



Tax Strategy

December 2023

Ownership and approval

The tax strategy of The Co-operative Bank is set by the Bank's Board of Directors on the recommendation of the Audit Committee. This document sets out the tax strategy of the group of companies headed by The Co-operative Bank Holdings Limited ("the Bank"). The group includes The Co-operative Bank plc.

The tax strategy will be reviewed on an annual basis.

Business strategy statement

The Bank's business strategy aims to give effect to the Bank's vision of becoming an efficient, financially-sustainable and capital-resilient UK bank focused on retail and SME customers, differentiated by an ethically-led brand and a customer-centric proposition.

These positive attributes are underpinned by a customer-led Ethical Policy which has been developed over 30 years and is unique within the UK banking market.

Code of Practice on Taxation for Banks

The Bank is a signatory to the voluntary Code of Practice on Taxation for Banks that was introduced by the Government in 2009. The Code of Practice sets out certain obligations for adopting banks and governs the Bank's approach to governance, tax compliance, tax planning and its relationship with HMRC.

The Code of Practice requires banks to have adequate governance to control the types of transactions they enter into; not undertake tax planning that aims to achieve a tax result that is contrary to the intentions of Parliament; comply fully with all their tax obligations; and maintain a transparent relationship with HM Revenue & Customs.

Tax strategy statement

The Bank is committed to a responsible approach to the payment of tax and to complying with both the spirit and the letter of tax law.

The Bank aims to meet all of its tax compliance responsibilities and to add value to the business by legitimately minimising its total tax costs in a manner compliant with relevant tax legislation and within an acceptable level of taxation risk.

The Bank's tax strategy is aligned with the Bank's approach to corporate governance and risk management.

Risk Appetite

The Bank's applicable Risk Appetite statement in respect of Financial Reporting Risk is:

To produce all applicable Statutory and Board financial reporting consistently including financial submissions required by tax authorities and regulators, on time, materially correct and in line with internal policies and external regulations.

The Bank's Financial Reporting Risk Policy dictates that, where possible, all Tax Reporting shall be generated from, or shall be consistent with, the Bank's approved financial ledgers and that:

- All reporting will be produced within the agreed timescales
- All reporting shall be submitted using complete and accurate data
- All reporting shall be compliant with internal governance, tax legislation and accounting standards requirements

The Bank aims to minimise and has a low appetite for tax risk in line with the Code of Practice on Taxation for Banks.

Risk Management Framework

The Co-operative Bank has a Risk Management Framework which relies on Risk Control Self-Assessment controls. Risk Control Self-Assessment (RCSA) is the primary tool that enables the Bank to evidence that key controls are fit for purpose and being performed as designed, or that appropriate actions are in place to address any weaknesses.

Taxation Control Standard

The Bank has put in place a number of control standards as part of its Risk Management Framework. The Taxation Control Standard sets out the control objectives and minimum control requirements to ensure the principles set out in the Financial Reporting Risk Policy can be translated into real, owned controls and actions which will be embedded in the day to day procedures operated by the relevant area of the business. The Control Standard is owned by the Director of Finance.

Taxation Risk

A key objective of the tax strategy is that the Bank pays the correct amount of tax at the right time, according to all relevant laws and regulations applicable to the Bank. To achieve this objective the Bank operates a tax control framework to identify key tax risks, and to mitigate such risks through well-designed and effective controls.

The key taxation risks relevant to the Bank are compliance risk, operational risk, transactional risk and reputational risk.

Compliance risk is regarded as the risk arising through non-compliance with, or failures in, tax processes.

Operational risk is considered to be the risk that the operations of the business will give rise to unexpected tax costs and/or deterioration in customer relationships.

Transactional risk is associated with the tax consequences of transactions entered into by the Bank and the implementation of tax advice, and the accompanying risk associated with any arrangements put in place.

Reputational risk is the risk that actions taken could significantly prejudice relationships with the tax authorities or that publicity concerning a transaction adversely affects the Bank's standing with customers and other stakeholders.

The Bank aims to minimise each of the areas of taxation risk by ensuring that:

- All tax returns are prepared ensuring that all processes are identified, controls are in place and risks are managed in accordance with the Financial Reporting Risk Policy and the Financial Reporting Risk Control Standard
- Tax planning transactions having no commercial purpose other than the avoidance of tax, or which are not aligned to the Bank's strategy will not be undertaken
- Transactions will not be structured in a way that will have tax results for the Bank inconsistent with the underlying economic consequences unless there exists specific legislation designed to give that result

- Where appropriate, tax planning will be assessed against the requirements of the Code of Practice on Taxation for Banks
- Remuneration packages for employees, including senior executives, will be structured so that the Bank believes that the proper amounts of tax and national insurance contributions are paid at the right time on the rewards of employment

Tax Risk Oversight

Significant tax issues affecting the financial statements are discussed at the Bank's Audit Committee.

The Bank's Operational, Compliance and Financial Crime Risk Oversight Committee provides oversight and challenge over Financial Reporting Risk and ultimately provides assurance to the Board on the overall effectiveness of Risk Management in the Bank. The implementation and embedding of the Risk Management Framework is governed by the Executive Risk Oversight Committee and the Bank's Risk Committee.

External Tax Advice

External tax advisers are engaged where internal expertise, knowledge or experience does not exist, there is significant uncertainty on material issues or where a second opinion is required.

In compliance with the revised EU Audit Directive's recommendations on non-audit services provided by external auditors, tax advisory and compliance services are not procured from the Bank's external auditor.

The Bank is committed to engaging with HM Revenue & Customs (HMRC) in a professional, open and transparent manner. To facilitate this, the Bank seeks to be proactive wherever possible by engaging with the tax authorities to keep them informed of current or impending transactions or information which may be relevant to the Bank's tax position.

Regular dialogue is maintained with the HMRC Customer Compliance Manager (CCM) and appropriate HMRC tax specialists. This is intended to focus on significant issues, facilitate resolution of compliance issues in real time, enable timely clearances on matters affecting the business to be obtained and limit the need for HMRC to open enquiries into tax returns. Significant uncertainties in relation to the tax treatment of material transactions and the interpretation of tax legislation will be discussed with HMRC on a real time basis where practical.

The Bank regards its publication of this tax strategy as complying with the duty under paragraph 16(2) Schedule 19 Finance Act 2016 to publish a tax strategy for the year ended 31 December 2023