

# Principles for Responsible Banking Self-assessment Report

February 2024



The **co-operative** bank  
Ethical then, now and **always**

# Introduction

In February 2020, The Co-operative Bank signed the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking.

Providing a framework for a sustainable banking industry, these UN Principles help to align the banking sector with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

The Co-operative Bank is one of over 300 banks globally that have signed up to the Principles to date.

This is The Co-operative Bank's report on implementing the Principles for Responsible Banking, using the self-assessment template provided by the UNEP FI. This is our third self-assessment report, which charts our progress to date against the six Principles for Responsible Banking.

The six Principles are:

1. Alignment;
2. Target Setting;
3. Plans for Target Implementation and Monitoring;
4. Progress on Implementing Targets;
5. Governance Structure for Implementation of the Principles;
6. Progress on Implementing the Principles for Responsible Banking.



# Executive Summary

This report provides an update on The Co-operative Bank's progress to date against the six Principles for Responsible Banking and outlines The Co-operative Bank's engagement with the UNEP FI Principles for Responsible Banking Programme. An update report will be published on an annual basis.

Since the publication of our last report, in March 2023, The Co-operative Bank has successfully identified significant impact areas and set targets to further its positive impacts.

The two most significant impact areas identified, utilising UNEP FI's Impact Analysis Tool and The Co-operative Bank's customer-led Ethical Policy, were **Climate** and **Financial Health and Financial Inclusion**.

The Co-operative Bank is committed to further embedding the positive impact it has on these significant impact areas. In particular, following the announcement of our Net Zero target, our priorities will be to develop and publish more detailed plans for delivery of these ambitions and to become members of the Net Zero Banking Alliance. Further work will also continue to develop the data linked to Financial Health and Inclusion targets to allow us to demonstrate the positive impact The Co-operative Bank continues to have through delivery of relevant ESG commitments. The remainder of this report evidence our progress against each of the UN Principles for Responsible Banking in our relevant impact areas.



# Principle 1: Alignment



We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

The Co-operative Bank is a UK-only high street bank. Our story began in 1872, as the Loans and Deposits department of The Co-operative Wholesale Society, and we have worked hard ever since to provide our customers with an ethical alternative to the larger retail banks.

The Co-operative Bank was the first UK high street bank to introduce a customer-led Ethical Policy, which sets out the way we do business. This policy has been shaped by over 370,000 customer responses since it was first introduced in 1992 and it is our customers' voices that form the basis of our Ethical Policy and our ethical commitments. More importantly, our Policy defines how we use our customer's money and how we won't.

We offer products to both retail and business banking customers throughout England, Scotland and Wales, which together make up our core customer segments.

We also have a treasury function which manages The Co-operative Bank's portfolio of liquid assets, interest rate risk and wholesale funding to meet liquidity and capital requirements, as well as leading the day-to-day cash, clearing and collateral management for The Co-operative Bank.

## Links and references

[About us | The Co-operative Bank](#)

[Our History | The Co-operative Bank \(co-operativebank.co.uk\)](#)

[2023 Annual Results & Accounts](#)

[Investor Relations | The Co-operative Bank](#)

## Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: TCFD

Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: Modern Slavery Act 2015

None of the above

The Co-operative Bank, through its customer-led Ethical Policy, gives its customers a say in how their money is used. Adherence to co-operative values and ethics is written into the Articles of Association of The Co-operative Bank to ensure that this vital aspect of our heritage is prioritised.

Our annual Sustainability Report integrates relevant frameworks and goals.

As part of our Ethical Policy, The Co-operative Bank does not provide banking services to any business or organisation involved in the exploration, extraction or production of fossil fuels, the manufacture of harmful chemicals or the unsustainable harvest of natural resources. This applies to the provision of business current accounts, loans or investment services.

The Co-operative Bank complies with the CFD (Climate-related financial disclosures) and the Modern Slavery Act 2015.

## Links and references

[2023 Sustainability Report](#)

[Ethical Policy](#)

CFD: [2023 Annual Results & Accounts](#)

(page 43 onwards)

Modern Slavery: [2021-2022 Modern](#)

[Slavery Statement](#)

# Principle 2: Impact and Target Setting



We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

<p><b>1. Impact Analysis (Key Step 1)</b>          Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):</p>	
<p><b>a) Scope:</b> What is the scope of your bank’s impact analysis? Please describe which parts of The Co-operative Bank’s core business areas, products/services across the main geographies that The Co-operative Bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.</p>	
<p>The Co-operative Bank does not operate outside of the England, Scotland and Wales and provides retail (consumer) and Small and Medium-Sized Enterprises (SMEs) Business Banking services. No geographic exclusions were applied within our geographical scope. Having completed an impact analysis of our business activities, The Co-operative Bank considers its most significant impacts to be associated with its mortgage lending, as this accounts for the vast majority of its operation.</p> <p>The Co-operative Bank’s customer-led Ethical Policy includes exclusion statements that prevent us from providing banking services to SMEs engaged in activities relating to the exploration, extraction or production of fossil fuels and activities that cause environmental harm. No detailed breakdown of SME lending was completed as part of the impact analysis as this is not considered to be a material risk for our Bank due to this exclusion policy.</p>	<p><b>Links and references</b>  <a href="#">About us   The Co-operative Bank</a>  <a href="#">Ethical Policy</a></p>
<p><b>b) Portfolio composition:</b> Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope</p> <ul style="list-style-type: none"> <li>i) by sectors &amp; industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or</li> <li>ii) by products &amp; services and by types of customers for consumer and retail banking portfolios.</li> </ul> <p>If your bank has taken another approach to determine The Co-operative Bank’s scale of exposure, please elaborate, to show how you have considered where The Co-operative Bank’s core business/major activities lie in terms of industries or sectors.</p>	
<p>Mortgage lending makes up a large proportion of overall lending, and so the portfolio analysis has focused on this. The remaining loans are business loans on offer from The Co-operative Bank. As previously highlighted, The Co-operative Bank does not lend to harmful businesses and loans are a relatively small percentage of overall lending.</p>	<p><b>Links and references</b>  <a href="#">2023 Annual Results &amp; Accounts</a> (page 3)</p>

c) **Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

The Co-operative Bank's values and ethics are governed by a customer-led Ethical Policy, which was last updated in 2022 following a Values and Ethics Poll that was completed by over 47,000 of The Co-operative Bank's customers.

The outcome of the latest Poll highlighted that the most important ethical issues identified by Bank customers were protecting the environment and fighting global climate change, fighting poverty and inequality across England, Scotland and Wales, and protecting and promoting human rights both in the UK and abroad.

#### Links and references

[2021 Ethical Poll](#) – the results of our customer consultation

[Ethical Policy](#)

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

In line with the above results from our Values and Ethics Poll and the UNEP FI Impact Analysis Tool, The Co-operative Bank has identified the following priorities:

**Climate:** The Co-operative Bank recognises the importance of acting to reduce global carbon emissions to mitigate the impacts of uncontrolled climate change in years to come and the expected associated impact on the planet and humankind. The global and national actions required to address this urgent issue have been translated into UK Net Zero targets by the UK government.

In addition to having a long history of accounting and offsetting its Scope 1 & 2 emissions, The Co-operative Bank has partnered with NGO, Zero Hour, to campaign for the adoption of the Climate and Ecology Bill, which will provide a strong legislative mandate for tackling the worst effects of the climate-nature crisis. As highlighted by our latest Values and Ethics Poll and impact analysis, The Co-operative Bank has a strong mandate to ensure it aligns its decarbonisation ambition to support the delivery of the national and international targets to address climate change.

#### Financial Health and Inclusion:

In accordance with the Financial Inclusion Report 2021-2022 published by the UK Government, access to financial services is an important consideration in ensuring prudent financial decision-making and increased financial wellbeing. As households and businesses deal with the consequences of increased cost of living pressures, ensuring access to bank accounts and supporting financially vulnerable individuals is a priority in the UK. The importance of this was evidenced by the introduction of Consumer Duty requirements as of 31 July 2023.

The Co-operative Bank has a long history of fighting for social justice and promoting financial inclusivity as part of its co-operative heritage. It is committed to driving meaningful societal change through its through its campaigns, calling for greater support for the most vulnerable members of society.

#### Links and references

[2023 Sustainability Report](#) (page 5)

[Financial Inclusion Report 2021/22 - GOV.UK \(www.gov.uk\)](#)

d) For these (min. two prioritised impact areas): **Performance measurement:** Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider The Co-operative Bank's current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from The Co-operative Bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from The Co-operative Bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

### **Climate**

The Co-operative Bank has completed a full review of its Scope 1, 2 & 3 emissions and has identified its Scope 3 Category 15 (financed emissions) as its most significant source of emissions. The most significant source of Category 15 emissions is The Co-operative Bank's mortgage lending, which has been addressed through our Net Zero commitment. The target to align these financed emissions with a Net Zero pathway will ensure that The Co-operative Bank continues to provide its customers with the products and tools to decarbonise in line with UK Government ambitions and Paris Agreement targets.

### **Financial Health and Inclusion**

The Co-operative Bank was born from the co-operative movement over 150 years ago and remains committed to co-operative values and ethics to this day. In order to support charities, co-operatives and credit unions, The Co-operative Bank provides free banking to these sectors via its Community Direct Plus Accounts. This offering is designed to ensure that the organisations supporting vulnerable groups within society have access to supportive banking services.

The Co-operative Bank also recognises the importance of incorporating Financial Health and Inclusion into all aspects of The Co-operative Bank's planning and decision making. In order to support this, The Co-operative Bank has identified the need to monitor its training related to vulnerable customers and Financial Health and Inclusion

Access to digital banking services is an important part of enabling our customers to access banking products and services and up to date financial information. The effectiveness of digital banking services is an important measurement for how well the Bank can reach its customers in a secure and effective manner and provide support to vulnerable customers.

### **Links and references**

[2023 Sustainability Report](#) (page 8 and 41)

[Community Direct Plus Account](#)



### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- |                          |   |   |                             |
|--------------------------|---|---|-----------------------------|
| Scope:                   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Portfolio composition:   | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Context:                 | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> In progress            | <input type="checkbox"/> No |
| Performance measurement: | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> In progress | <input type="checkbox"/> No |

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Climate change mitigation, climate change adaptation, financial health & inclusion

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication
- Up to 18 months prior to publication
- Longer than 18 months prior to publication

## 2.2 Target Setting (Key Step 2)

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

**a) Alignment:** which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

### Climate

The Co-operative Bank has announced its intention to align to Net Zero by 2030 for its operational emissions (Scope 1 and 2) and by 2050 for its indirect (scope 3) emissions. This aligns with the NZBA framework in supporting the goals of the Paris Agreement. As a Bank exclusively operating in England, Scotland and Wales, our Net Zero targets align to the UK Government's national target to reach Net Zero by 2050. This also aligns to SDG13: Climate Action.

### Financial Health and Inclusion

The Co-operative Bank's financial health and inclusion targets align in particular to **SDG 1: No Poverty**.

The proposed targets are:

- Provide training on financial inclusion to all colleagues;
- Support not-for-profit organisations by continuing to promote our free Community Direct Plus account;
- Continue to develop the percentage of digitally active customers to all accessibility to our products.

### Links and references

[2023 Sustainability Report](#) (pages 5 and 8)

**b) Baseline:** Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. The overview of indicators can be found in the Annex of this template.

If your bank has prioritized climate mitigation and/or financial health & inclusion as (one of) your most significant impact areas, it is strongly recommended to report on the indicators in the Annex, using an overview table like below including the impact area, all relevant indicators and the corresponding indicator codes:

<p><b>Climate</b></p> <p>The Co-operative Bank has set a baseline of 2021 as this is the first year for which it has collated Scope 3 emissions data.</p> <p><b>Financial Health and Inclusion</b></p> <ul style="list-style-type: none"> <li>• Although Bank colleagues complete vulnerable customer and Consumer Duty training, the baseline for ensuring all colleagues receive training in financial health and inclusion will be to assume that at the beginning of 2023 no colleague has received bespoke training;</li> <li>• The baseline for number of Community Direct Plus Accounts is the end of 2023;</li> <li>• The baseline for digitally active customers is 2023.</li> </ul>	<p><b>Links and references</b></p> <p><a href="#">2023 Sustainability Report</a> (pages 5 and 8)</p>
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**c) SMART targets (incl. key performance indicators (KPIs) ):** Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

<p><b>Climate</b></p> <p>The targets in relation to climate change are to reach Net Zero (defined as a reduction of 90 % of baseline emissions with remaining 10 % being offset by carbon removals) by 2030 for operational Scope 1&amp;2 emissions and for financed and value chain emissions (Scope 3) by 2050. Full reporting of all emission scopes and categories will be provided from the 2023 Sustainability Report onwards.</p> <p><b>Financial Health and Inclusion</b></p> <ul style="list-style-type: none"> <li>• The Co-operative Bank targets to deliver training to all colleagues on financial health and inclusion in 2024, with a review of impact and further training requirements to follow in the first quarter of 2025;</li> <li>• The Co-operative Bank targets to increase its number of Community Direct Plus accounts by 6 % in 2024 to support charities, community interest companies and co-operatives with a free bank account to support the important work they do to support vulnerable society members;</li> <li>• The Co-operative Bank is targeting to reach 75 % digitally active customers by 2028, increasing 1.5 % annually to reach this target.</li> </ul>	<p><b>Links and references</b></p> <p><a href="#">2023 Sustainability Report</a> (pages 3,4 and 5)</p>
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**d) Action plan:** which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

<p><b>Climate</b></p> <p>The Co-operative Bank is currently in the process of developing SBti/NZBA-aligned transition plans to fully detail all milestones to reaching the target.</p> <p><b>Social and Financial inclusion</b></p> <p>Progress against both targets will be monitored by The Co-operative Bank’s governance structure at our monthly Values, Ethics and Sustainability Executive Committee meetings and quarterly Board level Values and Ethics Committee meetings throughout the year.</p>	<p><b>Links and references</b></p> <p><a href="#">ESG Approach</a> (page 62-68)</p>
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**Self-assessment summary**

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (please name it)	... second area of most significant impact: ... (please name it)
<b>Alignment</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
<b>Baseline</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
<b>SMART targets</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
<b>Action plan</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

## 2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

### **Climate**

Progress on implementation of The Co-operative Bank's Net Zero ambition is reported in the Sustainability Report.

### **Financial Health and Inclusion**

In 2023, The Co-operative Bank developed its financial inclusion targets for 2024 to drive meaningful impact in terms of Financial Health and Inclusion.

### **Links and references**

[2023 Sustainability Report \(pages 3 and 4\)](#)

# Principle 3: Clients and Customers



We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

## 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes       In progress       No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes       In progress       No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities ). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by The Co-operative Bank (see Principle 2).

The Co-operative Bank's customer-led Ethical Policy is central to the responsible relationship with our customers. It regularly undertake a customer consultation exercise to ensure we continue to reflect their most pressing ethical concerns within the Ethical Policy. The last customer consultation – known as our Values and Ethics Poll - was carried out in 2021.

We will continue to refuse to provide banking services to businesses or organisations involved in the exploration, extraction or production of fossil fuels, along with similar statements on a range of environmental and social issues.

In addition, The Co-operative Bank is working on supporting customers in adopting sustainable practices by providing advisory support such as:

- The Co-operative Bank offers Green Additional Borrowing options for existing mortgage customers to support them in making their homes more sustainable and energy efficient;
- As part of mortgage eligibility criteria, customers need to create an Energy Saving Home Improvement Plan using our free tool powered by Energy Saving Trust (EST). This free tool helps customers create an Energy Saving Home Improvement Plan;
- The Co-operative Bank have introduced Zellar, a sustainability platform which helps business customers to create roadmaps to improve their sustainability.

### Links and references

[Ethical Policy](#)

[2021 Ethical Poll](#) – the results of our customer consultation

[Energy Saving Home Improvement Tool](#)

[Zellar](#)

### 3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

The Co-operative Bank has the following product offering to mitigate its impacts:

- The Green, Social and Sustainability (GSS) bond framework is the reference document for all green, social and sustainability debt instruments issued by The Co-operative Bank. The framework enables The Co-operative Bank to issue green, social and sustainability instruments to facilitate the funding of assets with environmental and social benefits that directly contribute to the UN Sustainable Development Goals.
- Customers can borrow money to invest in renewable energy technologies to help improve the sustainability and efficiency of their business;
- Existing customers of The Co-operative Bank can apply for one of its Green Additional Borrowing products to help them make improvements to their home that will reduce their energy consumption and help them to do their bit to tackle the climate-nature crisis;
- Eligible Co-operative Bank, Britannia and Platform mortgages holders can use The Co-operative Bank's Energy Saving Improvement Tool, powered by the Energy Saving Trust, to create a personalised Energy Saving Improvement Plan and access a Green Additional Borrowing product;
- The Co-operative Bank provides free business banking for charities, co-operatives & credit unions (about 5 % of the business customer base). The Co-operative Bank also works with Co-operatives UK to provide a free business support programme for co-operative businesses to help them to grow and thrive.

#### Links and references

[GSS Framework](#)

[Renewable Energy Funding Scheme](#)

[Green Further Advances](#)

[Charity and Community Account](#)

[Business Support for Co-ops](#)

[Bridge to Banking](#)

[2023 Sustainability Report](#) (page 12 and 22)

# Principle 4: Stakeholders



We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

## 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups ) you have identified as relevant in relation to the impact analysis and target setting process?

- Yes                       In progress                       No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

The Co-operative Bank engages stakeholders from three distinct groups:

1. Those that have an economic relationship with The Co-operative Bank: customers, colleagues, suppliers and community partners;
2. Those without an economic relationship but with a close societal interest in The Co-operative Bank: charity and NGO partners, the UK government and financial regulators, local communities and the financial sector;
3. Advisors that provide insight and knowledge.

The Co-operative Bank appreciates the importance of open and ongoing engagement with stakeholders and seek opportunities to do this as part of business operations. In particular, The Co-operative Bank continues to engage with the Customer Union for Ethical Banking. The Customer Union for Ethical Banking is an independent body representing customers of The Co-operative Bank. The Customer Union has a mandate to hold The Co-operative Bank to account and ensure it continues to act as an ethical bank with customer-led values. It is formally recognised by The Co-operative Bank.

For example, in 2021 The Co-operative Bank’s Ethical Poll sought the views of our customers and received 47,000 responses. It has engaged charity and community partners in co-creation workshops to ensure that an updated Ethical Policy is representative of the views of a wide range of stakeholders.

### Links and references

[2021 Ethical Poll](#)



# Principle 5: Governance & Culture



We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

## 5.1 Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

- Yes       In progress       No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),
- details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as
- remuneration practices linked to sustainability targets.

Adherence to co-operative values and ethics is written into the Articles of Association of The Co-operative Bank to ensure this vital aspect of its heritage is maintained.

The Values and Ethics Committee provides Board level oversight of the delivery of The Co-operative Bank’s ESG and sustainability strategy and its Ethical Policy, ensuring effective governance and accountability.

The Values, Ethics and Sustainability Executive Committee is attended by members of the Executive Committee and escalates any issues to the Executive Committee.

The Co-operative Bank’s ESG strategy is reinforced within its culture and is integrated through our operations and product development. Sustainability and our Ethical Policy are intrinsic to everything it does in the organisation.

### Links and references

[Corporate Governance | The Co-operative Bank \(co-operativebank.co.uk\)](#)

[ESG Approach](#) (pages 62-68)

## 5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

The Co-operative Bank encourages all colleagues to act as ambassadors for our brand and for our values and ethics. They are dedicated to The Co-operative Bank's vision to support the planet, its people and communities, and receive annual training on its co-operative values and ethics.

It has a clear performance management programme that includes assessment of how colleagues behave in line with the Bank's vision and ethics in the workplace as well as what they have achieved.

The Co-operative Bank encourage open and honest communication across all levels of the organisation, with tools in place to encourage this, such as a highly interactive intranet. Colleagues from all areas of The Co-operative Bank are responsible for implementation and promotion of the commitments within its customer-led Ethical Policy. From 2022 onwards, part of executive remuneration is linked to achievement of our ESG targets.

### Links and references

[ESG Approach](#) (pages 24 onwards)

## 5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Environmental and social risks are managed through The Co-operative Bank's central risk management framework.

### Links and references

[ESG Approach](#)

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through The Co-operative Bank's governance system?

Yes  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No

# Principle 6: Transparency & Accountability



We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

## 6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes       Partially       No

If applicable, please include the link or description of the assurance statement.

The Co-operative Bank’s Sustainability Report 2023 has been independently verified with limited assurance. All climate-related data used for PRB target setting and delivery are included in the Sustainability Report. Verification and assurance of the entire PRB report was finalised on the 18<sup>th</sup> of March 2024 . A full assurance statement is available on pages 23-26 of this report.

**Links and references**  
[2023 Sustainability Report](#) (page 47-50)

## 6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI  
 SASB  
 CDP  
 IFRS Sustainability Disclosure Standards (to be published)  
 TCFD  
 Other: ....

The Co-operative Bank discloses sustainability information as required by the TCFD as part of its annual reporting.

**Links and references**  
[2023 Annual Results & Accounts](#) (page 43 onwards)

### 6.3 Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis , target setting and governance structure for implementing the PRB)? Please describe briefly.

Over the next 12 months, The Co-operative Bank will review the impact of the targets it has set for 2024 to determine how these support the implementation of the PRB. It will review its product offering to ensure its product and service range aligns to its ambitions and associated targets. The Co-operative Bank is developing a longer term strategic approach in order to address its high impact areas.

#### Links and references

[2023 Sustainability Report](#)

### 6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- Embedding PRB oversight into governance
- Gaining or maintaining momentum in The Co-operative Bank
- Getting started: where to start and what to focus on in the beginning
- Conducting an impact analysis
- Assessing negative environmental and social impacts
- Choosing the right performance measurement methodology/ies
- Setting targets
- Other: ...

- Customer engagement
- Stakeholder engagement
- Data availability
- Data quality
- Access to resources
- Reporting
- Assurance
- Prioritizing actions internally

# Definitions

- a) **Impact** – An impact is commonly understood as being a change in outcome for a stakeholder. In the context of the Principles, this means the effect a bank has on people/the society, the economy and the environment and with that on sustainable development (aligned with GRI definition). Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.
  
- a) **Significant impact** – Defined as impact that results in a particularly strong / relevant change in outcome for a stakeholder in terms of scale and/or intensity / salience. In the context of the Principles, the concept of significant impact is used to ensure that banks focus where their actions/business (can) matter most for people, economy and environment. The Principles also provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.





# ASSURANCE STATEMENT

## SGS UNITED KINGDOM LTD'S REPORT ON SELECTED KPIs PERTAINING TO DISCLOSURES FOR ALIGNMENT WITH PRINCIPLES OF RESPONSIBLE BANKING FOR THE REVIEW PERIOD 1<sup>ST</sup> JANUARY 2023 TO 31<sup>ST</sup> DECEMBER 2023

### NATURE OF THE ASSURANCE/VERIFICATION

SGS United Kingdom Ltd (hereinafter referred to as SGS) was commissioned by The Co-operative Bank p.l.c. (hereinafter referred to as The Co-operative Bank & The Bank) to conduct an independent assurance of selected KPIs included in their self-assessment report February 2024 (herein referred to as the report) published as part fulfillment of their commitment to 'Principles of Responsible Banking' (herein referred to as the PRB).

### INTENDED USERS OF THIS ASSURANCE STATEMENT

This Assurance Statement is provided with the intention of informing all of The Co-operative Bank p.l.c's Stakeholders.

### RESPONSIBILITIES

The information in the Report and its presentation are the responsibility of the directors and the management of The Co-operative Bank p.l.c., and SGS has not been involved in the preparation of any of the material included in the Report.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with

the intention to inform all of The Co-operative Bank p.l.c's stakeholders.

### ASSURANCE STANDARDS, TYPE AND LEVEL OF ASSURANCE

The Assurance protocols used to conduct assurance are based upon internationally recognised assurance guidance and standard of ISAE3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. Also, the guidance provide by the Principles for Responsible Banking United Nations Environment Program Finance Initiative, guidance for Assurance providers 2022 was used in this assurance engagement for the review of processes, activities and resulting efficacy on The Bank's initiatives.

The assurance of this report has been conducted according to the following Assurance Standards:

Assurance Standard Option		Level of Assurance
A	ISAE3000	Limited

Assurance has been conducted at a limited level of scrutiny.

## SCOPE OF ASSURANCE AND REPORTING CRITERIA

The scope of the assurance included the evaluation of quality, accuracy, and reliability of specified performance information as detailed below:

### Reporting Criteria & Guidelines

1 Principles for Responsible Banking Guidance Document, United Nations Environment Program Finance Initiative 2019, Updated 2021.

## SPECIFIED PERFORMANCE INFORMATION AND DISCLOSURES INCLUDED IN SCOPE

The scope of the assurance included data only for the following KPIs:

KPI	Scope	Target	Unit of Reporting	Reported Value
Community Directplus Accounts	Retail & SME Customers for England, Wales and Scotland	No Target Set (Target Set for 2024 is 6% Year on Year)	Number of Current Accounts	42,526
Digitally Active Customers	Retail & SME Customers for England, Wales and Scotland	1.5% Increase Year on Year to 68.7%	Percentage Increase	68.8%

## ASSURANCE METHODOLOGY

The assurance performed comprised the review, evaluation of, and providing comments on the underlying approach and reporting processes as well as evaluating the accuracy of the disclosed content and indicators. This included the following activities:

- Desk study to identify the adequacy of the description of underlying processes and activities in support of the initiatives undertaken by The Bank as recommended by

the PRB,

- Various inspections, testing and Interviews carried out virtually to complete the above evaluation and veracity of data collection processes and accuracy of reported information and data, including:
  - Interviews with relevant personnel,
  - Document and record inspection,
  - Evaluation of the inherent and systemic risks for the selected KPI data accuracy,
  - Control environment,
  - Confirmation of information sources & responsibility.

Verification was conducted upon all KPIs within the verification scope as an evaluation of historical data and information to determine whether the reported KPI data is materially correct and conforms to the criteria described above. SGS' approach is risk-based, drawing on an understanding of the risks associated with modelling KPI information and the controls in place to mitigate these risks. Our examination included assessment, on a sample basis, of evidence relevant to the voluntary reporting of KPIs, including emission information.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.



## **LIMITATIONS AND MITIGATION**

Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

## **STATEMENT OF INDEPENDENCE AND COMPETENCE**

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from The Co-operative Bank p.l.c., being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with relevant qualifications, expertise and experience.

## **FINDINGS AND CONCLUSIONS**

### **ASSURANCE/VERIFICATION OPINION**

Based on the methodology described and the verification work performed, SGS concludes with limited assurance that no evidence causes us to believe that the selected & submitted KPI data within the scope of our verification that are disclosed by The Co-operative Bank as part of their commitment to the Principles for Responsible Banking,

considered for this engagement are not, in all material respects, fairly stated, is not a fair representation of data and information, and is not prepared following the requirements of the Principles for Responsible Banking V2 (2021) United Nations Environment Program – Finance Initiative (UNEP F1) guiding principles.

### **QUALITY AND RELIABILITY OF SPECIFIED PERFORMANCE INFORMATION**

During the verification process, some examples of good practice as well as some opportunities for improvement in underlying processes were identified and reported to The Co-operative Bank with the aim of enabling a process of continual improvement in collection and reporting KPI data. It may be possible to roll out examples of good practice to other KPIs, or parts of the business and the opportunities for improvement identified may be considered for implementation during future reporting cycles.

#### Good Practices

The information verified is derived from The Bank's IT department and robust systems are in place for periodical reporting. There are random checks performed on the information and a central reporting mechanism is in place.

Opportunities for Improvement

We recommend that the Bank conduct further investigation, and analysis on the end impact of initiatives on target customer segments and improve the descriptions further. This would enable The Bank to enhance its offering and also create a benchmark for the industry.

**Signed: For and on behalf of SGS UNITED KINGDOM LTD**

**Liz Moran, Business Manager  
SGS United Kingdom Ltd  
18<sup>th</sup> March, 2024**

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