

Sustainability Report

Developed countries and international organisations like the United Nations (UN) are striving to ensure that the targets set as part of the Paris Agreement on climate change adopted in 2015 are met. The European Union (EU) has developed the Green Deal, which is designed to help Europe become the first continent to achieve climate neutrality by 2050. This depends not just on national efforts, but also on initiative from the private sector. To date, no definitive regulatory requirements have been set in terms of how the banking sector should contribute to the achievement of climate goals, but many of the Coop Pank group's competitors (and the group itself) have undertaken to increasingly implement sustainability principles in their operations.

Approval was granted in principle at the EU level in 2021 for the Taxonomy Climate Delegated Act, but it is not exhaustive and the planning of regulatory amendments is ongoing, which is affecting all branches of industry. This in turn has created a vacuum between regulation, practice and the established goals. In such circumstances, as a bank we are primarily able to focus on the sustainability of our operations.

Coop Pank joined the Responsible Business Forum and first took part in its index survey in 2020. It is also an active member of the Estonian Banking Association's working group on responsible banking, contributing to growth in the sustainability of banking operations.

Proceeding from the areas of activity in which the Coop Pank group operates, we have assessed our impact on sustainability on two levels:

- impact related to the group operating as a whole
- impact related to the group offering its products and services

Our main focus in 2021 was on comprehending the impact of the group operating and reducing negative environmental impact. We have mapped the environmental impact of offering our products and services as well as the proportion this represents of our total operations.

In managing and fostering sustainable development, the group is guided by the UN's 17 sustainable development goals (SDGs; see <https://sdgs.un.org/goals>). Operating within the banking sector, we are able to contribute either directly or indirectly to the following areas of sustainable development:

SDG 1 – No Poverty

SDG 3 – Good Health and Well-being

SDG 4 – Quality Education

SDG 5 – Gender Equality

SDG 7 – Affordable and Clean Energy

SDG 8 – Decent Work and Economic Growth

SDG 12 – Responsible Consumption and Production

SDG 15 – Life on Land

SDG 16 – Peace, Justice and Strong Institutions

SDG 17 – Partnerships for the Goals

In 2021 our operations focussed on the SDGs set out below.

For the benefit of society (SDG 1, SDG 3, SDG 4 & SDG 5)

Since 2017, the Coop Pank group's biggest shareholder has been the retail chain Coop Estonia. The link between retail and banking is reflected in our joint mission statement: 'Driving life forward in every corner of the country'. This has exemplified our operations for the last five years and determines a key focal point of our sustainability. Enterprising people and pristine nature are Estonia's greatest assets. As a bank, we spur Estonian companies on every day and help people realise their dreams. We drive life forward in every corner of the country – urban and rural areas alike – by sticking together and valuing our pristine environment.

It is important to us that vital products and services are accessible to everyone close to their homes. As an Estonian bank, we bring everyday banking services closer to people so that everyone can enjoy life wherever they like to live. For instance, cash services are available at people's local stores: Coop Pank clients can make deposits and withdrawals from their accounts at more than 330 Coop stores around the country. We are pleased to see an upward trend in people taking advantage of this service, as can be seen in the table below:

	2021	2020
COOP cash transactions vs ATMs (proportion of total number of transactions)	31.6%	25.8%
COOP cash transactions vs ATMs (proportion of total turnover)	26.9%	22%

We also serve clients at 15 branches in 12 towns and cities, making ours the second-biggest network of bank branches in Estonia. Moreover, we have 17 banking points in larger Coop stores around the country.

Our client relationships outside of Tallinn/Harju County can be summarised as follows:

	2021	2020
Everyday banking	61.1%	59.6%
Mortgage loans	39%	39.4%
Business loans	33.4%	34.8%
Leasing	47.5%	47.1%

We contribute to improving the financial knowledge of the Estonia population by advising people of all ages on how to make smarter choices in regard to their finances via our Lihtsalt rahast ('Money Matters Put Simply') podcast and through other channels. We are a member of the Estonian Banking Association's working group on financial literacy, and in 2021 we also actively contributed (both via the association and independently) to efforts to thwart financial fraud so as to help protect the assets of people in the country.

Responsible products and services (SDG 7, SDG 8 & SDG 12)

The development of products and services in line with responsibility and sustainability objectives is an ongoing process. The Coop Pank group decided some time ago that it would not offer financing for::

- gambling and betting;
- tobacco production;
- entertainment events;
- export activities to sanctioned countries;
- financing of aircraft, ships and railway wagons;
- arms industry and trade, which is not related to Estonian national defense and NATO;
- political parties and other political organizations.

As at the end of 2021, our loan portfolio included no loans in any of these areas of activity. Nor do we offer credit services in areas or to companies whose activities are unethical or linked to corruption, violate human rights or have a significant negative impact on the environment. Significant negative impact means an impact that affects the natural environment, considered individually or cumulatively with other impacts depending on the sector in which the company operates.

In 2021 we added to our credit risk assessment process by introducing a framework for the evaluation of environmental, socioeconomic and management-related impact, since we realise that the materialisation of

such risks is directly linked to the credit risk of our clients. No clients in our loan portfolio have a significant negative impact on the environment. Clients whose activities could pose an environmental risk are checked on a case-by-case basis to ensure that their activities are in line with all valid norms of environmental protection.

We are honest and transparent in the pricing of banking services, and we are guided by principles of responsibility in the marketing of services. We observe all of the requirements of the Money Laundering and Terrorist Financing Prevention Act. In order to get to know our clients, we ask them to provide us with detailed information and we monitor their activities, all while observing the requirements of the Personal Data Protection Act. We are guided in our protection of personal data by the principle of integrated data protection, wherein we apply data protection throughout the data-processing life cycle and use only as much data as we need to in order to offer quality banking services.

For the good of the environment (SDG 7 & SDG 12)

In issuing loans to companies, Coop Pank takes environmental impact into consideration (see also 'Responsible products and services') and looks for opportunities to contribute to companies that minimise negative environmental impact. The bank is also increasingly environmentally aware in its own operations and in 2021 approved its green office principles, which are based on the guidelines issued by the Estonian Association for Environmental Management.

Having financed a significant number of solar parks and wind turbines in 2020 (with a nominal production capacity of ca 64 MW), we continued growing the segment and reached a nominal production capacity of 78 MW by the end of 2021. Moreover, our financing of renewable energy now forms around 10% of our business line portfolio, compared to 6% in 2020. It is important to us that our loan portfolio includes agricultural companies whose operations we can contribute to in different parts of Estonia. We have offered leasing for electric and hybrid-power vehicles. We support recycling, repurposing and reuse, with the majority of our lease financing portfolio comprising second-hand cars (64% in 2021 compared to ca 60% in 2020). We are looking to continue contributing to solar and wind projects, including those designed to make residential buildings more energy-efficient, during the current year.

In August 2021 we moved our head office into the new, more economical, less energy-intensive Skyon building, which was constructed and is being maintained in accordance with the requirements of the LEED Gold/Platinum certificate. LEED (Leadership in Energy and Environmental Design) is one of the most prevalent green building rating systems in the world.

In regard to 2021 we have assessed the carbon footprint of our head office and its use in line with the GHG Protocol Corporate Accounting and Reporting Standard. Since we continued to use our former office at Narva mnt 4 for a period of eight months, we compared key environmental footprint indicators of both buildings, from which we can highlight the following positive aspects:

	Narva mnt 4	Maakri 30
Average electricity use per month	28 502 kWh	8 933 kWh
Average heating use per month	44 510 kWh	37 339 kWh
Average water use per month	83 m ³	40 m ³
Waste generated per month	2 460 kg	2 431 kg

The carbon footprint of Coop Pank in 2021 was 382 t CO_{2eq}, of which employee commuting accounted for 42.6%, electricity for 39.5%, heat for 11.6%, waste for 4.6% and other sources for 1.8%.

We do not use separate rubbish bins at every desk, and we sort our waste. We collect packaging for delivery to recycling points, with any money raised from doing so being donated to charity to enable children to attend plays.

We have introduced the paper-free management of documents in our everyday work: we enter into agreements with our clients and partners electronically and allow clients to join the bank via a simple web solution that was used by 40.9% of our new clients in 2021 (compared to 34.1% in 2020). Our average use of paper per month was 58 kg.

As an employer we also raise our employees' environmental awareness. In 2021 we launched an initiative to measure the footprint of our employees' environmental impact. The teams we formed agreed on shared goals for the reduction of their personal footprints and published these on our intranet. During the year, in cooperation with experts from outside of the bank, we organised three environment-themed training sessions to help our employees understand how they can make their everyday lives more environmentally friendly. In the first quarter of 2022 we will be conducting repeat measurements and assessing the level of achievement of the goals set.

Management culture (SDG 16 & SDG 17)

We consider our management culture to be open and modern, the basis of which is guidance by regulations and international standards (such as human rights, labour law and the fight against discrimination). In our operations we are led by best practice in company management and banking, the principles of responsible lending, other guidelines issued by financial supervision authorities, and valid legal acts.

The fields of the prevention of money laundering and terrorist financing, as well as the implementation of international sanctions are important to us, and we apply the necessary due diligence measures.

We also monitor our marketing activities to ensure that they are in line with valid norms. In order to guarantee ethical behaviour, we have established guidelines for reporting inappropriate behaviour, in accordance with which employees can inform of potential breaches of ethical norms or laws within the group. We integrated the principles of environmental and corporate social responsibility even further into our operations in 2021 by establishing them as our own green office principles.

We have adopted a procedure for informing of breaches and, in cooperation with a law office, ensure the maximum possible protection for employees who wish to retain their anonymity when passing on information. In our view this lays the groundwork in the best possible way for every employee to be able to inform of any breach pertaining to internal management without having to worry that doing so may affect their working relationship with the company.

To us it is only natural to offer our employees a contemporary working environment, motivating salaries, flexible hours, the option to work remotely, stimulating professional challenges, every opportunity for development and a friendly team that sticks together. We are linked by our shared values.

We dare to do things differently. We are inspired by the opportunity to do things differently in banking. We don't rest on our laurels, but rather constantly ask ourselves whether and how we can make our clients' lives easier and better. We are not afraid of making mistakes. We own up to our errors. We learn from them and strive to do things better.

We are professionals playing on the same team. Every one of our employees is a professional in their field and holds him- or herself to a high standard. We work hard, but at the same time we don't take ourselves too seriously. Playing as a team is our game plan.

We reach our targets. We set ourselves ambitious goals and give our all to achieve the best possible results. We always finish what we have started!

We have made the importance of sustainable operations the focus of attention for both our management and Supervisory Boards, and we will be continuing to develop this aspect in 2022 by acquiring additional resources designed specifically for this field.