



# Green, Social and Sustainability Financing Framework

February 2022

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

## CONTENTS

### I. Introduction

	Page
The Co-operative Bank at a glance	3
Sustainability at The Co-operative Bank	3-6
The Co-operative Bank's Ethical Policy	6-8
ESG Ratings	8
Contribution to the UN Sustainable Development Goals	9
How our objectives and actions align to the SDGs	9

### II. The Co-operative Bank Green, Social and Sustainability Financing Framework

Introduction	10-12
Framework Rationale	
Green, Social and Sustainability Debt Instruments	
External Alignment	
Future Updates	
Use of Proceeds (eligible assets, rationale, lookback, exclusions)	12-17
Social Debt Instruments and Eligible Social Categories	
Green Debt Instruments and Eligible Green Categories	
Sustainability Debt Instruments	
Look-back and Look-forward Periods	
Exclusions List	
Process for Project Evaluation and Selection	17-18
Management of Proceeds	18-19
Reporting	19-20
External Review	20
Disclaimer	21

## I. Introduction to The Co-operative Bank

### 1. The Co-operative Bank at a glance

The Co-operative Bank was established in 1872 as the Loans and Deposits department of the Co-operative Wholesale Society in order to provide banking services for the co-operative movement. Since our inception, we have put co-operative values at the heart of what we do, and we work hard to provide our customers with a real alternative to the larger retail banks.

We offer products to both retail and business banking customers, which together form our core customer segments. For our retail customers, we offer high street, telephony and online services, including current accounts, savings, mortgages, personal loans and credit cards; for our SME customers, which include small and medium-sized businesses, co-operatives, charities and social enterprises, we offer banking services such as current accounts, savings, loans, overdrafts and credit cards.

Our purpose is to pioneer banking that makes a positive difference to the lives of our customers and communities, and our vision is to become a customer-centric, efficient and financially sustainable UK retail and SME bank distinguished by its values and ethics. The Co-operative Bank is the only UK high street bank to introduce a customer-led Ethical Policy – this unique policy has been guiding the way we do business since its first publication in 1992, and we have periodically undertaken customer polls to ensure that the Policy still reflects the issues that are important to our customers. The results of these polls are published on our website. Since November 2013, co-operative values and our Ethical Policy have been incorporated into The Co-operative Bank's Articles of Association.

### 2. Sustainability at The Co-operative Bank

For 150 years we have had an unwavering commitment to co-operative values and ethics which has made us a natural leader in ESG today. As environmental, social and governance issues have become increasingly important to customers, investors, and other stakeholders, our ambition to maintain a leading position on these issues remains as strong as ever. In 2021 we were recognised as the UK's best Environmental, Social and Governance (ESG) rated high street bank by leading experts, Sustainalytics – with an ESG risk score of just 9.2<sup>1</sup>.

Our commitment to protecting the environment was formalised 30 years ago when we launched our Ethical Policy. Since 2007, The Co-operative Bank has been '**beyond carbon neutral**,' offsetting our own carbon emissions (Scope 1 & 2) plus an additional 10% to address our historical business activities. In 2021, we continued to source 100% of our electricity from renewable energy suppliers and further reduced our energy consumption by 18% year-on-year (see page 4 of our Sustainability Report 2021). We also did not send any operational waste to landfill and continue to develop our circular economy throughout our operations, for example by recycling 70% of our operational waste. In 2022, we are committed to assessing the impact of our indirect emissions with a view to announcing our net zero target date at the end of 2022, aim to recycle at least 60% of operational waste by the end of 2022 and will aim to keep our GHG emissions intensity ratio below 1.8 from our base line of 2.4.

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<sup>1</sup> Rated by Sustainalytics in the Regional Banks subindustry with a score of 9.2 as of 11 June 2021

## Our key environmental targets

In 2021 we said we would...	How did we do?	What about 2022 and beyond?
maintain the beyond carbon neutral position we've held since 2007 for our operational emissions.	Our operations remained carbon neutral in 2021, with an additional offset of 10% to address historic emissions.	We'll assess the impact of our indirect emissions with a view to announcing our net zero target date at the end of 2022.
continue our zero waste to landfill position and start our journey to embed a full circular economy.	We did not send any operational waste to landfill in 2021. We continue to develop our circular economy strategy.	We will aim to recycle 60% of operational waste <sup>2</sup> by the end of 2022.
remain committed to sourcing all of our electricity from renewable sources and to seek opportunities to reduce our energy consumption.	We reduced our energy consumption by <b>18% year-on-year</b> and sourced all of our electricity from renewable sources.	We'll keep our operational GHG emissions <sup>3</sup> intensity ratio below 1.8 from our 2019 baseline of 2.4.

Our commitment to addressing social issues is enshrined in our customer-led Ethical Policy. We are a leading UK bank for co-operatives, charities and credit unions, and we are proud to look after the needs of over 95,000 SMEs. In 2021 our contribution to the national wealth or "economic value generated and distributed", was £352m. Of this, our community investment was £1.15m (£1.6m in 2020). Economic value is distributed as salaries to employees, donations to charitable causes, and, if relevant, profit and reserves to our owners. Through our retail segment, we have helped thousands of customers buy their first home (2021: 6,403). The impact of the COVID-19 pandemic has continued to be felt by our retail and mortgage customers, by our small business customers and by the many charities and community organisations we support and who bank with us. We have put in place a range of support measures to help our customers and communities through this difficult time, such as access to the Government backed lending schemes for business customers and payment holidays for mortgage and loan customers. Many of our customers have needed additional support as the pandemic has continued in 2021. We're grateful for our partnership with Citizens Advice Manchester, which allows us to make a direct, priority referral to their vital services. In 2021, we were delighted to continue supporting over 1,500 of these customers by offering flexible lending terms, such as the 'Pay As You Grow' scheme.

The Co-operative Bank's impact on society also goes beyond the people to whom we provide banking services, as we seek to drive positive social change through our community initiatives and in co-operation with the partners and charities we work with. We support the UK's co-operative sector by offering free business banking to co-operative businesses and since 2016 have provided £1.7m of funding to The Hive, with an additional £400k investment for 2022. This unique business support programme created by Co-operatives UK in partnership with The Co-operative Bank, gives co-operative businesses from all sectors of the economy access to the expert advice and guidance they need to thrive. Through our partnership with Centrepoint, the UK's leading youth homelessness charity, we have now raised £2 million to help end youth homelessness and we continue to closely collaborate with other key charity partners such as Refuge and Amnesty International UK to bring about meaningful social change.

<sup>2</sup> Operational waste includes cardboard, confidential waste, glass, food, mixed recycling and general waste

<sup>3</sup> Greenhouse gas emissions associated with F-Gas losses are determined by calculating the global warming potential of all refrigerants added to the air-conditioning systems in buildings owned or operated by The Co-operative Bank throughout the relevant year, which is then converted into tonnes of CO2 equivalent (tCO2e)

## Our key social targets

In 2021 we said we would...	How did we do?	What about 2022 and beyond?
challenge ourselves to increase our co-operative business customer base by 14% to demonstrate our commitment to supporting the co-operative sector.	We achieved a 4% increase in our co-operative business customer base, providing banking services to 12% of all registered co-operatives as at the end of 2021. In 2021 we delivered the key infrastructure for our SME business to enable sustainable growth in the future.	We'll continue to support the co-operative sector and work towards a 14% increase in our co-operative business customer base.
make a positive social change by working with Refuge to highlight the impact of digital banking on survivors of economic abuse.	Our work with Refuge led to the launch of a cross-sector commission into the impact of online banking on those experiencing economic abuse.	We'll work with our charity partners and acting on the findings of the Online Banking Commission on Economic Abuse with Refuge.
increase our total volunteering hours by 10% in 2021.	Our colleagues took part in <b>1,980</b> hours of volunteering. That's over <b>300%</b> more than in 2020.	We'll continue to support our local communities particularly in the North West and increase volunteering hours by 10%.

Since 2015, we have been accredited as a Living Wage Employer, ensuring that all of our colleagues are paid a fair wage that reflects the real cost of living. We remain committed to HM Treasury's Women in Finance Charter since signing up in 2016 and in 2020, we successfully reached our committed target to increase female representation in our senior leadership to 40%. While we're proud of our success to date, there is more to do to achieve gender balance. We therefore re-committed to achieving 45% women in senior roles by the end of 2023. As we progress towards this new target our focus remains on implementing our gender diversity plan. We recognise there is further work to do in order to address the gender pay gap, and are working to narrow this gap in the longer term. In 2021 we broadened our pay gap focus to include a review of the Ethnicity Pay Gap in our organisation and are committed to measuring and addressing our ethnicity pay gap by the end of 2022, and through colleague inclusion networks we are actively promoting diversity within our organisation.

From 2022 Executive pay will be linked to delivery of our ESG commitments. Specific ESG performance measures form part of the bank wide scorecard to which all colleague remuneration, including executive, is linked. These include screening 100% of business customers and suppliers against our customer-led Ethical Policy, achieving net zero and understanding the impact of Scope 3 emissions, reducing our GHG emissions, and a focus on diversity.

Our sustainability agenda is governed by the Executive level Values, Ethics and Sustainability Committee ("VESCo") and overseen by The Co-operative Bank's board level Values and Ethics Committee, which provides oversight of the delivery of the values and ethics policy and strategy, ensuring effective governance and accountability. The Values and Ethics Committee is also responsible for reviewing the development of our ESG reporting and over time this will include the adoption of the TCFD's recommendations, as noted above.

In addition to our Ethical Policy (detailed below), which every business account is screened against, we have a number of policies and public commitments that guide our governance of sustainability issues and corporate strategy<sup>4</sup>. These include our Code of Conduct, outlining our 'zero tolerance stance on bribery and corruption, Modern Slavery Statement and Taxation Policy. In 2020, we became a signatory to the UN Environment Programme Finance Initiative (UNEPFI) Principles for Responsible Banking.

<sup>4</sup> Our full Environmental, Social and Governance Business Approach can be accessed here: <https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/presentationsandprospectuses/cooperative-bank-environmental-social-and-governance-approach-2021.pdf>

## Our key governance targets

In 2021 we said we would...	How did we do?	What about 2022 and beyond?
link Executive pay to achieving ESG targets from 2022.	This pay link has been approved by the Bank's Board and the specific ESG performance measures have been agreed.	In 2022 and going forward, Executive pay will be linked to delivery of our ESG commitments. <b>See page 8 of our Sustainability Report for details</b>
maintain our commitment to diversity, inclusion and balance, for example by having 40 % of our senior positions filled by women.	We continue to have at least <b>40%</b> of senior positions filled by women	We have re-stated our target to have 45 % senior positions filled by women by 2023
continue to decline business banking services to any business that conflicts with our Ethical Policy.	We have declined 10 business banking applications in 2021. You can find full details on <b>page 13 of our Sustainability Report</b> .	In 2022 we will launch an updated Ethical Policy, shaped by the views of our customers. We'll launch ESG labelled bonds, Green Mortgages and Homeless Bank Accounts.

### 3. The Co-operative Bank's Ethical Policy

As we celebrate 150 years of ethical banking in 2022, it is a great time to reflect on the ethical alternative we have provided since 1872. We were the first, and we remain the only UK bank to have a customer-led Ethical Policy, which was launched in 1992.

In 2021 we conducted our sixth Values & Ethics Poll, through which nearly 50,000 customers shared their views on the ethical issues that are important to them today. We will use the findings of this poll to inform an update to our Ethical Policy in 2022.

Since its launch in 1992, the Policy has been shaped through over 370,000 customer responses, giving us confidence that our approach to banking remains relevant today. The Ethical Policy brings to life our ongoing commitment to the values and ethics of the co-operative movement and guides our relationships between our customers, our colleagues, our suppliers and our wider communities. An important element of our Ethical Policy is our commitment to report annually on our performance on values and ethics and the decisions we take under our Ethical Policy.

Our Ethical Policy is built on **five pillars**, extending beyond our lending activities to a number of other important dimensions:

1. **Ethical Banking:** we do not provide banking services to businesses and organisations that conflict with our Ethical Policy
2. **Ethical Products and Services:** we seek to offer products and services that reflect our values and ethics
3. **Ethical Business:** we endeavour to behave ethically in how we run our business, including our relationships with suppliers and external organisations
4. **Ethical Workplace and Culture:** our workplace culture reflects co-operative values and ethics
5. **Ethical Campaigns:** we campaign for social and economic change in line with our values and ethics

Our customers choose an ethical bank because they want to entrust their money to an organisation that recognises the social, economic and environmental impacts of its activities, and seeks to shape those impacts in pursuit of shared ethical goals. The seven goals at the heart of our Ethical Policy are:

1. **Acting with honesty and transparency:** we ensure we're honest and transparent in how we do business and engage externally
2. **Being a responsible bank that treats customers fairly:** we seek to run The Co-operative Bank responsibly and through our actions, ensure good outcomes for our customers
3. **Promoting human rights and equality:** we support the principles of the Universal Declaration of Human Rights
4. **Promoting economic and social development in Britain:** we seek to promote economic and social development in Britain, including through supporting charities and social enterprises, and through our support for co-operatives and the co-operative movement
5. **Protecting the environment:** we support small businesses and organisations whose activities promote a healthy environment and we seek to minimise our impact on the environment
6. **Supporting international development:** we seek to promote development and support the reduction of poverty in developing countries
7. **Protecting animal welfare:** we will not provide banking services to organisations which are involved in animal testing of cosmetics or household products or whose activities significantly degrade endangered animals' habitats

The Ethical Banking pillar ensures that customers' money will not be put to use in a way that conflicts with our values and ethics (i.e. via an exclusion policy) while also actively supporting small businesses and organisations whose activities promote a healthy environment and inclusive growth.

Specifically, our Ethical Policy prohibits providing banking services to any business or organization whose core activity fails to: promote human rights and equality; promote economic and social development in Britain; protect the environment; support international development; or protect animal welfare. An overview of excluded activities is provided here:

Promoting human rights and equality	<p><b>...to any business, organisation or government that...</b></p> <ul style="list-style-type: none"> <li>• Fails to uphold basic human rights within its sphere of influence</li> <li>• Manufactures or transfers indiscriminate weapons (e.g. cluster bombs and depleted uranium munitions), torture equipment or other equipment that is used in the violation of human rights, or armaments supplied to oppressive regimes</li> <li>• Has links to an oppressive regime that are a continuing cause for concern</li> <li>• Advocates discrimination and incitement to hatred</li> </ul>
Promoting economic and social development in Britain	<p><b>...to any business or organization...</b></p> <ul style="list-style-type: none"> <li>• Takes an irresponsible approach to the payment of tax in the UK and elsewhere</li> <li>• Whose core business focuses on irresponsible gambling as defined by relevant legislation</li> <li>• Whose core business is the provision of payday loans</li> </ul>
Protecting the environment	<p><b>...whose core activity contributes to...</b></p> <ul style="list-style-type: none"> <li>• Global climate change, via the extraction or production of fossil fuels (oil, coal, gas and shale gas), with an extension to the distribution of those fuels that have a higher global warming impact (e.g. tar sands and certain biofuels)</li> <li>• The manufacture of chemicals that are persistent in the environment, bio-accumulative in nature or linked to long-term health concerns</li> <li>• The unsustainable harvest of natural resources, including timber and fish</li> <li>• The development of genetically modified organisms where there is evidence of uncontrolled release into the environment, negative impacts on developing countries, or patenting, e.g. of indigenous knowledge</li> <li>• The development of nanotechnology in circumstances that risk damaging the environment or compromising human health</li> </ul>
Supporting	<p><b>...to any business or organisation that...</b></p>

international development	<ul style="list-style-type: none"> <li>• Fails to implement basic labour rights as set out in the Fundamental UN ILO Conventions, e.g. avoidance of child labour, or that actively oppose the rights of workers to freedom of association, e.g. in a trade union</li> <li>• Impedes access to basic human necessities, e.g. safe drinking water or vital medicines</li> <li>• Engages in irresponsible marketing practices, e.g. with regard to tobacco products and manufacture</li> </ul>
Protecting animal welfare	<p><b>...to any business or organisation...</b></p> <ul style="list-style-type: none"> <li>• That is involved in the exploitation of great apes, e.g. in experimentation or general commercial use</li> <li>• Whose activities significantly contribute to the degradation of endangered animal species' habitats</li> <li>• Involved in animal testing of cosmetic or household products or their ingredients, intensive farming methods (e.g. caged egg production), blood sports (e.g. the use of animals or birds in sport to catch, fight or kill each other) or the fur trade</li> </ul>

#### 4. ESG Ratings

Our commitment to environmental, social and governance issues has been well-recognised by leading international ESG rating agencies. In June 2021, The Co-operative Bank received an ESG rating of 9.2 from Sustainalytics - a leading, independent ESG and corporate governance research and analytics firm, confirming our place as the UK's best rated high street bank for ESG. With our new strategy, and exciting plans for 2022 and beyond, we're working to maintain this position in the future, as we strive to continually deliver our unique, customer-led ethical commitments to both customers and stakeholders.

Sustainalytics score of **9.2** makes us the **UK's best** ESG rated high street bank.



**RATED**

**MSCI rating of**  
**A**  
consistently achieved for the last 5 years



CCC B BB BBB **A** AA AAA

**ISS rating of**  
**C-**  
2<sup>nd</sup> decile rank versus peer group



#### 5. Contribution to the UN Sustainable Development Goals (UN SDGs)

As signatories of the UN Principles for Responsible Banking, we have committed to align our strategy and practices with the vision for the future set out in the Sustainable Development Goals (SDGs) and the Paris Climate Agreement.

We recognise that the activities of our Bank can have an impact on all 17 goals, both positively and sometimes negatively. We have therefore taken steps to consider the impact and influence we have on the SDGs within a framework of our impact on our planet, on individuals and in our communities. This exercise has identified the ten SDGs where we feel we can make the most positive contribution.

## 6. How our objectives and actions contribute to the SDGs

Our SME business accounts support employment generation in economically underperforming regions and they support female entrepreneurship.

Contributes to SDG targets 1.2, 5.5 and 8.3



We provide financing to education, child care, healthcare and elderly care providers, helping them to improve access to their services for all.

Contributes to SDG targets 1.2, 3.8, 4.4 and 10.2



We take part in Help-to-Buy schemes and provide mortgages to individuals who are self-employed, contractors or entrepreneurs, as well as loans to accredited housing associations and co-operative housing providers registered in the UK, which helps to ensure access for all to adequate, safe and affordable housing.

Contributes to SDG targets 1.2, 10.2 and 11.1



We support the construction of buildings in an energy-efficient manner, reducing energy consumption and greenhouse gas emissions. We're also developing products to help our customers to undertake renovations, which will help to mitigate climate change.

Contributes to SDG targets 7.3, 11.6 and 13.2



We provide finance to local charities, social enterprises, non-profit organisations, foundations and philanthropic structures, which helps to provide socioeconomic advancement and improvement for vulnerable populations.

Contributes to SDG targets 3.8, 4.4, 10.2 and 11.1



## II. The Co-operative Bank Green, Social and Sustainability Financing Framework

### 1. Introduction

#### i) Framework Rationale

The Co-operative Bank's Green, Social and Sustainability Financing Framework (the "Framework") aims to become the reference document for all future green, social and sustainability debt instruments issued by The Co-operative Bank Finance p.l.c. and its subsidiaries, including The Co-operative Bank p.l.c.

The Framework enables The Co-operative Bank to issue green, social and sustainability debt instruments to facilitate the funding of assets with environmental or social benefits that directly contribute to the United Nations Sustainable Development Goals ("UN SDGs")<sup>5</sup>. The Framework provides a transparent set of criteria to bring positive social benefits, transition to a low carbon economy and support our purpose to make a positive difference to the lives of its customers and communities.

The Co-operative Bank will allocate the proceeds of its green, social and sustainability debt instruments to Eligible Green Assets and Eligible Social Assets (together referred to as "Eligible Assets") as defined within the Use of Proceeds section of the Framework.

#### ii) Green, Social and Sustainability Debt Instruments

Under the Framework, The Co-operative Bank may issue green debt instruments (to finance and/or refinance Eligible Green Assets), social debt instruments (to finance and/or refinance Eligible Social Assets) or sustainability debt instruments (to finance and/or refinance a combination of Eligible Green Assets and Eligible Social Assets). These green, social and sustainability debt instruments can be issued in a number of different formats, including but not limited to:

- Senior, unsecured bonds;
- Subordinated bonds;
- Public or private placements;
- Covered Bonds (e.g. Moorland Covered Bonds LLP); or
- RMBS (e.g. Silk Road)

More information on The Co-operative Bank's existing funding programmes can be found [here](#).

#### iii) External Alignment

The Framework is aligned with the 2021 editions of the Green Bond Principles ("GBP")<sup>6</sup>, Social Bond Principles ("SBP")<sup>7</sup> and Sustainability Bond Guidelines ("SBG")<sup>8</sup> published by the International Capital Market Association ("ICMA"). As such, the Framework consists of the following five core components:

- Use of Proceeds;
- Asset Evaluation and Selection;
- Management of Proceeds;
- Reporting;
- External Review

The framework directly supports the following UN SDGs:

#### SDG #1 No Poverty

1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions



<sup>5</sup> <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

<sup>6</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

<sup>7</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

<sup>8</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

### SDG #3 Good Health & Wellbeing

3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all



### SDG #4 Quality Education

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship



### SDG #5 Gender Equality

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



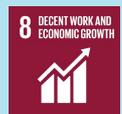
### SDG #7 Affordable & Clean Energy

7.3 By 2030, double the global rate of improvement in energy efficiency



### SDG #8 Decent Work & Economic Growth

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services



### SDG #10 Reduced Inequalities

10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



### SDG #11 Sustainable Cities and Communities

11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management



### SDG #13 Climate Action

13.2 Integrate climate change measures into national policies, strategies and planning



framework in order to remain aligned with best market practices, including seeking a new Second Party Opinion ("SPO) where any changes are material.

The Co-operative Bank also acknowledges the development of a UK Taxonomy by the UK Government, advised by the Green Technical Advisory Group (GTAG), and is monitoring developments in this space.

More generally, this Framework may be subsequently updated as The Co-operative Bank’s sustainable financing needs change, new products for customers are launched and/or the sustainable finance market evolves.

## 2. Use of Proceeds

Eligible Green Assets and Eligible Social Assets constitute the Eligible Assets. They correspond to an Eligible Asset Portfolio that contains new and/or existing loans. The Eligible Assets will be disbursed or allocated after the issuance of the corresponding instruments. Existing loans included from The Co-operative Bank’s Eligible Asset Portfolio must have been originated within the 24-months period prior to the issuance of any green, social and sustainability debt instrument issued under this Framework.

### i) Green Debt Instruments and Eligible Green Assets

The net proceeds of The Co-operative Bank’s Green Debt Instruments will be used exclusively to finance and/or refinance, in whole or in part, loans that seek to address or mitigate a specific environmental issue and/or seek to achieve positive environmental outcomes, including reducing greenhouse gas (GHG) emissions and reducing pollution, as well as directly contribute to the following UN SDG targets and indicators.

ICMA GBP Category	Eligible Green Assets	Environmental Benefits	Environmental Objectives	UN SDG Alignment & Contribution
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>Loans for new or existing residential/domestic properties (residential mortgages) which score A or B according to their Energy Performance Certificate (“EPC”)<sup>9</sup> (currently ranging from A to G, where G is least energy-efficient)</li> <li>Loans for new or existing commercial properties which score A or B according to their EPC (currently ranging from A to G, where G is least energy-efficient)</li> </ul>	Reducing energy usage and GHG emissions	Climate change mitigation	 <u>Targets:</u> 11.6
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>Loans to retail or SME customers to facilitate the installation of renewable energy technologies (e.g. solar panels or pole-mounted wind turbines) for existing residential or commercial buildings, thereby supplying clean energy directly to the grid or directly reducing grid emissions</li> <li>Loans to retail or SME customers to facilitate the retrofit/renovation of existing residential or commercial buildings (e.g. via thermo-efficient glazing, air source heat pumps, insulation, solar heating, etc.) which result in a verified and measurable improvement in energy efficiency or decrease in energy use</li> </ul>	Increasing adoption of renewable energy; reducing energy usage and GHG emissions	Climate change mitigation	  <u>Targets:</u> 7.3, 13.2

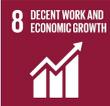
The Co-operative Bank has not yet established a minimum threshold for the ‘Energy efficiency’ category. The Value, Ethics and Sustainability Committee (detailed in the ‘Asset Evaluation and Selection’ section) will review each potential eligible project to establish whether the efficiency improvement is quantifiable, verifiable and ambitious, with the aim of achieving best market standards. Should this category be used to contribute towards the aggregate pool of Eligible Green Assets, The Co-operative Bank will publish a more detailed methodology note alongside its allocation and impact report to confirm the exact method used to verify the increase in energy efficiency or decrease in energy use of a building.

<sup>9</sup> In the UK, an EPC is required whenever a property is built, sold or rented. An EPC contains i) information about a property’s energy use and typical energy costs and ii) recommendations about how to reduce energy use and save money (please see <https://www.gov.uk/buy-sell-your-home/energyperformance-certificates> for more information)

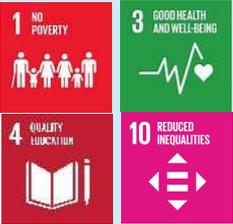
## ii) Social Debt Instruments and Eligible Social Assets

The net proceeds of The Co-operative Bank’s Social Debt Instruments will be used exclusively to finance and/or refinance, in whole or in part, loans that seek to achieve positive social impacts, including promoting employment generation, providing affordable and quality housing, supporting charities and social enterprises and providing access to essential services.

Eligible Social Assets directly aim to address or mitigate a specific social issue, achieve positive social outcomes for a specific target population and the UN SDG targets and indicators, outlined below.

ICMA SBP Category	Eligible Social Assets	Target Populations	Social Objectives	UN SDG Alignment & Contribution
<b>SME Financing</b>	<ul style="list-style-type: none"> <li>Loans to Small and Medium size enterprises (“SMEs”) which are either:               <ul style="list-style-type: none"> <li>located in socioeconomically disadvantaged areas; and/or</li> <li>female-led businesses</li> </ul> </li> </ul> <p>The rationale and specific criteria for the target populations identified can be found in <i>SME Financing – supporting rationale &amp; criteria</i> section below</p>	<p>SMEs in economically underperforming regions of the UK</p> <p>SMEs owned or led by women</p>	<p>Support employment generation in the concerned area</p> <p>Support female entrepreneurship</p>	   <p>Targets: 1.2, 5.5, 8.3</p>
<b>Affordable Housing</b>	<ul style="list-style-type: none"> <li>Loans to not-for-profit, accredited housing associations or co-operative housing providers registered in the UK<sup>10</sup>. To be eligible, the housing associations must be involved in the construction, management and refurbishment of properties for one or more of the following:               <ul style="list-style-type: none"> <li>Social Rent</li> <li>Affordable Rent</li> <li>Shared Ownership</li> <li>Supported Housing</li> </ul> </li> </ul>	<p>Individuals with economic difficulties who cannot access adequate and affordable housing, leading to social vulnerabilities</p>	<p>Ensure access for all to adequate, safe and affordable housing</p>	   <p>Targets: 1.2, 10.2, 11.1</p>

<sup>10</sup> In the United Kingdom, housing associations are private, non-profit making organisations primarily involved in constructing residential housing, as well as managing and maintaining the properties, and are regulated by the Regulator of Social Housing. Housing Associations typically fund themselves with a combination of public and private funding and can operate both locally or nationally. A list of registered housing associations is available [here](#).

<p><b>Access to Essential Services (financial services &amp; banking)</b></p>	<ul style="list-style-type: none"> <li>Loans that enable greater access to home ownership in the UK, particularly loans for individuals with a heightened social need and/or individuals underserved by mainstream financing providers, such as: <ul style="list-style-type: none"> <li>Mortgages to: <ul style="list-style-type: none"> <li>Applicants with low incomes</li> <li>Applicants with moderate incomes</li> <li>Applicants who are first time buyers and with an income below the UK median</li> </ul> </li> <li>Mortgages provided in conjunction with accredited Government Schemes (e.g. Help to Buy)</li> <li>Mortgages to individuals who are self-employed or contractors</li> <li>Mortgages to young professionals</li> <li>Mortgages originated under our “Community Mortgage” product</li> </ul> </li> </ul> <p>Loans included in this category will be for owner-occupied homes only (i.e. excluding Buy to Let). The rationale and specific criteria for the target populations identified can be found in <i>Access to Essential Services (financial services &amp; banking) – supporting rationale &amp; criteria</i> section</p>	<p>Individuals with a heightened social need and/or those underserved by mainstream financing providers</p>	<p>Enables access to housing thereby reducing social vulnerabilities and enabling financial empowerment</p>	 <p><b>Targets:</b> 1.2, 10.2</p>
<p><b>Access to Essential Services (education, healthcare and social care)</b></p>	<ul style="list-style-type: none"> <li>Loans to essential service providers, where the services provided are broadly accessible to the public or subsidised by public funding. This includes, but is not limited to, lending to essential services providers in the following fields: <ul style="list-style-type: none"> <li>Education (e.g. schools, colleges and training centres)</li> <li>Child care (e.g. nurseries)</li> <li>Healthcare (e.g. hospitals, laboratories, clinics and hospices)</li> <li>Elderly care (e.g. care homes)</li> </ul> </li> </ul> <p>In each case, loans may relate to:</p> <ul style="list-style-type: none"> <li>Development, expansion or acquisition of buildings, facilities, or equipment</li> <li>Child, youth or adult education and vocational training services (which are broadly accessible to the whole public)</li> <li>Loans to SMEs within the sectors outlined above</li> </ul>	<p>Population benefiting from the publicly supported healthcare and education system</p> <p>Vulnerable populations including unemployed, elderly, undereducated and persons with disabilities</p>	<p>Improve access to healthcare services for all</p> <p>Improve the quality and access to education services for all</p> <p>Improve the quality and access to social care services for all</p>	 <p><b>Targets:</b> 1.2, 3.8, 4.4, 10.2</p>
<p><b>Socio-economic Advancement &amp; Empowerment</b></p>	<ul style="list-style-type: none"> <li>Loans to local charities, social enterprises, non-profit organisations, foundations and philanthropic structures, excluding those involved in political and religious activities, and including, but not limited to: <ul style="list-style-type: none"> <li>Healthcare</li> <li>Education for the socially vulnerable</li> <li>Youth development, empowerment and employability</li> <li>Housing for the socially vulnerable</li> <li>Culture &amp; sport, particularly where beneficiaries reside in disadvantaged neighborhoods</li> </ul> </li> </ul>	<p>Vulnerable populations including unemployed, youth, elderly, undereducated and disabled individuals</p>	<p>Socioeconomic advancement and improvement</p>	 <p><b>Targets:</b> 3.8, 4.4, 10.2, 11.1</p>

## SME Financing – supporting rationale & criteria

Small and medium sized enterprises, or SMEs, are of great social and economic importance within the UK. From an economic perspective, SMEs stimulate employment (approximately 16 million people) and innovation, contributing £1.9bn to the UK economy<sup>11</sup>. SMEs also contribute to positive social outcomes in the UK such as regional development, reduced socioeconomic and gender inequalities and poverty reduction. These are all themes aligned with The Co-operative Bank's strategic purpose and the purpose of this Framework.

In order for SME assets to be eligible under this Framework, an SME must:

- a) Meet the definition of an SME as defined in the UK Companies Act 2006<sup>12</sup>; **AND**
- b) Not be engaged in any business activity in violation of The Co-operative Bank's Ethical Policy; **AND**
- c) Meet the "SME Social Criteria" as defined below

To meet the **SME Social Criteria**, an SME must:

- a) Be located in an socioeconomically underperforming area of the UK, as defined below; **OR**
- b) Be female-led, with
  - i. at least 51 % ownership by a woman or by women, **OR**
  - ii. at least 20 % ownership by a woman or by women, with a woman as CEO, COO, President or Vice President and a board of directors comprised of at least 30 % women for public companies

## Socioeconomically underperforming areas

The Co-operative Bank intends to map its SME financing portfolio against disadvantaged areas in the UK on a loan by loan basis in order to determine the pool of potential Eligible Social Assets in this category. Since SMEs have the ability to improve social outcomes in the UK, The Co-operative Bank considers that financed SMEs located in the most disadvantaged areas of the UK have the potential to have the greatest social impact.

We intend to assess the relative ranking of socioeconomically underperforming areas using the national Indices of Deprivation, published by the Ministry of Housing, Communities & Local Government (or the equivalent in Scotland or Wales)<sup>13</sup>. A SME loan will be included as an Eligible Social Asset if it falls within the most deprived 35 % of Lower Super Output Areas ("LSOA") in England, Scotland or Wales. It is intended to use the post code associated with each loan to determine LSOA code for each loan, which is used in the Indices of Deprivation. The Co-operative Bank intends to publish a more detailed methodology note alongside the allocation and impact report, confirming the exact index or indices used. If for any reason this methodology should become infeasible, The Co-operative Bank will implement another method to determine socioeconomically underperforming areas; this will be stated clearly in the aforementioned methodology note.

## Affordable Housing – supporting rationale and criteria

Housing Associations play a critical role in the UK economy, providing safe, adequate and affordable housing which helps to combat the divergence between house prices and average earnings that has occurred over the past few decades. Housing Associations fund themselves through a combination of public and private funding, which The Co-operative Bank supports through loans. To qualify as an Eligible Social Asset within this category, loans must meet the criteria described below:

- Registered housing associations operating in the UK involved in the construction, management and refurbishment of properties, ultimately leading to the provision of affordable housing (including social rented, affordable/intermediate rented, shared ownership and supported housing), provided to specified eligible households whose needs are not met by the market

<sup>11</sup> BEIS SME Action Plan, 2019. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/783765/BEIS-SME-Action-Plan.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/783765/BEIS-SME-Action-Plan.pdf)

<sup>12</sup> UK Companies Act 2006 defines (i) a small enterprise as one which meets two of the following criteria (≤£10.2m turnover, ≤£5.1m balance sheet, ≤50 employees); and (ii) a medium enterprise as one which meets two of the following criteria (≤£36m turnover, ≤£18m balance sheet, ≤250 employees)

<sup>13</sup> The latest Indices of Deprivation can be accessed here: [England, Wales, England & Wales, Scotland](#)

## Access to Essential Services (financial services & banking – supporting rationale & criteria)

The Co-operative Bank enables the socioeconomic advancement and empowerment of its customers by providing and expanding access to key financial services in the UK. This is achieved, in part, through the provision of mortgages directly to individuals/households underserved by mainstream financing providers, thereby enabling and promoting financial inclusion. To qualify as an Eligible Social Asset within this category, loans must meet the criteria within one of the following five categories:

- Households with Assessed Incomes below the UK median Household Disposable Income<sup>14</sup>

The Co-operative Bank is committed to supporting a wide range of individuals and families purchase a home, including those customers on low & moderate incomes and those purchasing a home for the first time (first time buyers). In order for mortgages assets to be eligible under this sub-category, they must be:

- To applicants with low incomes, defined as those with Assessed Incomes less than 60 % of the UK median Household Disposable Income
- To applicants with moderate incomes, defined as those with Assessed Incomes between 60 % and 85 % of the UK median Household Disposable Income
- To first time buyer applicants with Assessed Incomes below the UK median Household Disposable Income

Assessed Income is defined as the household income of the mortgage applicant, as determined through The Co-operative Bank's standard credit assessment using data submitted by the applicants.

- Mortgages provided in conjunction with accredited Government Schemes Help to Buy

The UK Government is committed to supporting home ownership in the UK, particular for those on low and medium incomes, including through dedicated schemes such as Help to Buy. Help to Buy is a Government scheme designed to support lower income individuals and families purchase a home where regular retail banks and building societies would not have appetite to lend the full sum through a traditional mortgage. Applicants can contribute as little as a 5 % deposit, with the Government providing up to 20 % (40 % in London) in the form of an equity loan, and the remainder provided through a mortgage, thereby supporting individuals on lower incomes to purchase a home. Should the Help to Buy scheme be replaced by another accredited Government scheme aimed at increasing home ownership, then The Co-operative Bank's mortgages originated in association with this scheme will also be eligible under this framework.

- Individuals who are self-employed or contractors

Many individuals, particularly those without regular, salaried incomes, face difficulty obtaining financial services from the main UK high street lenders. The Co-operative Bank caters to this segment of the market through more bespoke underwriting processes for applications from those with complex income and is able to provide mortgage financing to self-employed individuals with only two years of trading history.

- Young Professionals

The Co-operative Bank has developed a professional mortgage product which allows us to increase our maximum mortgage offer (5.5x income) vs. our standard mortgage product which includes the following professions: Accountants, Architects, Actuaries, Chartered Surveyors, Dentists, Medical Doctors, Optometrists, Pharmacists, Solicitors and Veterinarians. Since the age of first-time home ownership has been rising for the past few decades, this is one of The Co-operative Bank's solutions to counter this trend and allows young professionals (qualified in the last five years) to purchase a home with a lower deposit than they otherwise would need. To qualify as an Eligible Social Asset under this framework, applicants must be under 34 years of age.

- Community Mortgage

The Co-operative Bank is developing a product which is designed to support first time buyers and young people to purchase a home who may be looking at market or lender schemes to support with purchase, by using a deposit pool from our members who are savers to support mortgage lending. Through a larger deposit, this supports those in other incomes to purchase a home.

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<sup>14</sup> UK Median Household Disposable Income was £29,900 in the financial year ending 2020, according to the [Office for National Statistics \(ONS\) Household Finance Survey](#)

### iii) Exclusion List

The Co-operative Bank excludes any assets involving businesses or industries that are considered to have potential negative social impacts (e.g. human rights, labour rights, health and safety at work or any other project with negative impact on communities) or negative environmental impacts from being included as Eligible Assets; it is important to note that this screening/exclusion is fundamental to The Co-operative Bank's Ethical Policy, which is applied to all lending.

Therefore, we will not knowingly allocate the proceeds from any Green, Social and Sustainability debt issued under this Framework to businesses or enterprises that meet any of the following criteria:

1. Business that fail to meet our Ethical Policy<sup>15</sup>
2. Businesses which are found to have engaged in illegal business practices
3. Businesses involved in severe controversies or incidents with material negative social aspects

It will fall within the remit of the Value, Ethics and Sustainability Committee to monitor and enforce this Exclusion List.

In addition, non-performing loans and encumbered assets will also be ineligible for allocation of the proceeds of green, social and sustainability debt instruments issued under this Framework.

## 3. Asset Evaluation and Selection

The Co-operative Bank has established a Value, Ethics and Sustainability Committee ("VESCo" or the "Committee") to manage and provide robust oversight to this Framework. VESCo is comprised of key individuals with appropriate and sufficient expertise from all of the relevant departments involved in the origination and monitoring of Eligible Assets including:

- Treasury (including Treasurer)
- Strategy
- Brand / Marketing
- External Communications
- Retail
- SME
- Credit and Regulatory Risk
- Secretariat
- Compliance

The appointed chair of the Committee is the Chief Administrative Officer, and the Committee reports directly to ExCo. VESCo oversees the governance of the Green, Social and Sustainability Financing Framework, and its responsibilities include:

- Ensuring the proceeds of any green, social and sustainability debt instruments issued under this Framework will be used to finance and/or refinance Eligible Assets as described in the Use of Proceeds section
- Monitoring the Eligible Assets to ensure they remain compliant with the criteria set out in the Use of Proceeds section
- Monitoring the Eligible Assets to ensure they are compliant with the Ethical Policy, including the sector-based exclusion criteria, activity-based exclusion criteria and the minimum social safeguards (such as labour rights as set out in the UN ILO Conventions)
- Managing and overseeing any future updates of the Framework including the addition of new Eligible Categories, the alignment of the eligibility criteria with best market practices and/or obtaining an updated Second Party Opinion
- Documenting the evaluation and selection process in order to facilitate external verification of whether selected assets meet the criteria set out in the Use of Proceeds section

<sup>15</sup> Exclusion policy detailed in Part I of this framework. The full policy can be accessed here: <https://www.co-operativebank.co.uk/assets/pdf/bank/values-and-ethics/ethical-policy.pdf>

- Ensuring that all Eligible Assets comply with applicable UK and international environmental and social standards and regulations, as well as The Co-operative Bank's own standards and policies. Details of The Co-operative Bank's relevant policies and practices can be found on our website<sup>16</sup> and include our Ethical Policy, Code of Conduct Policy, Sustainable Procurement Supplier Policy, and our Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and Financial Sanctions (FS) policies, amongst others

The overall process for managing and monitoring the proceeds is as follows:

- All potential Eligible Assets are subject to the Co-operative Bank's regular credit processes, including KYC / customer acceptance standards and credit risk assessments. Sustainability is an inherent part of this assessment process within our Ethical Policy
- The relevant department of The Co-operative Bank carries out a pre-selection of potential Eligible Assets (using the criteria detailed in the Use of Proceeds section of this Framework)
- The potential Eligible Assets are submitted by The Co-operative Bank's relevant departments to VESCo for approval. The Committee verifies the alignment of the pre-selected assets to the Eligible Asset criteria, including compliance with the Exclusion List and Ethical Policy referenced in this Framework
- The Eligible Assets are clearly identified within The Co-operative Bank's internal information system

In the case of the term non-recourse securitisation through the Silk Road programme (or any similar programme which The Co-operative Bank establishes), the underlying asset pool will on a best efforts basis meet the green and social eligibility criteria outlined within this Framework.

## 4. Management of Proceeds

Only Eligible Social Assets can be allocated to The Co-operative Bank's social debt instruments and only Eligible Green Assets can be allocated to The Co-operative Bank's green debt instruments. In the event that The Co-operative Bank was to issue sustainability debt instruments, the net proceeds would be allocated to both Eligible Green Assets and to Eligible Social Assets.

The Co-operative Bank has set up an internal information system enabling the recording and tracking of the Eligible Assets, ensuring the net proceeds of the green, social and sustainability debt instruments will be allocated accordingly until the relevant instruments mature.

<sup>16</sup> <https://www.co-operativebank.co.uk/pdfs/bank/investorrelations/presentationsandprospectuses/cooperative-bank-environmental-social-and-governance-approach-2021.pdf>

At least quarterly, VESCo will ensure that:

- The criteria specified in the Use of Proceeds sections continue to be met for the entire Eligible Asset Portfolio
- Any asset that no longer meets these criteria will be removed and replaced with new Eligible Assets, once they have been identified. Amortised, prepaid or redeemed Eligible Assets will also be replaced by new Eligible Assets
- The total Eligible Asset Portfolio meets or exceeds the net proceeds raised by green, social and sustainability debt instruments

An ordinary revolving and substitution policy will maintain a direct relationship between Eligible Asset amounts and tenors with the relevant outstanding green, social and sustainability debt instruments. To ensure the continuous intent of this commitment and taking into account the potential evolution of Eligible Assets:

- The amount of the Eligible Asset Portfolio will always exceed the amount of the green, social and sustainability debt instruments outstanding by a relevant factor
- The amount of the Eligible Green Assets will always exceed the amount of the green debt instruments outstanding by a relevant factor
- The amount of the Eligible Social Assets will always exceed the amount of the social debt instruments outstanding by a relevant factor
- The amount of the Eligible Social and Green Assets will also take into consideration any sustainability debt instruments outstanding for the Eligible Asset Portfolio

The Co-operative Bank may select Eligible Assets originated up to 24 months prior to the respective green, social or sustainability debt issuance. We expect to allocate an amount equivalent to the net proceeds raised by each issuance to the Eligible Asset Portfolio within 12 months of issuance.

Pending the full allocation of the proceeds or in the unlikely case of insufficient Eligible Assets, The Co-operative Bank commits to hold the additional funds in the Group's Treasury, in accordance with its liquidity policy and, to the extent possible, invest in green, social and sustainability debt instruments.

## 5. Reporting

The Co-operative Bank will publish an annual Green, Social and Sustainability Financing Report on its website, detailing both the allocation of the net proceeds of the green, social and sustainability debt instruments issued, including any Green or Social RMBS, as well as impact information concerning the Eligible Assets Portfolio. For the avoidance of doubt, reporting will be made on a reporting/aggregated basis rather than on an individual basis.

The Co-operative Bank will report on the allocation of net proceeds of the green, social and sustainability debt instruments to the Eligible Asset Portfolio and the related impact metrics within one year from the first borrowing date of each issuance and annually thereafter until the proceeds have been fully allocated. The Co-operative Bank will publish this information on the Investor Relations section of its website (<https://www.co-operativebank.co.uk/about-us/investor-relations>).

The Co-operative Bank also commits to report on any material developments of the Eligible Asset Portfolio, should the need arise. This reporting commitment of the Eligible Asset Portfolio will cease once all green, social and sustainability debt instruments have matured.

## **i. Allocation Reporting**

The Co-operative Bank will include the following information in its allocation reporting:

- Summary terms of the Green, Social and Sustainability debt instruments issued during the reporting period and outstanding at the reporting date;
- The amount and/or percentage of new and existing assets (i.e. share of financing vs. refinancing) in the Eligible Asset Portfolio;
- Gross lending to each borrower segment (as outlined in the *Use of Proceeds* section of this document), broken down by the respective Eligible Assets;
- A mapping of the loans to the relevant SDGs; and
- The balance of unallocated proceeds, if any

## **ii. Impact Reporting**

The Co-operative Bank intends to report on the environmental and social impacts of the Eligible Assets financed and/or refinanced. Potential impact indicators will cover both qualitative and quantitative metrics, where possible, including:

- # of loans included in the Eligible Asset Portfolio
- GHG annual emissions avoided (in tCO<sub>2</sub> equivalent)
- Annual energy savings in MWh
- # of beneficiaries
- # of loans extended to SMEs in socioeconomically disadvantaged areas
- # of loans extended to female businesses
- # of loans granted to non-profit organizations and/or estimated # of beneficiaries of non-profit organizations
- # of loans provided to support affordable housing in the UK and/or # of beneficiaries relating to affordable housing
- # of loans granted to providers of essential services, such as healthcare, education and social care and/or # of people served by these essential services
- # of jobs sustained or generated by financed SMEs
- Qualitative examples of assets financed / refinanced under this Framework (e.g. case studies)

The Co-operative Bank, subject to the availability of information, will seek to align its reporting with the approach detailed in ICMA's "Handbook – Harmonised Framework for Impact Reporting" (June 2021) and "Working Towards a Harmonized Framework for Impact Reporting for Social Bonds" (June 2020).

## **6. External Review**

### **i. Second Party Opinion (pre-issuance)**

The Co-operative Bank will obtain an independent Second Party Opinion from ISS ESG to confirm the validity of this Framework and its alignment to relevant market standards (e.g. ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines).

### **ii. External Verification (post-issuance)**

The Co-operative Bank also intends to request external verification from an independent third party on the allocation of the net proceeds from any Green, Social or Sustainability debt issued under this Framework on an annual basis until full allocation, or in the event of significant changes in the allocation of proceeds.

The post-issuance external verification report, along with The Co-operative Bank's Green, Social and Sustainability Financing Framework and the Second Party Opinion, will be made publicly available on our website.

## LEGAL DISCLAIMER

The information and opinions contained in this Framework are as at the date of the Framework. All opinions and estimates in this document are subject to change without notice. The Co-operative Bank is under no obligation to update or keep current the information contained herein.

Nothing in this Framework constitutes or forms part of, and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy or subscribe for, securities in any jurisdiction or an inducement to enter into investment activity, and it has not been approved by any securities or other regulatory authority. Nothing contained herein shall form the basis of any contract, agreement, obligation or commitment on the part of The Co-operative Bank.

No regard should be had to this Framework, nor any reliance placed on any of the information contained herein, in connection with any investment decision in respect of any securities. The information in this Framework is not intended to be, and must not be, relied on as advice for making investment decisions and is not intended to provide the basis for any credit or any other third-party evaluation of any securities. This document is published solely for information purposes. Nothing in this Framework should be construed as legal, tax, regulatory, accounting, financial or investment advice.

Prospective investors should make such enquiries as they deem necessary or expedient for the purposes of determining whether or not to make an investment in any green, social or sustainability debt instruments that may be issued by The Co-operative Bank from time to time. Investors should have regard to the relevant documents relating to the green, social or sustainability debt instruments and the use of proceeds thereof (or amounts equal thereto) and must reach their own decision on the relevance of such information for the purposes of making an investment and consult with their own legal, tax, regulatory, accounting, financial or investment advisers to the extent they deem necessary or expedient.

There is currently no clearly defined definition (legal, regulatory or otherwise), nor market consensus, as to what constitutes a 'green', 'social', 'sustainability' or equivalently-labelled asset or project or as to what precise attributes are required for a particular asset or project to be defined as 'green', 'social' or 'sustainable' (or to be given any other equivalent label) nor can any assurance be given that such a clear definition or consensus will develop over time. No assurance is given that the use of such proceeds (or amounts equal thereto) of a green, social or sustainability debt instrument will satisfy, in whole or in part, any present or future investor expectations or requirements with regard to any investment criteria or guidelines by which the investor is bound relating to 'green', 'social' or 'sustainability' assets or projects or otherwise (or that any adverse environmental, social and/or other impacts will not occur during the implementation of any such projects), whether by its own governing rules, investment requirements or by current or future applicable law or regulation (in particular with regard to any direct or indirect environmental, sustainability or social impact of any assets, projects or uses, the subject of or related to, any of the businesses and projects financed or refinanced with the proceeds from any particular green, social or sustainability debt instruments or amounts equal thereto).

The Co-operative Bank's failure to allocate the proceeds of any particular green, social or sustainability debt instrument to finance or refinance Eligible Assets, the failure of any of the assets and projects funded with the proceeds from any particular green, social or sustainability debt instruments to meet the requirements under this Framework, or the failure of external auditors to give a limited assurance report of the allocation of the issuance proceeds or amounts equal thereto, will not constitute a default with respect to any particular green, social or sustainability debt instruments and may affect the value of any particular green, social or sustainability debt instrument and/or have adverse consequences for certain investors with portfolio mandates to invest in such assets.

This document is intended to provide non-exhaustive, general information. This document may contain or incorporate by reference publicly available information which has not been separately reviewed, verified, approved or endorsed by The Co-operative Bank. Accordingly, no representation, warranty or undertaking, expressed or implied, is or will be made by The Co-operative Bank, its affiliates, advisers or representatives or any other person as to, and no reliance should be placed on, the truth, fairness, accuracy, completeness or correctness of the information or the opinions contained herein (and whether any information has been omitted from the content). To the extent permitted by law, The Co-operative Bank and each of its directors, officers, employees, affiliates, agents, advisers and representatives disclaims all liability whatsoever (in negligence or otherwise) for any loss however arising, directly or indirectly, from any use of this Framework or its contents or otherwise arising in connection with this document or any other uses.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by The Co-operative Bank) which may be made available in connection with any particular green, social or sustainability debt instruments and in particular whether any Eligible Asset fulfils any environmental, sustainability, social and/or other criteria. Any such opinion or certification is not, nor should be deemed to be, a recommendation by The Co-operative Bank or any other person to invest in any particular green, social or sustainability debt instrument. Any such

opinion or certification is only current as of the date that such opinion or certification was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such green, social or sustainable debt instrument. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.

If any particular green, social or sustainability debt instrument is at any time listed or admitted to trading on any dedicated 'green', 'social' or 'sustainability' or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by The Co-operative Bank or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own articles of association or other governing rules or investment mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any assets, projects or uses, the subject of or related to, any of the businesses and assets or projects funded with the proceeds from any particular green, social or sustainability debt instrument or amount equal thereto). Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by The Co-operative Bank or any other person that any such listing or admission to trading will be obtained in respect of any particular green, social or sustainability debt instrument or, if obtained, that any such listing or admission to trading will be maintained during the life of any particular green, social or sustainability debt instrument.

Certain industry, market and competitive position data contained in this Framework may come from official or third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data and any such information may be incomplete or condensed.

The information contained in this Framework in certain jurisdictions may be restricted by law and persons into whose possession this document or other information referred to herein comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Framework is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. Persons who come into possession of this Framework must make all relevant enquiries as to any applicable jurisdictional restrictions and comply with them. The Co-operative Bank does not accept any liability to any person in relation to the distribution or possession of this document in or from any jurisdiction.

Certain statements made in this Framework are forward-looking statements. Forward looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'believes', 'continue', 'could', 'due', 'estimates', 'expects', 'goal', 'intends', 'may', 'plans', 'project', 'seeks', 'should', 'targets', 'will' or the negative or other variations of these terms and related and similar expressions. Such statements are based on current expectations as at the date of this document and are subject to risks and uncertainties that could cause actual results or developments to differ materially from any expected future events or results referred to in or implied by these forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations and general economic conditions. The forward-looking statements contained in this Framework speak only as of the date that this document was prepared and The Co-operative Bank does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, occurrence of unanticipated events or otherwise, unless required by applicable law.

References herein to "The Co-operative Bank" are to The Co-operative Bank p.l.c. and its subsidiaries and affiliates, including The Co-operative Bank Finance p.l.c.