue to grow, we will look to find appropriate measures to improve our disclosure in this area.

### 2017 Annual Report

- Environment and social summary (P. 41)

**Our daily operations** – Across our entire store network, we give our FANS the choice to go paperless, reducing the amount of excess waste.

In all of our locations, we encourage environmentally responsible behaviours through recycling programs, for example we've installed hand dryers to replace paper towels in our stores' toilets. Over 90% of our waste is now handled by a supplier that sends zero waste to landfill.

We continually look for ways to reduce our energy consumption, with initiatives including: installation of LED lighting; turning some signage off overnight and adjusting store door heating.

As a domestic retail bank, our environmental impact resulting from international air travel is minimal. The majority of our small fleet of company vehicles are hybrids, limiting the volume of harmful emissions.

**Environmental risk management** – We consider a variety of issues when working with new customers, including exposure to high-risk industries. Such industries include mineral extraction, where for example, any decision regarding the account would require further investigation and escalation to management.

Our focus on supporting small and medium-size enterprises, exclusively based in the United Kingdom, mitigates our exposure to material international environmental risks.

**Emissions disclosures** – We’ve reported on our emissions in line with the requirements of the Companies’ Act 2006 (Strategic and Directors’ Reports) Regulations 2013.

GHG emissions (TCO2e)	2017	2016
Scope 1 emissions	1,312	1,158
Scope 2 emissions	4,668	4,303
Total Scope 1&2 GHG emissions	5,980	5,461
Full time employees (FTE)	3,002	2,417
Total Scope 1&2 emissions per FTE	1.99	2.26

We’ve chosen operational control as our consolidation approach and our boundary includes all entities and facilities either owned or under our operational control.

The methodology used to calculate our CO2e emissions is the operational control approach on reporting boundaries as well as utilising the carbon emissions methodology as defined by the World Resources Institute/World Business Council for Sustainable Development (WRI/WBCSD) Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard, Revised Edition. Emissions factor data source: BEIS 2017 conversion factors.

Where properties are covered by Metro Bank’s consolidated financial statements but are leased to tenants who are invoiced for utilities, these emissions are not included in the

GHG calculations. For properties where Metro Bank is the tenant, the landlords of these properties provide Metro Bank with utility bills which are included in our emissions reporting.

Scope 1 covers direct combustion of fuels, predominantly mains gas, fuel use within company-owned vehicles and hire cars as well as refrigerant use and associated fugitive emissions.

Scope 2 covers the emissions from electricity purchased used on Metro Bank premises.

### Our suppliers ⑥

Building a revolution in British Banking takes a lot more than just our colleagues. We pride ourselves on doing the right thing and maintaining the highest values in everything we do and this extends to the suppliers we engage with.

#### 2017 Annual Report

- Environment and social summary (P. 41)

#### [www.metrobankonline.co.uk](http://www.metrobankonline.co.uk)

- Modern Slavery Statement

Our business model is built on creating FANS and actions by our suppliers that are not in keeping with our values exposes us to reputational damage and risk through association.

We manage this by implementing appropriate checks to ensure prevention of bribery, corruption, modern slavery, child trafficking, unfair wages, unacceptable working conditions and labour rights abuse.

Our policy is to conduct all business in an appropriate manner and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate. We have a zero-tolerance attitude to any breaches of this.

In 2017 we did not identify any instances of non-compliance with our policies.

**Supplier assurance** – We were among the first companies to join the Financial Services Supplier Qualification System (FSQS), a collaboration between UK financial institutions to provide a standard and simple process for collecting and managing supplier assurance information across the sector.

The system helps our suppliers by reducing duplication of effort in responding to buyer due diligence requests, and benefits us by sharing resource and best practice with other buyers.

Our suppliers began submitting information to FSQS in 2016 and over 85% of our key suppliers have now completed the process.

In 2018 we will start reporting externally, twice a year, on our payment practices and performance.

### Governance and risk management

Our risk management policies and controls are reviewed regularly to reflect changes in market conditions, regulation, and our activities. Through regular training and additional standards, guidance and procedures, we aim to develop a robust and effective control environment in which all our colleagues understand their roles and obligations.

The Chief Risk Officer (CRO) is accountable for leading the Risk function, which is the second line in our three lines of defence model. The CRO is responsible for ensuring that appropriate risk management processes, policies and controls are in place, and that they are sufficiently robust, thereby ensuring that key risks are identified, assessed, monitored and mitigated. All policies are approved by the Board or appropriate Board committees following recommendations by the relevant management committee.

The CRO is also responsible for providing assurance to the Board and Directors that the principal risks are appropriately managed and that the Bank is operating within its risk appetite. The CRO has access and a dotted reporting line to the Chairman of the Risk Oversight Committee. No material instances of non-compliance were identified in 2017 in relation to our risk management policies.

A summary of our policies relating to our material ESG priorities can be found below.

Policy	Description	ESG Priorities
Treating Customers Fairly	The policy reflects our goal to create FANS through the delivery of consistently AMAZEING outcomes. This philosophy is embedded in our culture and is an integral part of our business model and strategy. Our zero tolerance for unfair customer outcomes is underpinned by our Conduct Risk framework which was approved by the Board.	1, 2
Lending Policies (including residential mortgage, retail unsecured finance, private banking credit, commercial, arrears management)	These policies make sure that we're lending in the right way. They ensure the effective and prudent management of credit risk, in-line with the risk appetite defined by the Board, regulatory requirements, statutes and industry good practice.	1
Anti-Money Laundering/ Counter Terrorist Financing	The policy sets out the systems and controls to identify, assess, monitor and manage financial crime risks and the procedures in place to assess their effectiveness.	1, 2
Diversity and Inclusion	The policy means that we treat our colleagues fairly. It sets out our commitment to employment policies which follow best practice, based on equal opportunities for all employees and the Board.	2, 3
Recruitment and Selection	The policy relates to all recruitment related activities and is relevant for all colleagues and any third party recruitment partners. The policy outlines responsibilities in accordance with Recruitment related legislation, regulation and company objectives.	2
Health and Safety	The policy protects our customers and colleagues. It recognises our statutory duties and responsibilities under the relevant Health and Safety and Welfare legislation.	2
Whistleblowing	The policy encourages colleagues to disclose information, in good faith and without fear of unfair treatment, when they suspect any illegal or unethical conduct or wrongdoing affecting the Bank.	2
Anti-bribery and Corruption	The policy outlines our approach in managing the risk of bribery and corruption and to ensure we conduct business in an honest and ethical way, with a zero tolerance approach to bribery and corruption.	2
Conflicts of Interest and Related Parties	The policy provides consistent practical guidance to all relevant parties in relation to the identification, recording and maintenance of actual and perceived conflicts of interest.	3
Business continuity	The policy makes sure we are able to continue delivering services to our customers at acceptable levels if something unexpected were to happen. It addresses impacts to the continuity of critical business activities in the case of manmade disasters, natural disasters or other material events.	4
Data	The policy sets out our objectives and expectations in managing data and data governance practices. It makes sure that data is managed, governed, accessed, protected, utilised and disclosed appropriately. It also focuses on the quality of key data elements and their ongoing maintenance.	1, 4
Outsourcing	The policy ensures that when we rely on a third party for key processes and activities, we take the reasonable steps to avoid any unfair customer outcomes and unnecessary operational risk.	3, 6
Modern Slavery	The policy describes our approach towards preventing slavery, servitude, forced and compulsory labour and human trafficking in any of our operations or at any of our suppliers and, through them, our supply chains.	6

Our Planet (priority 5): The impact of the environment on our business is managed through our various policies. As a growing bank, we recognise the need to also minimise our impact on the environment. To date we have successfully driven progress without a bespoke environmental policy, but we will continue to review this approach for appropriateness.

**Metro Bank also has the following policies:**

Credit Risk, Treasury Instruments and Dealing, Enterprise Risk Management, Expense Claim, Market Risk, Compliance, Treasury Large Exposures, Meta Policy, Impairment, Sanctions, Fraud, Share Dealing, Model Governance.