

REPORT REVIEW

The Co-operative Bank

P.L.C

Green Bond Allocation & Impact Report

8 April 2025

VERIFICATION PARAMETERS

Type(s) of reporting

- Green Bond Allocation and Impact Report

Relevant standard(s)

- Harmonised Framework for Impact Reporting, ICMA, June 2024
- The Co-operative Bank's Green Bond Allocation & Impact Report (as of April 8, 2025)
- The Co-operative Bank's Green, Social and Sustainability Financing Framework (as of Feb. 23, 2022)

Scope of verification

- Bond identification:

Issue date	ISIN	Maturity date	Amount raised (GBP)
Apr 6, 2022	XS2464403877	Apr 6, 2027	250M
May 24, 2023	XS2606337082	May 24, 2027	200M
Nov 22, 2023	XS2702921607	May 22, 2028	200M
Sep 9, 2024	XS2884724837	Sep 9, 2027	200M

Lifecycle

- Post-issuance verification

Validity

- As long as no changes are undertaken by the Issuer to its Green Bond Allocation & Impact Report (as of April 8, 2025)

CONTENTS

SCOPE OF WORK.....	3
THE CO-OPERATIVE BANK OVERVIEW	3
ASSESSMENT SUMMARY.....	4
REPORT REVIEW ASSESSMENT.....	5
PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN, SOCIAL AND SUSTAINABILITY FINANCING FRAMEWORK.....	5
PART II: ASSESSMENT AGAINST THE HARMONISED FRAMEWORK FOR IMPACT REPORTING.....	7
PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS.....	11
ANNEX 1: Methodology	15
ANNEX 2: Quality management processes	16
About this Report Review	17

SCOPE OF WORK

The Co-operative Bank (“the Issuer” or “the Bank”) commissioned ISS-Corporate to provide a Report Review on its Green Bond Allocation & Impact Report by assessing:

1. The alignment of the Bank’s Green Bond Allocation & Impact Report (as of April 8, 2025) with the commitments set forth in its Green, Social and Sustainability Financing Framework (as of Feb. 23, 2022).¹
2. The Co-operative Bank’s Green Bond Allocation & Impact Report, benchmarked against the Harmonised Framework for Impact Reporting (HFIR), as administered by International Capital Market Association (ICMA), updated as of June 2024.
3. The disclosure of proceeds allocation and soundness of reporting indicators — whether the impact metrics align with best market practices and are relevant to the green bond issued.

THE CO-OPERATIVE BANK OVERVIEW

The Co-operative Bank was established in 1872 as the Loans and Deposits department of the Co-operative Wholesale Society to provide banking services for the co-operative movement. The Co-operative Bank implemented its ethical policy in 1992, governing the way it does business ever since. The ethical policy was incorporated into the Bank’s Articles of Association in 2013.

The Bank offers products to both retail and business banking customers, which together form its core customer segments. For its retail customers, it offers high street, telephone and online services, including current accounts, savings, mortgages, personal loans and credit cards. For its SME customers, which include small and medium-sized businesses, co-operatives, charities and social enterprises, it offers banking services such as current accounts, savings, loans, overdrafts and credit cards.

¹ The Framework was assessed as aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as of Feb. 22, 2022.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
Part I Alignment with the Issuer's commitments set forth in the Framework	The Co-operative Bank's Green Bond Allocation & Impact Report meets the commitments set forth in its Green, Social and Sustainability Financing Framework.	Aligned
Part II. Alignment with the Harmonised Framework for Impact Reporting	The Green Bond Allocation & Impact Report is in line with the HFIR. The Issuer follows core principles and, where applicable, recommendations. The Bank provides transparency on the frequency of expected reporting, aligning with best market practices. The Bank reported within the next fiscal year after the issuance of the green bonds, illustrated the environmental impacts or outcomes, provided transparency on ESG risk management, and provided transparency on the currency used.	Aligned
Part III. Disclosure of proceeds allocation and soundness of reporting indicators	The allocation of the bond's proceeds, at a portfolio level and at the eligible asset category (Green Buildings), has been disclosed as proposed in the Framework. ² The Co-operative Bank's Green Bond Allocation & Impact Report has adopted an appropriate methodology to report the impact generated. It provides comprehensive disclosure on data sourcing, calculation methodologies and granularity, reflecting best market practices.	Positive

² The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report, including the application of methods and procedures designed to ensure that the subject matter is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN THE GREEN, SOCIAL AND SUSTAINABILITY FINANCING FRAMEWORK³

The following table evaluates the Green Bond Allocation & Impact Report against the commitments set forth in the Bank’s Framework, which are based on the core requirements of the Green Bond Principles and best market practices.

GREEN BOND PRINCIPLES	OPINION	ALIGNMENT WITH COMMITMENT
<p>Process for project evaluation and selection</p>	<p>The Co-operative Bank confirms that it follows the process for project evaluation and selection described in its Green, Social and Sustainability Financing Framework. The Issuer applied the eligibility criteria set in the Framework to determine whether projects fit within the defined categories.</p> <p>ESG risks associated with the project categories are identified and managed appropriately, as defined in the Framework.</p>	<p>✓</p>
<p>Management of proceeds</p>	<p>The Co-operative Bank confirms adherence to the management of proceeds described in its Green, Social and Sustainability Financing Framework. The Bank discloses in its Bank’s Green Bond Allocation & Impact Report that the Bank’s Asset & Liability Committee (ALCo) replaced and took over the responsibilities of the Value, Ethics and Sustainability Committee (VESCo).</p> <p>The proceeds collected equal the amount allocated to eligible projects, without exception. These proceeds are tracked appropriately and attested to a formal internal process.</p>	<p>✓</p>

³ The Co-operative Bank’s Green, Social and Sustainability Financing Framework was assessed as aligned with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines as of Feb. 22, 2022.

REPORT REVIEW

Green Bond Allocation & Impact Report
The Co-operative Bank

GREEN BOND PRINCIPLES	OPINION	ALIGNMENT WITH COMMITMENT
Reporting	The report aligns with the initial commitments set in the Bank's Green, Social and Sustainability Financing Framework. <i>Further analysis of this section is available in Part III.</i>	✓

PART II: ASSESSMENT AGAINST THE HARMONISED FRAMEWORK FOR IMPACT REPORTING

Reporting is a core component of the Green Bond Principles, and transparency is particularly valuable in communicating the expected and/or achieved impact of projects in the form of annual reporting. Green bond issuers are required to report on both the use of green bond proceeds and the environmental impacts at least annually until full allocation or maturity of the bond. The HFIR has been chosen as the benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates the Bank’s Green Bond Allocation & Impact Report against the HFIR.

CORE PRINCIPLES		
HFIR	GREEN BOND ALLOCATION & IMPACT REPORT	ASSESSMENT
Report on an annual basis	Reporting is a core component of the Green Bond Principles. Therefore, the Bank reported within one year of issuance and annually thereafter. The report will be available on its website .	✓
Formal internal process to allocate proceeds	The proceeds allocated to green projects, as of the 2025 Green Bond Allocation & Impact Report date, have been allocated only to projects that meet the Framework’s eligibility criteria.	✓
Transparency on the currency	Allocated proceeds have been reported in a single currency, British pounds.	✓
ESG risk management	The Issuer has a system to identify and manage ESG risks connected to the financed projects. The Bank is not aware of any material negative effects of projects.	✓
Illustrate the expected environmental impacts or outcomes	The impact report illustrates the expected environmental impacts of projects to which green bond proceeds have been allocated. It is based on ex-ante estimates of expected annual results once a project is completed and operating at normal capacity. The impact estimation methodology is transparent. More information can be found in Part III.	✓

RECOMMENDATIONS

HFIR	GREEN BOND ALLOCATION & IMPACT REPORT	ASSESSMENT
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<p>Report at project or portfolio level</p>	<p>Reporting was conducted on a green bond portfolio basis, whereby proceeds from all of the Bank's outstanding green bonds funded a portfolio of projects.</p>	<p>✓</p>
<p>Define and disclose period and process for including/removing projects in the report</p>	<p>All proceeds have been allocated to green assets. Only project financing disbursed and confirmed as eligible up until Dec. 31, 2024, is included in the Green Bond Allocation & Impact Report. The Issuer does reports transparently on the process used to remove and add projects to the reported portfolio.</p>	<p>✓</p>
<p>Signed amount and amount of green bond proceeds allocated to eligible disbursements</p>	<p>The Co-operative Bank indicates the total signed amount, and the amount of green bond proceeds allocated to eligible disbursements.</p> <p>Signed amount: GBP 1.54 billion</p> <p>Allocated amount: GBP 850 million</p>	<p>✓</p>
<p>Approach to impact reporting</p>	<p>The Issuer reports on the overall impacts of the portfolio and discloses that the overall impacts are solely attributed to The Co-operative Bank.</p>	<p>✓</p>
<p>Report on at least a limited number of sector-specific core indicators</p>	<p>The Co-operative Bank reports on the annual GHG emissions avoided and the energy performance certificate (EPC) as a core indicator for the green building sector.</p> <p>A description of core environmental impacts for each target area is available in the report:</p> <ul style="list-style-type: none"> ▪ EPC certification level ▪ LTV-weighted CO₂ emissions intensity (kgCO₂/m²/y) ▪ Percentage of energy use reduced/avoided vs. local baseline/building code ▪ Annual GHG emissions reduced/avoided in tons of CO₂e vs. local baseline 	<p>✓</p>
<p>Disclose own methodologies, where there is no</p>	<p>To calculate performance data per loan, the Bank based impact calculations on the calculation of avoided CO₂ equivalent emissions. As actual energy performance data for the properties</p>	<p>✓</p>

<p>single commonly used standard</p>	<p>within the eligible asset portfolio is unavailable, the CO₂ emissions data available through the individual EPC certificates has been used as a proxy for the impact calculations.</p> <p>To provide an approximate indication of the energy efficiency improvements of the EPC A and B certification levels for the mortgage portfolio over the period of April 6, 2020, to Dec. 31, 2024, the Issuer uses energy performance data. This data includes energy efficiency ratings, energy use, carbon dioxide emissions and average floor area sizes available from the Department for Levelling Up, Housing and Communities and Ministry of Housing, Communities and Local Government’s dataset on building certificates. This data, alongside the indexed LTV and outstanding mortgage balance, was used to calculate the estimated CO₂ emissions avoided per annum on the EPC A or B rated properties originated over the period.</p>	
<p>Disclosure of the conversion approach</p>	<p>The Issuer converts units reported for individual assets based on a standard conversion factor (estimated CO₂ emissions avoided per annum (kgCO₂/year) on EPC A/B properties per million GBP invested) and includes appropriate disclosure of the conversion approach in the report.</p>	<p>✓</p>
<p>Projects with partial eligibility</p>	<p>All assets are 100% eligible for financing.</p>	<p>N/A</p>
<p>Use (and disclosure) of the attribution approach</p>	<p>The impact achieved by each financed project is attributed to only one type of intervention.</p>	<p>N/A</p>
<p>Ex-post verification of specific projects</p>	<p>The Issuer currently does not have ex-post verification of specific projects.</p>	<p>-</p>
<p>Report the estimated lifetime results and/or project’s economic life (in years)</p>	<p>The Issuer reports an average portfolio remaining lifetime of 24.9 years for the eligible project category.</p>	<p>✓</p>

OPINION

The Co-operative Bank follows the HFIR core principles and key recommendations. The Issuer provides transparency on the level and frequency of expected reporting, in line with best practices. The Bank reported within the next fiscal year after issuance, illustrated the environmental impacts, provided transparency on ESG risk management and transparency on the currency used.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of proceeds allocation

Use of proceeds allocation reporting contextualizes impacts by presenting the number of investments allocated to the respective use of proceeds categories. Allocation reporting occurred within one year of issuance for the green bonds issued under the Framework.

This is the third year of allocation reporting for the green bond issued in June 2022 and the second year of allocation for the green bonds issued in May 2023 and November 2023 respectively. Additionally, this is the first year of allocation for the bond issued in September 2024. The use of proceeds allocation reporting occurred within the regular annual cycle after issuance. All proceeds from the four issuances have been fully allocated as of the reporting date.

Proceeds allocated to eligible assets

Proceeds allocation is broken down at the portfolio level, by EPC level and by country. The Bank issued GBP 250 million notional of green bonds in April 2022, GBP 200 million notional in May 2023, GBP 200 million notional in November 2023, and GBP 200 million notional in September 2024. Proceeds totaling GBP 850 million from the four bond issuances have been allocated to U.K. residential mortgages with an EPC rating of A or B.⁴ The Issuer has provided details about the types of assets included in the portfolio.

The allocation reporting section of the Green Bond Allocation & Impact Report aligns with best-market practices by providing information on:

- The total amount of proceeds (in GBP)
- Number of A and B EPC-rated properties financed
- The breakdown of the eligible asset portfolio by EPC, by country and by mortgage completion year
- The proportion of financing and refinancing
- Description of the energy performance ranking (top 12.3% as of Dec. 31, 2024) in the U.K. for A and B EPC-rated residential properties

⁴ 100% of the amount issued in April 2022, 100% of the amount issued in May 2023, 100% of the amount issued in November 2023, and 100% of the amount issued in September 2024.

Output, outcome and impact reporting indicators

The table below presents an independent assessment of the Issuer’s report and disclosure on the output, outcome and/or impact of projects/assets using indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the Issuer for this bond are the following:</p> <ul style="list-style-type: none"> a) Number of EPC A or B properties b) Gross floor area for EPC A or B properties (in m²) c) LTV-weighted absolute estimated CO₂ emissions and emissions intensity from EPC A or B properties (in tCO₂/y and kgCO₂/m²/y) d) Percentage of energy efficiency improvement of EPC A or B vs. total mortgage origination with a valid EPC over the period e) Estimated CO₂ emissions and emissions intensity avoided on EPC A or B properties (in kgCO₂/y and kgCO₂/m²/y) f) Estimated CO₂ emissions avoided on EPC A or B properties per million GBP invested (in kg CO₂/y/million GBP) <p>These indicators are quantitative and material to the use of proceeds categories financed through this bond and align with the HFIR’s suggested impact reporting metrics for green building projects. This aligns with best market practices.</p>
<p>Data sourcing and methodologies of quantitative assessment</p>	<p>For its impact indicators, the Issuer uses EPCs and avoided CO₂ equivalent emissions, aligning with the core indicator proposed by the HFIR. As actual energy performance data for the eligible asset portfolio is unavailable, the Issuer uses the gross floor area and CO₂ emissions data from the available EPC certificate as a proxy. This data, alongside the indexed LTV and outstanding mortgage balance, calculates the estimated avoided CO₂ emissions. The impact data has not been verified.</p>
<p>Baseline selection</p>	<p>The impact data used are regional, national, or internationally recognized standards, or EPCs, against which the green building projects can be benchmarked. Moreover, the Issuer compares the impact data with the average of the total mortgage portfolio originated over a similar period. This aligns with the suggestion of the HFIR.</p>
<p>Scale and granularity</p>	<p>The impact data is presented at the portfolio level for the indicators.</p>

High-level mapping of the impact indicators with the U.N. Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Green Bond Allocation & Impact Report, the impact indicators adopted by the Co-operative Bank for its green bonds can be mapped to the following SDGs, according to ISS ESG’s SDG Solutions Assessment, a proprietary methodology designed to assess the impact of an Issuer’s products or services on the U.N. SDGs.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<ul style="list-style-type: none"> ▪ Number of EPC A or B properties ▪ Gross floor area for EPC A or B properties (in m²) ▪ Percentage of energy efficiency improvement of EPC A or B vs. total mortgage origination with a valid EPC ▪ LTV-weighted absolute estimated CO₂ emissions and emissions intensity from EPC A or B properties (in tCO₂/y and kgCO₂/m²/y) ▪ Estimated CO₂ emissions and emissions intensity avoided (in kgCO₂/y and kgCO₂/m²/y) ▪ Estimated CO₂ emissions avoided per million GBP invested (in kgCO₂/y/million GBP) 	

OPINION

The bond proceeds allocation has been disclosed, with a detailed portfolio-level breakdown of the eligible Green Buildings category, as proposed in the Framework. The Green Bond Allocation & Impact Report adopted an appropriate methodology for reporting the impact, providing comprehensive disclosure on data sourcing, calculation methodologies and granularity, reflecting best market practices. The impact indicators align with best market practices using the HFIR’s recommended metrics.

DISCLAIMER

1. Validity of the External Review (“External Review”): Valid as long as the Green Bond Allocation & Impact Report remains unchanged.
2. ISS Corporate Solutions, Inc. (“ISS-Corporate”), a wholly owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate’s proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
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ANNEX 1: Methodology

Review of the post-issuance reports

The ISS-Corporate Report Review provides an assessment of labeled transactions reporting against international standards using ISS-Corporate's proprietary [methodology](#).

High-level mapping to the SDGs

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary methodology based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent the Issuer's reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

The Issuer's responsibility was to provide information and documentation on:

- Green Bond Allocation & Impact Report
- Green, Social and Sustainability Financing Framework
- Proceeds allocation
- Reporting impact indicators
- Methodologies and assumptions for data gathering and calculation
- ESG risk management

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent Report Review has been conducted by following ICMA's Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with The Co-operative Bank took place from March to April 2025.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this Report Review

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses the alignment of the Issuer's report with external principles (e.g., the Green/Social Bond Principles), assesses the alignment of the Issuer's report against the commitments in the respective Framework, and analyzes the disclosure of proceeds allocation, data source and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review so investors are as well-informed as possible about the proceeds allocation and the impact of the sustainable finance instrument(s).

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

For information on Report Review services, please contact SPOsales@iss-corporate.com.

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