

Principles for Responsible Banking Self-assessment report

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

UN 
environment
programme

finance
initiative

Principles for
Responsible Banking

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, the 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 200 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 self-assessment reports our progress against the six Principles for Responsible Banking in the first 18 months since signing up to the programme. 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



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.

Reporting and Self-Assessment Requirements	High-level summary of bank’s response	Reference(s)/ Link(s) to bank’s full response/ relevant information
<p>1. Describe (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>The Co-operative Bank is a UK-only high street bank. Our story began in 1872, as the Loans and Deposits department of Co-operative Wholesale Society, and we have worked hard ever since to provide our customers with a real alternative to the larger retail banks.</p> <p>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 320,000 customer responses since 1992.</p> <p>We offer products to both retail and business banking customers throughout the UK, which together make up our core customer segments.</p> <p>We also have a treasury function which manages the 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 Bank.</p>	<p>Annual Report & Accounts 2020: The Co-operative Bank at a glance p3 Segment update: Retail p34 Segment update: SME p37 Segment update: treasury p39</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2. Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>The Co-operative Bank, via 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 constitution of the Bank to ensure that this vital aspect of our heritage is maintained. Our annual Sustainability Report integrates relevant frameworks and goals.</p> <p>An important part of our Ethical Policy is our commitment to refuse to provide banking services to any business or organisation involved in the extraction or production of fossil fuels, the manufacture of harmful chemicals or the unsustainable harvest of natural resources. This includes the provision of business current accounts, loans or investment services.</p>	<p>Sustainability Report 2020</p> <p>Ethical Policy p. 12</p>

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.

Reporting and Self-Assessment Requirements	High-level summary of bank’s response	Reference(s)/ Link(s) to bank’s full response/ relevant information
<p>1. Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:</p> <p>a) Scope: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank’s activities and provision of products and services.</p>	<p>The Co-operative Bank has been committed to consciously managing its environmental impact since the launch of our customer-led Ethical Policy in 1992.</p> <p>Scope: As a provider of financial services to businesses in the UK, we are aware that our impact lies largely in our decisions of which companies we will and won’t provide those services to. Our Ethical Policy spells out those business activities which our customers have told us are unacceptable and those we would seek to support and cover a range of environmental and social issues. Our Ethical Policy also includes all aspects of our business, including our products and services, supplier relationships and workplace culture.</p> <p>Scale of exposure: As a UK only bank we recognise that while our major impact lies within the UK, our customers’ activities do extend worldwide. We therefore consider environmental and social issues that arise in other parts of the world within our Ethical Policy statements. However, we have limited exposure by implementing our Ethical Policy statement to protect the environment, which includes the commitment to refuse to provide banking services to any business or organisation involved in the extraction or production or fossil fuels, the manufacture of harmful chemicals or the unsustainable harvest of natural resources. This includes the provision of business current accounts, loans or investment services.</p>	<p>Ethical Policy p. 12</p>

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<p>(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))</p> <p>Show that building on this analysis, the bank has</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts 	<p>Context & relevance: Within our business we seek to promote human rights and equality, to promote economic and social development in Britain, to protect the environment, to support international development and to protect animal welfare. These priorities were decided following consultation with our customers.</p> <p>Scale and intensity/salience of impact: Our bank has minimised the impact of many of the main environmental and social issues facing the financial services industry by implementing a strict Ethical Policy, in consultation with our customers. For example, by refusing to provide banking services to any business or organisation involved in the extraction or production of fossil fuels, we have removed many of the negative impacts of exposure to climate change risk from banking and investments. Similarly, within our operations, we have made a commitment to source 100% renewable energy, reducing the negative impacts of our business and we have been beyond carbon neutral since 2007.</p>	<p>Ethical Policy p. 12</p>

Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.
The Co-operative Bank has fulfilled the requirements regarding Impact Analysis. We will, however, continue to develop our strategy and will provide an update in future reporting.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2.1 Target Setting</p> <p>Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.</p> <p>Show that these 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. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>The Co-operative Bank takes a considered approach to target setting. We have already achieved some important environmental targets and feel that we should commit to maintain those metrics over the coming years, for example sending zero waste to landfill and purchasing renewable electricity. Other targets relating to our social and governance commitments are detailed in our annual Sustainability Report.</p> <p>Most of the targets detailed in the Sustainability Report 2020 are linked to appropriate Sustainable Development Goals and support the Paris Agreement goal to substantially reduce The Co-operative Bank’s greenhouse gas emissions, which we currently offset to achieve net zero. The Bank will report against these targets in our next annual Sustainability Report.</p> <p>The Co-operative Bank does not provide banking services including loans to any business or organisation involved in the extraction or production of fossil fuels. The Co-operative Bank has work to do in implementing a methodology that will measure the carbon footprint of loans made by the Bank to other industries. This will allow the Bank to extended the scope of our carbon accounting to 100 % of our loans in the future and to map emissions per asset class to identify hotspots within our portfolio. This will provide useful guidance for setting a long-term strategy that is in line with the Paris Agreement via the Science Based Targets initiative (SBTi).</p>	<p>Sustainability Report 2020: Our environmental, social and governance commitments for 2021 p3</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.</p>		
<p>We have not fulfilled the requirements regarding Target Setting at this point. We will continue to develop our strategy and will provide an update in future reporting.</p>		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2.3 Plans for Target Implementation and Monitoring Show that your bank has defined actions and milestones to meet the set targets.</p> <p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>As we continue to develop our strategy we will ensure that actions and milestones relating to targets are defined.</p> <p>We will continue our strategy to refuse any banking services to businesses or organisations involved in the extraction or production of fossil fuels.</p> <p>We will continue to offset our operational carbon emissions plus an additional 10 % to compensate for historic emissions.</p>	<p>Sustainability Report 2020: Our environmental, social and governance commitments for 2021 p3</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.</p>		
<p>We have not fulfilled the requirements regarding Plans for Target Implementation and Monitoring at this point. We will continue to develop our strategy and will provide an update in future reporting.</p>		

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>2.4 Progress on Implementing Targets For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.</p> <p>Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)</p>	<p>As we continue to develop our strategy we will ensure that actions and milestones relating to targets are defined.</p> <p>We will continue our strategy to refuse any banking services to businesses or organisations involved in the extraction or production of fossil fuels. We will continue to report on the number of businesses declined access to services as a result of this policy.</p> <p>We will continue to purchase 100 % renewable electricity, to reduce our operational carbon emissions and to offset the emissions we make plus an additional 10 % to compensate for historical emissions to allow us to be beyond carbon neutral. We will continue to send zero waste to landfill with a commitment to increase the percentage of operational waste recycled year-on-year.</p>	<p>Sustainability Report 2020: Our environmental, social and governance commitments for 2021 p3</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.</p>		
<p>We have not fulfilled the requirements regarding Implementing Targets at this point. We will continue to develop our strategy and will provide an update in future reporting..</p>		

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.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>Our Ethical Policy is central to our responsible relationship with our customers.</p> <p>We will continue our strategy to refuse any banking services to businesses or organisations involved in the extraction or production of fossil fuels, along with similar statements on a range of environmental and social issues.</p> <p>We will continue our zero waste to landfill strategy, increasing the percentage of operational waste recycled year-on-year. We will continue to purchase 100 % renewable electricity, to reduce our operational carbon emissions and to offset the emissions we make plus an additional 10 % to compensate for historical emissions to allow us to be beyond carbon neutral.</p>	<p>Our Ethical Policy The Co-operative Bank (co-operativebank.co.uk)</p> <p>ethical-policy.pdf (co-operativebank.co.uk)</p>
<p>3.2 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. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>In 2021 we have engaged our customers in a consultation exercise to update our Ethical Policy in line with their most pressing ethical concerns. We will launch an updated version of the Ethical Policy in 2022 and this will guide development of the Bank's sustainable strategy and practices. Where possible and in line with our customers' views, we will seek opportunities to enable sustainable economic activities. For example, our long-standing support for the co-operative sector is helping communities to thrive by providing the tools for community owned businesses to develop and grow.</p>	<p>Values and Ethics Poll 2021 The Co-operative Bank (co-operativebank.co.uk)</p> <p>The Hive - Empowering Co-operatives to Succeed The Co-operative Bank (co-operativebank.co.uk)</p>

Principle 4: Stakeholders

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

Reporting and Self-Assessment Requirements	High-level summary of bank’s response	Reference(s)/ Link(s) to bank’s full response/ relevant information
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>The Co-operative Bank engages stakeholders from three distinct groups:</p> <ul style="list-style-type: none"> - Those that have an economic relationships with the bank: customers, colleagues, suppliers and community partners - Those without an economic relationship but with a close societal interest in The Co-operative Bank: NGOs, the UK government and financial regulators, local communities, financial sector and the media - Advisors that provide insight and knowledge <p>We appreciate the importance of open and ongoing engagement with our stakeholders and seek opportunities to do this as part of our business operations.</p> <p>For example, in 2021 our Ethical Poll has sought the views of over 3 million customers and we have engaged our charity and community partners in co-creation workshops to ensure that our updated Ethical Policy is representative of the views of a wide range of stakeholders.</p>	<p>Values and Ethics Poll 2021 The Co-operative Bank (co-operativebank.co.uk)</p>

Principle 5: Governance & Culture

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

Reporting and Self-Assessment Requirements	High-level summary of bank’s response	Reference(s)/ Link(s) to bank’s full response/ relevant information
<p>5.1 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 effective implementation of the Principles.</p>	<p>Adherence to co-operative values and ethics is written into the constitution of The Co-operative Bank to ensure this vital aspect of our heritage is maintained.</p> <p>The Values and Ethics Committee provides Board level oversight of the delivery of the values and ethics policy and strategy, ensuring effective governance and accountability.</p> <p>Our values and ethics are reinforced within our culture by being fully integrated into our operations. Sustainability and our Ethical Policy are intrinsic to everything we do in the organisation.</p>	<p>Annual Report & Accounts 2020: Values and Ethics Committee Report p70</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>The Co-operative Bank encourages all colleagues to act as ambassadors for our brand and for our values and ethics. They have ownership of our mission to contribute to a sustainable society.</p> <p>We have a clear performance management programme that includes assessment of how colleagues function within the workplace as well as what they have achieved.</p> <p>We 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 bank are responsible for implementation and promotion of our customer-led Ethical Policy.</p> <p>From 2022 onwards, part of executive pay will be linked to achievement of our ESG targets.</p>	<p>Sustainability Report 2020 Targets and commitments: p3 Workplace & culture: P16-17</p>

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant informati
<p>5.3 Governance Structure for Implementation of the Principles</p> <p><i>Show that your bank has a governance structure in place for the implementation of the PRB, including:</i></p> <p>a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>Governance for the implementation of the Principles for Responsible Banking is via the Values and Ethics Committee, a committee of the Board.</p> <p>The Values and Ethics Committee has oversight of target-setting and actions and will step in should remedial action be required.</p>	<p>Annual Report & Accounts 2020: Values and Ethics Committee Report p70</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.</p>		
<p>We have fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p>		

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.

Reporting and Self-Assessment Requirements	High-level summary of bank's response	Reference(s)/ Link(s) to bank's full response/ relevant information
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p><i>Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</i></p> <p><i>Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.</i></p> <p><i>Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</i></p>	<p>Our 2020 Annual Report and Accounts and Sustainability Report detail progress in the implementation of our Ethical Policy and ESG targets. As such it meets these goals.</p> <p>Developing a new ESG strategy in 2021 will help The Co-operative Bank to develop our plans to support a robust responsible banking framework.</p> <p>In 2021, The Co-operative Bank joined the Zero Hour campaign to support the Climate and Ecological Emergency Bill, which has been drafted by scientists, legal experts, ecological economists and environmentalists, and designed specifically to reverse climate and ecological breakdown. We will continue to take a public stance on initiatives like this that support our commitment to the Principles for Responsible Banking.</p> <p>The Co-operative Bank has refused to provide banking services to businesses or organisations involved in the extraction or production of fossil fuels for almost 30 years. We will continue to uphold this commitment and lead the way in ethical banking.</p>	<p>Annual Report & Accounts 2020</p> <p>Sustainability Report 2020</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.</p>		
<p>We have fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking.</p>		

Annex: Definitions

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

