

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.

In November 2022, the CSRD (Corporate Sustainability Reporting Directive) was adopted, the purpose of which is to regulate ESG (Environmental, Social, and Governance) reporting and move towards a more sustainable economy. The reporting requirement is implemented gradually, and according to the CSRD, the Coop Pank group must submit sustainability information prepared on the basis of additional standards for the first time in 2026 (for 2025). It is important for us to be compliant with the Corporate Sustainability Reporting Directive and we have already started the gradual structuring of the sustainability report according to the CSRD.

The Coop Pank group already joined the Responsible Business Forum in 2020 and participated in the Responsible Business Index survey, where it carries the bronze level label from 2022. In 2022, the Group participated as the first Estonian bank in one of the world's leading environmental reporting projects, CDP (Carbon Disclosure Project). The Coop Pank group received the rating B-, i.e. the environmental manager level, which is assigned to companies that have demonstrated good management in the field of environmental impact (see: <https://www.cooppank.ee/coop-pank-palvis-korge-keskkonnareitingu>). We are also an active member of the Estonian Banking Association's working group on responsible banking, contributing to growth in the sustainability of banking operations.

In 2022, the Coop Pank group became a member of the financial initiative of the United Nations Environment Program (UNEP FI or United Nations Environment Program Finance Initiative) and signed the principles of responsible banking (see <https://www.cooppank.ee/coop-pank-allkirjastas-uro-vastutustundliku-panganduse-pohimotted>), which bring the bank's business strategy into a line with the goals of the UN sustainable development and the Paris climate agreement, and increase the positive impact on society. By joining the UN Environment Program, the Group conducts a comprehensive impact analysis in order to understand where the Bank has a significant positive and negative impact on society, the environment and the economy. As a result the group would set the specific goals to increase the positive influence and reduce the negative influence.

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 2022 our operations focused 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 six 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 want to live. For instance, cash services are available at people's local stores: Coop Pank group clients can make deposits and withdrawals from their accounts at more than 320 Coop stores around the country. We are pleased to see that more and more people are making use of these services all the time, as can be seen in the table below:

	2022	2021
COOP cash transactions vs ATMs (proportion of total number of transactions)	33.5%	31.6%
COOP cash transactions vs ATMs (proportion of total turnover)	28.7%	26.9%

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

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

	2022	2021
Everyday banking	62.5%	61.1%
Mortgage loans	38,0%	38.9%
Business loans	31.1%	36.7%
Leasing	40.4%	46.8%

We contribute to improving the financial literacy of the Estonian 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 2022 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:

- the organisation of gambling and betting activities;
- the manufacturing of tobacco;
- entertainment events;
- exports to countries subject to sanctions;
- aircraft, ships and railway stock;
- the weapons industry or arms trade which is not linked to Estonian national defence or NATO or
- political parties and other political organisations.

As at the end of 2022, 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. Customers whose activities have an environmental impact are checked in each specific case to ensure that they comply with the applicable environmental protection standards in their activities.

In 2022, we launched the first green product of the Coop Pank group – Green Leasing. The purpose of green leasing is to encourage the use of more climate-friendly vehicles, and for this purpose we offer green leasing an interest rate under better conditions compared to standard leasing.

In the pricing of bank services we are honest and transparent, and in the marketing of services we are guided by principles of responsibility. 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, the Coop Pank group 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.

In 2022, we continued to finance the construction of solar parks and wind turbines, reaching a nominal capacity of 86 MW by the end of the year. Financing for renewable energy makes up about 8.6% of the portfolio of our corporate financing business line. It is important to us that our loan portfolio includes agricultural companies whose operations we can contribute to in different parts of Estonia. We support recycling, repurposing and reuse, with the majority of our car leasing sales in 2022 comprising second-hand cars (71.0% in 2022 compared to ca 68,0% in 2021). This year too we are looking to contribute to solar and wind projects, including those designed to make residential buildings more energy-efficient.

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 certificate. LEED (*Leadership in Energy and Environmental Design*) is one of the most prevalent green building rating systems in the world. In March 2022, the Skyon office building was awarded the LEED Platinum certificate, which is the highest indicator among gold, silver and classical certification.

For the years 2021 and 2022, we have performed an assessment of the carbon footprint associated with our organisation and loan portfolio in accordance with the GHG Protocol ("GHG Protocol Corporate Accounting and Reporting Standard"). The climate impact of the Coop Pank group's portfolio was calculated based on the standard "The Global GHG Accounting & Reporting Standard for the Financial Industry" of the Partnership for Carbon Accounting Financial (PCAF). The PCAF standard is the only sector-specific standard that allows financial institutions to estimate and disclose greenhouse gas emissions from loans and investments. The PCAF standard is in line with the GHG Protocol standard and complements the GHG Protocol Corporate Value Chain (scope 3) standard with detailed additional guidance for each asset class. A PCAF data quality score of 1 represents an estimate with the most accurate data quality, and a score of 5 represents an estimate with the lowest data quality. When evaluating the impact of the Group's portfolio in 2021, methodologies corresponding to scores 4 and 5 were used, depending on the availability of data. In assessing the impact of the loan portfolio in 2022, the data quality score was improved and the new average score was 3.7.

The carbon footprint of the Coop Bank group in 2022 was a total of 209,470 tons of CO₂ equivalent (204,323 in 2021), of which 99.7% (99.7% in 2021) was the impact from the portfolio and leasing and 0.3% (0.3% in 2021) was impact related to office activities.

Based on the GHG Protocol, leases are classified in the scope 3 category of "leased assets", so the impact of leases is not reflected in the analysis of the impact of the Coop Pank group's portfolio. The assessment of the impact of leasing was primarily based on the guidelines for the corresponding category of scope 3 of the GHG Protocol, but also to a certain extent on the methodology of PCAF vehicle loans. Since the impact of leasing has been significant among all the Group's emissions, the impact of the portfolio resulting from leasing was included in the table for comparison with other asset classes.

Asset class	t CO ₂ -ekv	Measured % of contract volume in the respective asset class	PCAF data quality score
Business loans	77,479 (85,707)	99.1 (72.9)	4.0 (4)
Housing loans	41,492 (53,373)	82.6 (85.5)	3.7 (4)
Commercial real estate	60,742 (45,980)	100.0 (99.9)	3.8 (4)
Leasing	29,106 (18,590)	83.6 (85.0)	N/A
Avoided emissions (renewable energy)	76,853 (N/A)	99.9 (N/A)	2.3 (N/A)

The results for 2021 are shown in parentheses.

Our big challenge will be to improve the data quality score when measuring the emissions of the loan portfolio. The higher the data quality score, the more accurate and reliable the results we get.

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 theatre 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 online solution that was used by 35.2% of our new clients in 2022 (compared to 40.9% in 2021). In the second half of 2023, we aim to create an opportunity for paperless document management in our client offices.

In 2022, we signed a cooperation agreement with the technology recycling company GreenDice, which deals with the organisation of the technical circulation of IT equipment and directing it to recycling. The GreenDice recycling system helps to valorise our used IT equipment by finding new users for them or directing unusable equipment to be recycled as raw materials. The usage journey of the devices is fully traceable throughout their entire life cycle. We consider the safe and traceable journey of equipment very important.

Management culture (SDG 16 & SDG 17)

We consider our management culture to be open and modern, the basis of which is that we are guided by regulations and international standards (such as human rights, labour law and the fight against discrimination). In our operations we are led by best practices 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 and 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 the 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 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. In 2022, we started offering our employees the option of health insurance in addition to sports compensation.

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 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 sets themselves high standards. 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 of both our management and supervisory boards. In 2022, we hired a full-time employee dedicated to sustainability. An ESG roadmap has been created for 2023, according to which we will develop the bank's sustainability consistently and systematically.