Co op Bank Review (highlights) taken from Ethical Consumer 63/100

Best Ethical Consumer Rating for Environmental Reporting

The company is a financial institution that did not fund fossil fuels, had evidence of reasonable action it is taking on the environmental impacts of its own operations as well as its financed activities, and did the following:

In its sustainability report, the company discussed its use of chemicals, office paper, PVC credit and debit cards, and production of waste. It also stated: " We refuse banking services to those whose activities conflict with our customer's views on key issues, including the environment and human rights" and "[business] customers are screened based on their responses to make sure we are not providing banking services to any business whose activities conflict with our Ethical Policy." In 2022, the company had denied banking facilities to 8 companies on ethical grounds, including "six businesses involved in the oil and gas sector whose activities were considered to be in conflict with our Ethical Policy statement on the exploration, extraction and production of fossil fuels."

The company's Ethical Policy stated: "We will not provide banking services to any business or organisation whose activity contributes to global climate change or the destruction of ecosystems, via:
•The exploration, extraction or production of fossil fuels (oil, coal and gas, including from tar sands and hydraulic fracturing)
•The operation and development of fossil fuel fired power stations or fossil fuel infrastructure, such as oil and gas pipelines
•The exploration or extraction of minerals using deep seabed mining, including the conduct of research that facilitates deep sea mining
•The degradation of areas that are critical stores of irrecoverable carbon
•The manufacture of chemicals that are persistent in the environment, bio-accumulative in nature or linked to long-term health concerns
•The unsustainable harvest of natural resources, including timber, fish and palm oil
•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
•The development of nanotechnology in circumstances that risk damaging the environment or compromising human health"

Overall, Co-operative Bank Holdings Limited received a best Ethical Consumer rating for Environmental Reporting.

Worst Ethical Consumer rating for carbon management and reporting

On 02 April 2023, Ethical Consumer viewed the website of Co-operative Bank Holdings Limited, looking for information on what the company was doing to tackle climate change. Its 2022 Sustainability Report was viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. A credible, detailed discussion of how it has made emissions cuts in the past and how it will make them in the future.

2. Does full annual public reporting of its emissions – all three scopes.

3. Has a future target that is either approved by the SBTi or at least the equivalent to 3.6% cuts/year in scope one and two emissions, and 2.5% cuts/year in scope 3.

4. Does not work in developing new extraction fossil fuel projects, building new fossil fired power stations or in doing anything with coal.

5. Is not engaging in highly misleading public messaging on climate change.

6. Has not been subject to credible secondary criticism on what it is doing on the climate.

If a company met all of these criteria it would receive a best rating. If it failed one it would receive a middle rating. If it failed more than one it would receive a worst rating.

1. The company stated: "As we have refused to provide banking services to business whose activities contribute to global climate change for over 20 years, it is our mortgage lending (Scope 3, Category 15) that has the largest climate impact. We will therefore focus on supporting the net zero transition of the UK housing sector and our customers' homes. We will continue to finance renewable energy projects and to play our role in facilitating a just transition in the real economy through engagement with our customers, and through offering products and services that support decarbonisation." This was considered to constitute a credible and detailed discussion of how it had cut emissions in the past and would continue to do so.

2. The company did not appear to publicly report annually on its full Scope 1, 2 an 3 emissions in CO_2e. It reported its scope 1 and scope 2 (location based) emissions to be 560 tCO_2e and 1,562 tCO_2e in 2021, respectively. No public scope 3 reporting was found.

3. The company did not appear to have a target in line with international agreements. It planned to reduce its "direct scope 1 & 2 emissions related to energy consumption by 6% in 2023 with a Net Zero status by 2030" and "Develop a robust programme of work [for reduction of its scope 3 emissions] as we strive to decarbonise the Bank and achieve Net Zero status by 2050." Since its scope 3 emissions were unknown and no target had yet been set for these emissions, this target was not considered to be in line with international agreements.

4. The company was not found to work in developing new fossil fuel projects or doing anything in coal.

5. The following was found which showed that the company had misleading messaging: "The Co-operative Bank has been 'beyond carbon neutral' for our operations since 2007. We achieve this by offsetting our carbon emissions, plus an additional 10% to address the impact our business activities have had in the past." Ethical Consumer considered it misleading if a company used offsetting to call itself "carbon neutral". It also stated that the offsets compensated for its scope 1 and 2 emissions plus business travel, which meant that its scope 3 emissions - likely its largest source of emissions - was not included in the claim that the company was "beyond carbon-neutral". The Co-operative Bank worked with Climate Impact Partners to deliver its offsetting programme, a company that Ethical Consumer had

criticised for making selling REGOs, a green energy certification that was not considered to meaningfully contribute to renewable capacity building.

6. The company did not appear to be subject to secondary criticism on what it was doing on the climate.

Overall, Co-operative Bank Holdings Limited received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category.

People

Listed in the Hall of Fame Don't Bank on the Bomb

In July 2023 Ethical Consumer viewed the July 2023 report 'Moving Away from Mass Destruction' detailing which banks had invested in and which had divested from companies producing nuclear weapons. Co-op Bank was listed in the Hall of Fame for excluding all businesses involved in producing or trading in weapons.

The Co-Operative Bank’s Ethical Policy states that it will not invest in any company that “[m]anufactures or transfers indiscriminate weapons". Indiscriminate weapons include cluster munitions, antipersonnel landmines, depleted uranium munitions, incendiary munitions, chemical and biological weapons. It also includes "products or services classed as strategic to nuclear weapons." Companies found to conflict with the policy are excluded. The policy applies to all asset and liability classes relevant to The Co-operative Bank. The Co-operative Bank also declines banking facilities and terminates loan contracts of customers violating its ethical policy.
The Co-operative utilizes independent research by EIRIS to identify companies in breach of its policy. The list of companies is not publicly available.

Co-op Bank did not lose any marks for its positive policy under Arms

Excessive remuneration for directors or other staff

On 02 April 2023, Ethical Consumer viewed the latest Co-operative Bank Holdings Limited 2022 Annual Report.

It indicated that the company's highest paid director received over £1 million in total compensation in 2022. CEO Nick Slape had received a total of £2.4 million.

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance

Ethical Policy

In June 2022, Ethical Consumer viewed the Co-operative Bank's Ethical Policy, dated 2021. At the time, the Co-operative Bank still had a sector leading policy on who it would and would not lend money to. The policy has detailed elements under: human rights, environmental impact and animal welfare. The policy was particularly strong on activities damaging to climate change and fossil fuels. This was seen to be a significant sustainability feature for the bank's particular products so it was awarded half a product sustainability mark.

Not lending to companies in particularly problematic areas

In October 2022, Ethical Consumer searched The Co-operative bank's 2022 Pillar 3 and Annual Reports for information on its lending practices.

The Co-operative bank’s Pillar 3 report listed that The Co-operative bank had exposure in the following sectors:

- Agriculture, forestry and fishing
- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply
- Construction
- Wholesale and retail trade
- Transport and storage
- Accommodation and food service activities
- Information and communication
- Financial and insurance activities
- Real estate activities
- Professional, scientific and technical activities
- Administrative and support service activities
- Public administration and defence, compulsory social security
- Education
- Human health services and social work activities
- Arts, entertainment and recreation
- Other services

The Co-operative bank had a customer-led ethical policy which indicated that it was committed not to provide banking services to any business or organisation whose activity contributes to global climate change or the destruction of ecosystems via for example:

- the exploration, extraction or production of fossil fuels
- exploration or extraction of minerals using deep seabed mining
- the degradation of areas that are critical stores of irrecoverable carbon
- the manufacture of chemicals that are persistent in the environment, bio-accumulative in nature
- uncontrolled release of GMO organisms into the environment

Furthermore, the bank was committed not to provide banking services to any business or organisation that for example:

- fails in its responsibility to respect human rights and all elements of international human rights and humanitarian law applicable to business
- manufactures or transfers indiscriminate weapons, torture equipment or other equipment that is used in the - violation of human rights

- has business relationships with an oppressive regime
- advocates discrimination and incitement to hatred
- that infringes animal welfare standards via: involvement in animal testing of cosmetic or household
- products or their ingredients, intensive farming methods (e.g. caged egg production).

As a result The Co-operative bank was not marked down in relation to transparency and ethics of corporate lending.

Barclays Bank review (highlights) taken from Ethical Consumer 3/100

Worst Ethical Consumer rating for Environmental Reporting

On 05 June 2023, Ethical Consumer viewed the website of Barclays Plc, looking for discussion and action on the company's environmental impacts, other than carbon emissions. Its 2022 Annual Report, Sustainable Portfolio Management 2022 Annual Report, addressing climate change web page, and Environmental Statements were viewed.

Ethical Consumer was looking for the company to address the environmental impacts of some of the key materials, resources or activities in its products' supply chain, use or end of life. Some evidence of this would get a middle rating. If this was clearly core to the company and demonstrated by the majority of its products in terms of materials or longevity, it would get a best rating.

A finance company with some evidence of action on the environmental impacts (other than carbon emissions) of its financed activities would get a middle rating, and if it did not fund or invest in fossil fuel companies, and had evidence of action on the environmental impacts of its own operations as well as financed activities, it would get a best rating.

Barclays was still funding fossil fuels according to its webpage on addressing climate change. The company had no or very limited evidence of action on the environmental impacts of its product supply chain or financed activities. In its annual report, it briefly discussed its approach to nature and biodiversity but it did not appear to have taken any steps to reduce its impacts in this area beyond engaging with industry groups and reviewing "the ways in which our financing activities can help to facilitate a nature-positive future." Its Forestry and Agricultural Commidities Statement dated April 2023 recognised the association of timber, pulp & paper, palm oil, beef and soy with habitat and biodiversity loss and stated that the bank placed requirements on companies producing these commodities. These commitments were not effective immediately but gave companies several years to achieve them, for example, in the case of soy, companies had to:

Obtain membership of the Roundtable on Responsible Soy (RTRS) or equivalent certification schemes and adhere to relevant standards.

Commit to achieving full traceability of their South American soy supply chain (direct and indirect) by December 2025 in Areas at High-Risk of Deforestation and Conversion, which include the Amazon, Cerrado and Chaco Biomes.

It was not clear what Barclays would do in the case of non-compliance. It stated that it may reduce its support for companies that did not comply.

These requirements were not considered adequate evidence that Barclays was addressing the environmental impacts of its financed activities.

Overall, Barclays Plc received a worst Ethical Consumer rating for Environmental Reporting and lost a whole mark in the category.

Worst Ethical Consumer rating for carbon management and reporting

On 05 June 2023, Ethical Consumer viewed the website of Barclays Plc, looking for information on what the company was doing to tackle climate change. Its 2022 annual report was viewed.

Ethical Consumer was looking for the company to satisfy the following criteria:

1. No or inadequate information was found discussing reduction of its emissions in the past and future. In its annual report it stated: "We are committed to aligning all of our financing to the goals and timelines of the

Paris Agreement, consistent with limiting the increase in global temperatures to 1.5°C. To meet our ambition, we need to reduce the client emissions that we finance, not just for lending but for capital markets activities as well." It went on to discuss targets it had set to reduce financed emissions in six sectors: energy, power, cement, steel, automotive, and real estate. It had already achieved some reductions in absolute emissions in these areas. Its plans to meet these targets depended mainly on external changes and public policy interventions such as decarbonisation of the grid and improving the energy efficiency of homes rather than on changes to who it funded or what it required of those it funded. It did have some restrictive policies. It stated that with effect from 1 July 2023 it would not provide financing to oil sands exploration and production

companies or for the construction of new oil sands exploration assets, production and processing infrastructure or Oil Sands Pipelines. However, it continued to finance thermal coal power generation with a phase-out date of 2035.

2. The company reported its annual full scope 1 and 2 emissions in tCO_2e for the year 2022 to be:

20,000, and 104,400. The Scope 2 reporting was location based. It reported its scope 3 emissions for 2022 to be 599,200 tCO_2e. This included busines travel and waste generated in operations but did not include a figure for its financed emissions.

3. The company's target was to be net zero by 2050, which is in line with international (Paris) agreements. It had an intermediate target for scopes 1 and 2: a 50% reduction of its scope 1 and 2 GHG emissions (location-based, against a 2018 baseline) by 2030. It had some targets relating to its scope 3 emissions such as: 90% of its suppliers, by addressable spend, to have science-based GHG emissions reduction targets in place by 2030 but it did not specify what its actual reduction in scope 3 emissions would be at any point. It was therefore not considered to have a target in line with international agreements.

4. The following was found which suggested the company was involved in new fossil fuel development, or willing to be involved in coal: Barclays stated that it would not fully divest from thermal coal until 2035.

5. The company did not appear to be engaged in misleading messaging.

6. The following was found which showed that the company had credible secondary criticism: A report titled Oil & gas expansion A lose-lose bet for banks and their investors and published by Share Action in February 2022 stated that European banks continued to provide funding to oil and gas expansion projects: "HSBC, Barclays and BNP Paribas are the worst offenders, providing US$59 million billion, US$48 billion and US$46 billion respectively since 2016. The Net Zero Banking Alliance has thus far failed to make an impact on this critical issue. Its members provided at least US$38 billion in financing to the top 50 upstream oil & gas expanders since its launch last April. Half of this was provided by four founding signatories: Barclays, BNP Paribas. Deutsche Bank, and HSBC."

Overall, Barclays Plc received a worst Ethical Consumer rating for carbon management and reporting and lost a full mark in the Climate Change category.

Fossil Fuel Finance Report Card 2023

In June 2023, Ethical Consumer viewed the report 'Banking on Climate Chaos: Fossil fuel finance report 2023', published in May 2023 by the Rainforest Action Network, in collaboration with BankTrack, Indigenous Environmental Network (IEN), Oil Change International, Reclaim Finance, the Sierra Club and Urgewald.

Like the 2022 report, the 2023 update looked at 60 of the largest banks globally. The report analysed patterns of private-sector bank financing for tar sands oil, arctic and offshore oil and gas, fracked oil and gas, liquefied natural gas (LNG), coal mining and coal power between 2016 and 2022.

The report found that, overall, the 60 banks had invested US$5.5 trillion in lending and underwriting to the fossil fuels industry since the Paris Agreement had been adopted (2016-2022).

Barclays ranked as the 7th highest financier of all fossil fuels with a total of $190.580 billion between 2016 and 2022.

The company lost a whole mark under Climate Change.

Named in Five Years Lost report

In February 2021, Ethical Consumer viewed ‘Five Years Lost: How Finance is Blowing the Paris Carbon Budget’, a report published in December 2020 by Urgewald.org. The report highlighted 12 of ‘the most devastating’ fossil fuel projects currently in development and revealed the banks and investors financing them.

The 12 projects were chosen based on the detrimental impact their emissions will have, but also as they were being pushed forward despite local resistance and calls by scientists and politicians to phase out fossil fuels. Expected CO2 emissions were given for each project, and it was predicted that between them they will create at least 175 gigatons of additional CO_2 emissions, an amount described as 'almost half of the 395 Gt of remaining carbon budget to limit global warming to 1.5° with a 50% probability'. The wider detriments of each project were also discussed, for example local environmental issues and the impact on communities living there.

1. Gas extraction in Mozambique
2. Oil and gas development in Suriname
3. Oil and gas drilling in the Permian Basin and Gulf Coast, USA
4. Oil and gas extraction in Argentina's Vaca Muerta region
5. Coal and gas power plants in Bangladesh's Payra Hub
6. Expansion of Coal power in China
7. India's coal mines
8. Coal expansion in the Philippines
9. Gas extraction as part of Australia's Burrup Hub
10. Drilling for oil & gas in the Norway Barents Sea
11. Oil and gas extraction and pipeline construction in the East Mediterranean
12. Offshore oil and gas drilling in the UK

The report concluded that no global financial institution had adopted sufficient policies to stop development of fossil fuels. Instead, investments were keeping the industries afloat. In order to comply with the Paris Agreement, monetary support for any expansion of the fossil fuel industry must be stopped.

Barclays was named as one of eight European banks featuring in the top 20 of banks financing the companies behind the projects covered by this report. Barclays is said to have contributed USD $66.4 billion in loans and underwriting. It was highlighted as among the top ten institutions supporting companies extracting fossil fuels in Argentina's Vaca Muerta region. Barclays was said to be backing companies involved in 10 out of the 12 projects discussed: supporting fossil fuel development in Mozambique, Suriname, the Permian Basin and Gulf Coast, Argentina, Bangladesh's Payra Hub, India, Australia's Burrup Hub, the Norwegian Barents Sea, the East Mediterranean and UK. As this financial institution's actions undermined an international agreement to address the climate emergency, and it was one of the highest contributors, it lost a whole mark under climate change.

Middle Ethical Consumer rating for investment policy and transparency

On 06 June 2023, Ethical Consumer searched the Barclays Plc website for the company's ethical investment, engagement, or shareholder voting policies.

Its Responsible Investment Statement on its website, Responsible Investing Policy (Discretionary Portfolio Management) March 2023, and SEC Filing 13F were viewed.

Regarding Barclays Plc's investment policy, it did not appear to include restrictions for all assets for: coal/carbon, deforestation, indiscriminate weapons, human rights abuses, and animal abuse. In its Responsible Investing Policy it stated that for certain funds only it excluded:

"Issuers which generate greater than 10% of revenue from:

Fossil fuels: thermal coal generation, extraction or sale; Artic oil and gas production; fracking or oil sands production

Production of nuclear weapons or components exclusively manufactured for use in nuclear weapons

Tobacco production, distribution, and/or retailing

Gambling operations, gambling products or providing key products to gambling operations

Adult entertainment production, distribution, and/or retailing."

It also stated: "In addition to the items excluded above, we provide individual clients within segregated client accounts the option to exclude sectors or companies based on ethical or personal preferences, which are incorporated into investment guidelines. In addition to the exclusionary items listed above, the screening rules we are currently able to apply also include – abortion, alcohol, animal testing, armaments, environmental impact, fossil fuels, gambling, human rights, pork, pornography and tobacco."

This was considered to be a limited ethical policy as it only applied to some investments.

As the bank did not have an ethical lending policy and did not provide detailed information on its commercial borrowers but did provide lending to the agriculture, forestry and fishing, and mining and quarrying sectors, Ethical Consumer assumed that it was providing loans to companies that would lose marks in the following categories: human rights, workers' rights, pollution and toxics, habitats and resources, factory farming, and animal rights. It therefore lost half a mark in all of these categories.

Financing nuclear weapons producers

In June 2023 Ethical Consumer viewed the Don't Bank on the Bomb website and its December 2022 report titled "Risky Returns - Nuclear weapon producers and their financiers". The website and report were published by the International Campaign to Abolish Nuclear Weapons (ICAN).

It stated that Barclays had invested a total of $5,255 million in 10 companies which manufactured nuclear weapons between January 2020 and July 2022.

ICAN argued that "by lending money to nuclear weapons companies, and purchasing their shares and bonds, banks and other financial institutions, [companies and consumers] were indirectly facilitating the build-up and modernisation of nuclear forces, thereby heightening the risk that one day these ultimate weapons of terror will be used again – with catastrophic humanitarian and environmental consequences." ICAN was calling for a coordinated global campaign for nuclear weapons divestment.

Barclays lost a full mark under Arms and Military Supply.

Excessive remuneration for directors or other staff

On 06 June 2023, Ethical Consumer viewed the latest Barclays Plc annual report dated 2022

It indicated that the company's highest paid director received over £1 million in total compensation in 2022 (£5.2m).

Ethical Consumer deemed any annual amount over £250k to be excessive, while compensation of £1million or more would lose a full mark. The company therefore lost a full mark under Anti-Social Finance.