

Principles for Responsible Banking Self-assessment report

March 2023



The **co-operative** bank

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 300 banks globally that have signed up to the Principles to date.

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

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



Executive Summary

The aim of this report is to provide an update on The Co-operative Bank's first report published in November 2021, and to demonstrate the Bank's engagement with the UNEPFI Principles for Responsible Banking programme. It is the intention that an annual update will be issued from 2024 onwards.

Since publication of the first report, The Co-operative Bank has completed further work to identify significant impact areas and to set targets to further its positive impacts in these. The two most significant areas identified as a result of the Bank's updated Ethical Policy and UNEP FI's Impact Analysis Tool were **Climate** and **Social and Financial Inclusion**.

The Co-operative Bank is committed to further embedding the positive impact it has in its identified significant impact areas. In particular, following the announcement of our Net Zero target, our priorities will be to develop and publish more detailed plans for delivery of these ambitions and to become members of the Net Zero Banking Alliance. Further work will also continue to develop the data linked to Social and Financial Inclusion targets to allow us to demonstrate the positive impact the Bank continues to have through delivery of relevant ESG commitments. The Co-operative Bank also intends to extend its assurance programme for sustainability data to include all aspects of the next update report, in line with UNEP FI requirements.



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.



Response

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.

The Co-operative Bank was the first UK high street bank to introduce a customer-led Ethical Policy which sets out the way we do business. This policy has been shaped by over 370,000 customer responses since 1992. We offer products to both retail and business banking customers throughout the UK, which together make up our core customer segments.

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.

Links and references

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

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

[2022 Annual Results & Accounts](#)

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

Strategy alignment

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

Yes

No

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

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

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

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

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

None of the above

Response

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.

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

The Bank complies with the TCFD (Taskforce on climate related financial disclosures) and Modern Slavery Act 2015.

Links and references

[2022 Sustainability Report](#)

[Ethical Policy](#)

[TCFD](#)

[2022 Annual Results & Accounts](#) (page 39 onwards)

[Modern Slavery](#)

[2021-2022 Modern Slavery Statement](#)

Principle 2: Impact and Target Setting



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

1. Impact Analysis (Key Step 1)

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope: What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

<p>Response</p> <p>The Co-operative Bank operates in the United Kingdom only and offers retail (consumer) and SME Business Banking. No geographic exclusions were applied within the UK scope.</p> <p>Having completed an impact analysis of our whole business activities, the Bank considers its most significant environmental impacts to be concentrated in the mortgage sector, as this accounts for the vast majority of its operation.</p> <p>The Co-operative Bank’s customer-led Ethical Policy includes exclusion statements that prevent us from providing banking services to SMEs engaged in activities relating to the exploration, extraction or production of fossil fuels and activities that cause environmental harm. No detailed breakdown of SME lending was completed as part of the impact analysis as this is not considered to be a material risk for our Bank.</p>	<p>Links and references</p> <p>About us The Co-operative Bank</p> <p>Ethical Policy (page 7)</p>
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b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

- i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or
- ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank’s scale of exposure, please elaborate, to show how you have considered where the bank’s core business/major activities lie in terms of industries or sectors.

<p>Response</p> <p>Mortgage lending accounts for more than 90 % of core assets, so the analysis of the portfolio has focused on the impact of these. Any impact resulting from these is expected to be the most significant associated with the Bank’s activities.</p> <p>The remaining loans are business loans. As previously highlighted the Bank does not lend to harmful sectors and business loans are a relatively small percentage of overall lending.</p>	<p>Links and references</p> <p>2022 Annual Results & Accounts (page 3)</p>
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c) **Context:** What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

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

Response

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

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

Links and references

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

[Ethical Policy](#)

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

Response

In line with the above results from the Values and Ethics Poll and the UNEPFI Impact Analysis Tool the Bank has identified the following priorities:

Climate: The Co-operative Bank has monitored, reported and offset its Scope 1 and 2 carbon emissions since 1992. In 2022 work was completed to review its Scope 3 emissions in order to allow us to set a target date for achieving Net Zero status. As a result of this work we have set the following targets:

- Scope 1 & 2: Reduce direct scope 1 & 2 emissions related to energy consumption by 6% in 2023 with a Net Zero status by 2030.
- Scope 3: Develop a robust programme of work as we strive to decarbonise the Bank and achieve Net Zero status by 2050.

Social and Financial Inclusion: The Co-operative Bank has a long history fighting for social justice and promoting financial inclusivity as part of its roots in the co-operative movement. It is committed to drive meaningful societal change through its campaign work to support vulnerable members of society and to support access to financial services to marginalised members of society. The Bank has set the target to further enhance its contribution towards ensuring individuals are able to live freely, equitably, and safely.

Current Bank targets to deliver this include:

- Campaign to transform the private renting sector: Protecting people at risk of homelessness.
- Community support: Committing at least £30m lending to support businesses, organisations or co-operatives to improve our communities and the environment.
- Increase colleague volunteering hours by 50% in 2023
- Continue work with charity and advocacy partnerships to drive positive social and environmental change

Links and references

[2022 Sustainability Report](#) (page 4)

Self-assessment summary:

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

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

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

Climate change mitigation, climate change adaptation, resource efficiency & circular economy, biodiversity, financial health & inclusion, human rights, gender equality, decent employment, water, pollution, other: please specify

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

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

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

2.2 Target Setting (Key Step 2)

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

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

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

You can build upon the context items under 2.1.

<p>Response</p> <p>Climate</p> <p>The Co-operative Bank has announced its intention to reach net zero by 2030 for its operational emissions (Scope 1 and 2) and by 2050 for its indirect (scope 3) emissions. This aligns with the NZBA framework in supporting the goals of the Paris Agreement.</p> <p>It also aligns to SDG 13: Climate Action.</p> <p>Social and Financial inclusion</p> <p>The Co-operative Bank's targets align to the SDGs, as identified in the Sustainability Report for 2022.</p> <p>The targets are:</p> <ul style="list-style-type: none">• £30m lending to support businesses, organisations or co-operatives to improve our communities and the environment.• Increase colleague volunteering by 50% in 2023	<p>Links and references</p> <p>2022 Sustainability Report (pages 4 & 6)</p>
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b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

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

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

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

<p>Response</p> <p>Climate</p> <p>The Bank has set a baseline of 2021 as this is the first year for which it has collated Scope 3 emissions data.</p> <p>Social and Financial inclusion</p> <ul style="list-style-type: none">• The baseline for lending is 2022• The baseline for colleague volunteering hours is 2022.	<p>Links and references</p> <p>2022 Sustainability Report (pages 4 & 6)</p>
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c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

<p>Response</p> <p>Climate</p> <p>The targets in relation to climate change are to reach Net Zero (defined as a reduction of 90 % of baseline emissions with remaining 10 % being offset by carbon removals) by 2030 for operational and 2050 for financed and value chain emissions.</p> <p>Social and Financial Inclusion</p> <ul style="list-style-type: none">• KPIs for lending is at least £30m lending to to support businesses, organisations or co-operatives to improve our communities and the environment.• KPI for volunteering is number of doubling the hours of colleague volunteering logged on the Bank HR system from 2022.• We have made a commitment to establish The Co-operative Bank Charitable Fund, committing a proportion of profits to driving positive social and environmental change whilst responding to the needs of our communities.	<p>Links and references</p> <p>2022 Sustainability Report (pages 4 & 6)</p>
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d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

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

<p>Response</p> <p>Climate</p> <p>The Bank is currently in the process of compiling SBti/NZBA-aligned transition plans to fully detail all milestones to reaching the target.</p> <p>Social and Financial inclusion</p> <p>Progress against both targets will be monitored by Bank governance structure at monthly Values, Ethics and Sustainability Executive Committee meetings and quarterly Board level Values and Ethics Committee meetings throughout the year.</p>	<p>Links and references</p> <p>ESG Approach (page 56-60)</p>
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Self-assessment summary

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

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

2.3 Target implementation and monitoring (Key Step 2)

For each target separately:

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

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

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

Response

Climate

Since issue of the previous report the Bank has made good progress, completing a review of its Scope 1, 2, and 3 greenhouse gas emissions. Following review of this the Bank has established materiality within our Scope 3 emissions and made an informed decision on the target dates for reaching net zero in relation to its emissions. We are now in the process of developing detailed transition plans and intermediate targets for reaching net zero by the agreed dates.

Social and Financial inclusion

In 2022 the Bank furthered its social and financial inclusion ambitions, increasing its co-operative customer base, doubled colleague volunteering hours compared to the previous year, and updated the website to signpost support for people experiencing economic abuse.

We remain focused on the key issue of tackling homelessness, working with key charity partners to make a meaningful impact for those facing issues with housing in the UK.

Links and references

[2022 Sustainability Report](#)

Net Zero page 6

Targets page 4

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

[Centrepoin | Supported Charities | The Co-operative Bank \(co-operativebank.co.uk\)](#)

[Bridge to Banking](#) - access to banking for homeless young people

Principle 3: Clients and Customers



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

3.1 Client engagement

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

Yes In progress No

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

Yes In progress No

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

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

Response

Our customer-led Ethical Policy is central to our responsible relationship with our customers. We regularly undertake a customer consultation exercise to ensure we continue to reflect their most pressing ethical concerns within the Ethical Policy. Our last customer Consultation (our Values and Ethics Poll) was carried out in 2021.

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

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

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

Links and references

[Ethical Policy](#)

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

[Energy Saving Home Improvement Tool](#)

[Zellar](#)

3.2 Business opportunities

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

Response

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

- The GSS aims to become the reference document for all future green, social and sustainability debt instruments issued by the Co-operative Bank. The framework enables the Bank to issue green, social and sustainability instruments to facilitate the funding of assets with environmental and social benefits that directly contribute to the UN Sustainable Development Goals.
- Customers can borrow money to invest in renewable energy technologies to help improve the sustainability and efficiency of their business
- Existing customers of The Co-operative Bank can apply for one of its Green Additional Borrowing products to help them make improvements to their home that will reduce their energy consumption and help tackle the climate emergency.
- Eligible Co-operative Bank, Britannia and Platform mortgages holders can use the Bank's new Energy Saving Improvement Tool, powered by Energy Saving Trust, to create a personalised Energy Saving Improvement Plan and access a Green Additional Borrowing* product.
- We provide free business banking for charities, co-operatives & credit unions (about 5% of our business customer base). We also work with Co-operatives UK to provide a free business support programme for co-operatives to help them to grow and thrive
- The Bridge to Banking initiative provides a supported application process to allow young homeless people to access a bank account
- A target has also been set by the Bank to develop a new 'green mortgage' in 2023.

Links and references

[GSS Framework](#)

[Renewable Energy Funding Scheme](#)

[Green Further Advances](#)

[Charity and Community Account](#)

[Business Support for Co-ops](#)

[Bridge to Banking](#)

[2022 Sustainability Report](#) (page 4)

Principle 4: Stakeholders



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

4.1 Stakeholder identification and consultation

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

Yes In progress No

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

Response

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

- 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: charities & NGOs, the UK government and financial regulators, local communities, financial sector and the media
- Advisors that provide insight and knowledge

We appreciate the importance of open and ongoing engagement with our stakeholders and seek opportunities to do this as part of our business operations.

For example, in 2021 our Ethical Poll 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.

Links and references

[2021 Ethical Poll](#)

Principle 5: Governance & Culture



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

5.1 Governance Structure for Implementation of the Principles

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

- Yes In progress No

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

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

<p>Response</p> <p>Adherence to co-operative values and ethics is written into the Articles of Association of The Co-operative Bank to ensure this vital aspect of our heritage is maintained.</p> <p>The Values and Ethics Committee provides Board level oversight of the delivery of the Bank’s values, and ethics and sustainability strategy and the Ethical Policy, ensuring effective governance and accountability.</p> <p>The Values, Ethics and Sustainability Executive Committee provides Executive level oversight.</p> <p>Our values and ethics are reinforced within our culture and are being fully integrated into our operations and product development. Sustainability and our Ethical Policy are intrinsic to everything we do in the organisation.</p>	<p>Links and references</p> <p>Corporate Governance The Co-operative Bank (co-operativebank.co.uk)</p> <p>ESG Approach (pages 55-65)</p>
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5.2 Promoting a culture of responsible banking:

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

<p>Response</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 and receive annual training on the Bank's values and ethics.</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 is linked to achievement of our ESG targets.</p>	<p>Links and references</p> <p>ESG Approach (pages 32-52)</p>
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5.3 Policies and due diligence processes

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

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

<p>Response</p> <p>Environmental and social risks are managed through the Bank's central risk management framework.</p>	<p>Links and references</p> <p>ESG Approach (page 57)</p>
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Self-assessment summary

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

Yes No

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

Yes No

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

Yes In progress No

Principle 6: Transparency & Accountability



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

<p>6.1 Assurance</p> <p>Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> Partially <input checked="" type="checkbox"/> No</p> <p>If applicable, please include the link or description of the assurance statement.</p>	
<p>Response</p> <p>The Bank’s Sustainability Report 2022 has been independently verified (limited assurance). Data, dates and targets used in the PRB reporting are derived from the annual Sustainability Report.</p>	<p>Links and references</p> <p>2022 Sustainability Report (pages 33-36)</p>
<p>6.2 Reporting on other frameworks</p> <p>Does your bank disclose sustainability information in any of the listed below standards and frameworks?</p> <p><input type="checkbox"/> GRI</p> <p><input type="checkbox"/> SASB</p> <p><input type="checkbox"/> CDP</p> <p><input type="checkbox"/> IFRS Sustainability Disclosure Standards (to be published)</p> <p><input checked="" type="checkbox"/> TCFD</p> <p><input type="checkbox"/> Other:</p>	
<p>Response</p> <p>The Bank discloses sustainability information as required by the TCFD as part of its annual reporting</p>	<p>Links and references</p> <p>2022 Annual Results & Accounts (page 39 onwards)</p>

6.3 Outlook

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

Response

Climate

The Bank is planning to join NZBA and develop detailed transition plans to support the delivery of the Net Zero targets by the end of 2023.

Social and Financial inclusion

In the next 12 months the Bank is looking to provide detailed data regarding:

- The impact of its financial inclusion products
- The impact on local communities achieved by colleague volunteering
- The measurable impact of the campaign to reform the renting sector

The Bank is also planning to implement an assurance process for the PRB reporting from the next report onwards.

6.4 Challenges

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

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

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

- | | |
|--|--|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input checked="" type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input checked="" type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input checked="" type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input checked="" type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input checked="" type="checkbox"/> Setting targets | <input type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input type="checkbox"/> Prioritizing actions internally |

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”.

