COVENTRY
Building Society

Climate Action Plan 2021-23

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01 Introduction

I am excited to bring forward our first ever Climate Action Plan

It confirms our ambition is to be carbon neutral in relation to our own operations. But we will go futher along our value chain, we have opportunities which we will take to reduce emissions – for example, by encouraging suppliers to reduce their environmental impacts.

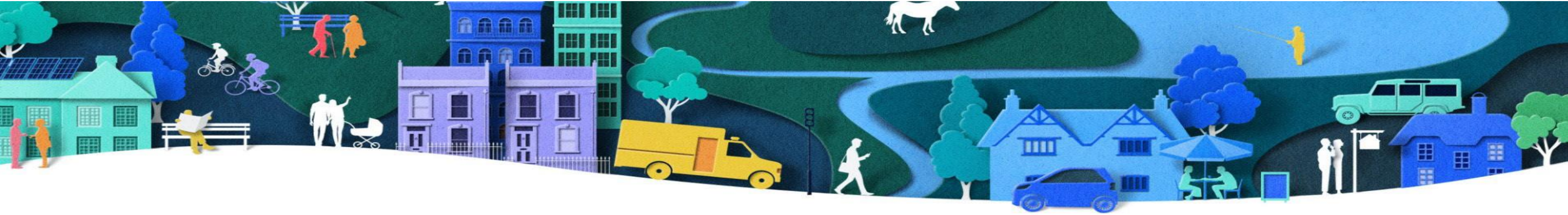
Greater opportunities come from the mortgages we originate. We will look to support a consumer attitudinal shift on household emissions, through education, support and secured lending propositions that are targeted primarily at driving incremental change, resulting in reduced housing emissions that align to the broader Net Zero agenda.

But with the lion's share of our value chain emissions falling outside of our direct control, societal change remains critical to achieving our targets and to the achievement of the climate related goals which 196 countries signed up to in the 2016 Paris Agreement and which will be discussed again this year at COP 26 in Glasgow.

Our whole plan is held together by a commitment to transparent governance and reporting as well as compliance with regulatory requirements.
In the following sections, we provide details of the actions we aim to take in each of these areas

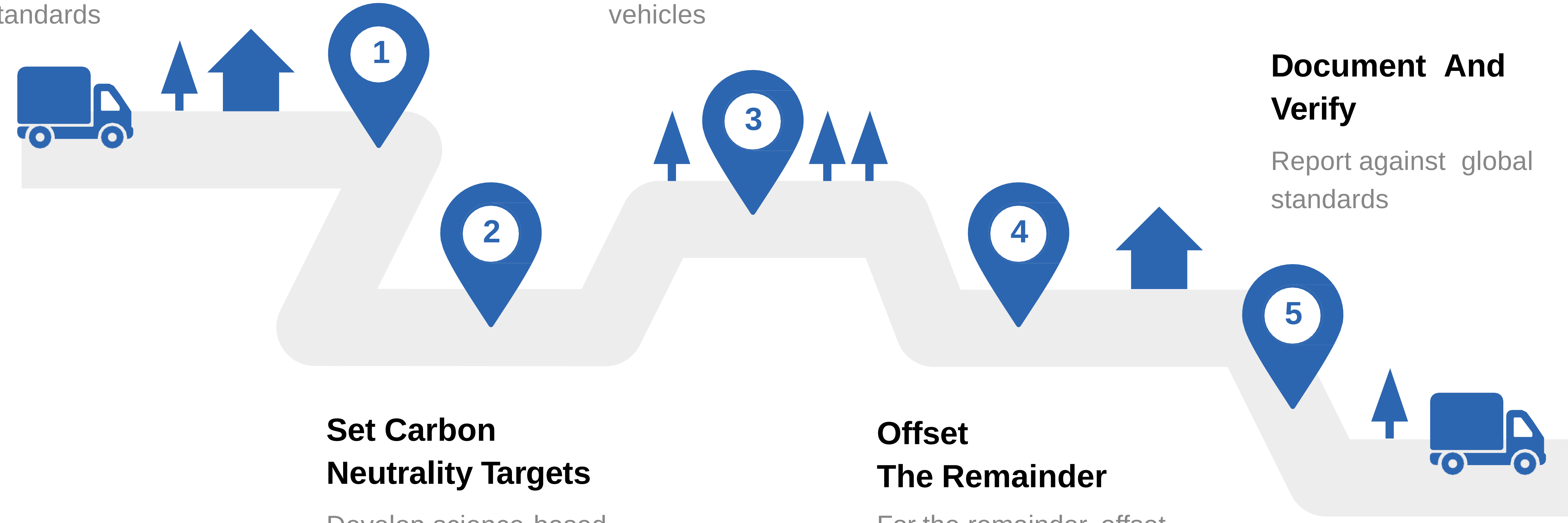
Most importantly our plan is consistent with our commitment to be "all together better" where we commit to doing more for members and society, together making things better for everyone.

Steve Hughes, CEO
July 2021



Our Overall Approach

Our Climate Action Plan sets out a range of targets and actions designed to deliver reductions in emissions from our own operations and those we do business with. We are approaching these activities through a consistent methodology which reflects the best practice detailed on this page



Measure The Footprint

Measure our emission inventory using global standards

Set Carbon Neutrality Targets

Develop science-based, ambitious and realistic targets

Reduce Emissions

Switch to renewable energy, travel less, replace polluting vehicles

Offset The Remainder

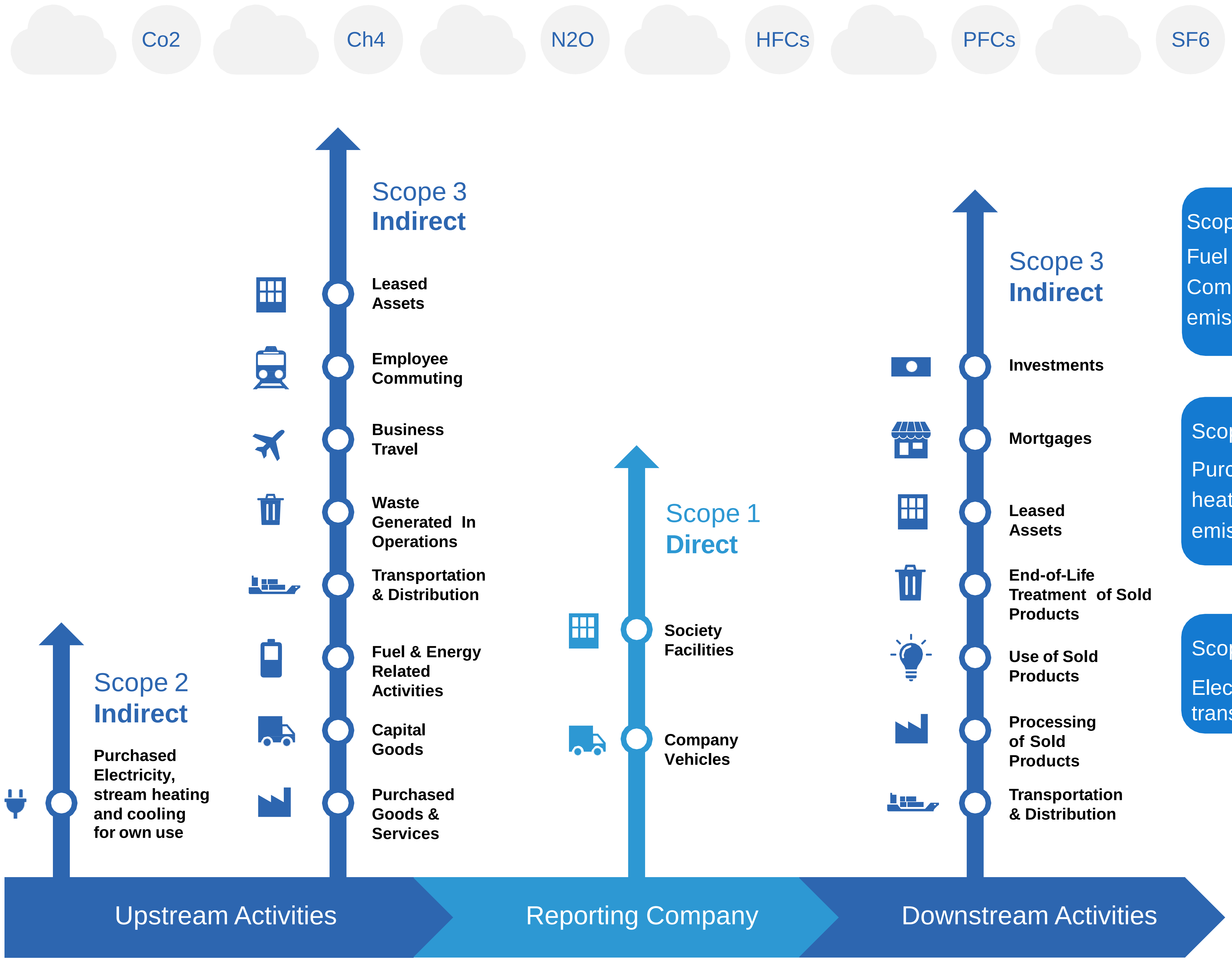
For the remainder, offset through carbon credits

Document And Verify

Report against global standards

Understanding Our Current GHG Emissions

To date our focus has been on addressing Scope 1 and 2 emissions, where we have a credible plan in place.
We have not yet established the extent to which we can reduce our Scope 3 emissions to Net Zero- this is a work in progress and will be a key focus for the period covered by this Plan.



Scope 1
Fuel combustion (Natural Gas)
Company vehicles, fugitive emissions = **671 tCo2e**

Scope 2
Purchased electricity, heat & steam
emissions = **1,682 tCo2e**

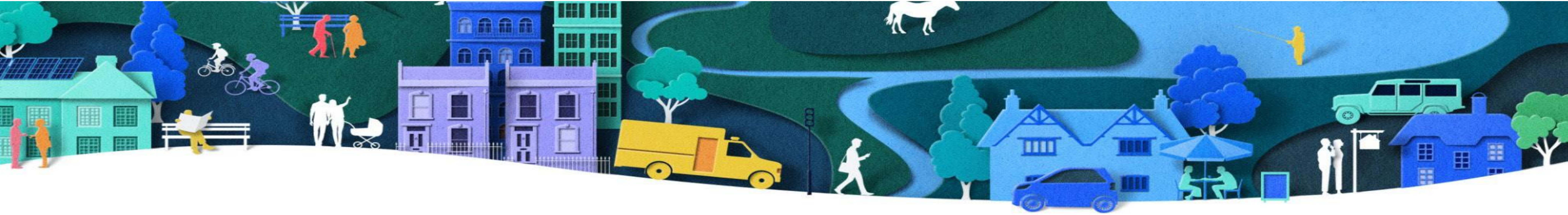
Scope 3
Electricity T&D, water & indirect transport = **214 tCo2e**

2020 location based emissions data, which conforms to the requirements of ISO14064-1.

Plan on a Page

Our Climate Action Plan sets out a range of activities designed to enable us to contribute to a Net Zero world.

Our Plan	Scope 1 to be Carbon Neutral by 2021	Scope 2 to be Net Zero by 2021	1.5° aligned Science Based Target by 2024	Scope 3 upstream emissions to be Net Zero by 2030	Ambition to be Net Zero by 2040 across Scopes 1, 2 and 3
Our Operations	Reduce our demand for energy	Transition to 100% renewable energy	Align capital expenditure to 1.5° pathway	Supplier engagement	100% EVs in our fleet by 2030
Our Products	Originate green mortgage proposition	Enable cashback reward scheme	Reward positive change	Fund first 1000 retrofits by 2023	
Our influence on society	Engage with regulators on climate	Publicly disclose climate strategy positions	Work with partners to deliver change		
Governance & Risk	Annual reporting on progress	External third party assurance	Achieve ISO accreditation	Alignment to TCFD framework	Member endorsement and engagement



Our short term climate target- Scope 1 Carbon Neutral and Scope 2 Net Zero By 2021

In 2021, we achieved our short term targets to be carbon neutral for Scope 1 and claim Nett Zero merits for Scope 2.

Reduction in emissions

Reducing our emissions through energy efficiency and demand reduction measures

→

Renewable Energy

Sourcing credible renewable energy arrangements to ensure Scope 2 emissions are removed

→

Carbon Offset

After proving we have reduced our emissions as much as possible we will offset any residual carbon emissions

ISO 14064-1 to provide assurance

Our medium term climate target- Scope 3 Operational Emissions Net Zero By 2030

We have targeted a Net Zero position for our Scope 3 Operational Emissions by 2030. This is a challenging objective but one which we think is important to aim for. Achieving this objective will require a wide range of activities.

Goods and Services- we will work with suppliers to eliminate the emissions in the products and services we buy

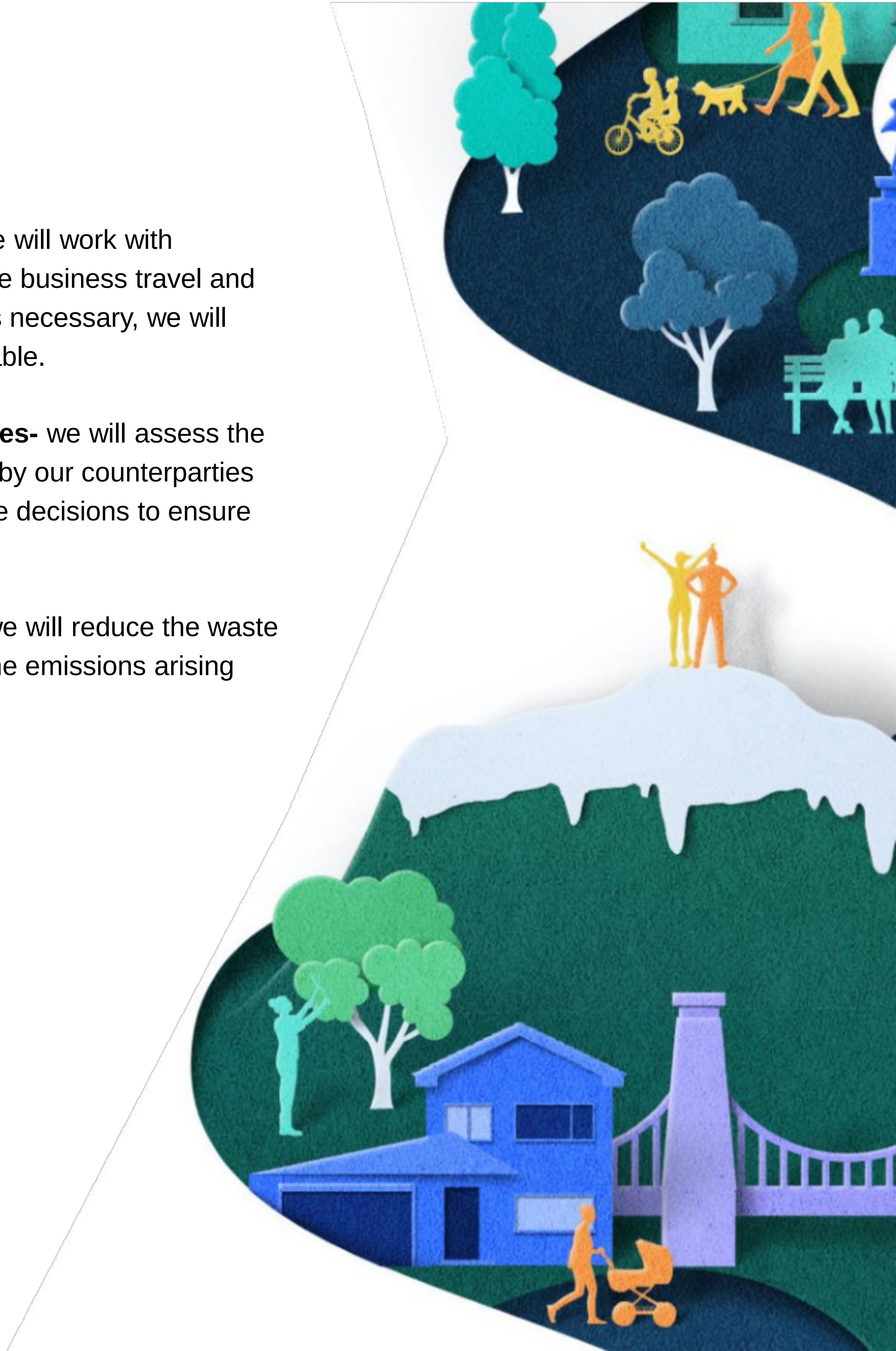
Employee commuting- we will encourage colleagues to commute to our premises using low carbon means of transport.

Pension fund- we will ensure our colleagues pension investments are ethical and consistent with the climate agenda

Business travel-we will work with colleagues to reduce business travel and where such travel is necessary, we will ensure it is sustainable.

Wholesale activities- we will assess the emissions created by our counterparties and look to take the decisions to ensure these are reduced

Waste disposal- we will reduce the waste we generate and the emissions arising from their disposal.



Our long term climate ambition - Scope 1,2,3 Emissions Net Zero By 2040

Like many organisations, the largest sources of our emissions are downstream of our core operations. Given our business model most of these Scope 3 emissions primarily relate to the emissions from the houses we help finance across the UK.

Our work in this area will therefore be based on the recognition that the instances where we can drive emissions reduction in this context are limited. We do not control our customers choice of energy supplier or the carbon footprint of their home. Decarbonising the UK's energy grid is likely to have a far greater impact on emissions.

In the period covered by this plan we will look to develop the tools required to measure such emissions and produce a credible transition plan which will enable us to deliver on this ambition. We will look to develop this transition plan in line with international best practice and detail external dependencies.

More Detail on Scope 3

We will continue to advocate for an accelerated energy transition which will help reduce indirect emissions in our members homes, as well as accelerating progress in other areas of our value chain.

We will also continue to drive consumer behaviour change in areas of our business where it makes sense to do so.

Under the GHG Protocol, indirect use-phase emissions are an optional part of an organisation's Scope 3 emissions. External guidance makes clear that they do not form part of a firm's mandatory Scope 3 emissions and that their inclusion is above and beyond a firm's Scope 3 targets. Therefore we have included them in the scope of our overall Net Zero Ambition to help ensure that we have an understanding of these emissions, while focusing on reducing emissions in areas within our sphere of influence.

Validation of Our Targets

We will utilise external benchmarks to provide assurance around its performance in this area. For our Scope 1 and 2 emissions, we have received external validation to confirm we have reached our short term targets.

We are also accredited under ISO 14064-1 (for 2020 data) to demonstrate our performance in this area.

By 2024 we aim to have set a Science Based Target in line with best practice in this area.

Our Position on offsetting

According to the Science Based Targets initiative, there are two broad categories of carbon credits:

Compensation: credits generated by action to avoid or reduce emissions outside of a company's value chain. This can include protecting forests that would have been cut down.

Neutralisation, often known as carbon removals: credits generated through direct removal of GHGs from the atmosphere. This can include planting new trees that sequester carbon.

However, some stakeholders are concerned that offsetting "unavoidable" emissions with compensation credits simply legitimises business-as-usual growth in emissions. This risks delaying the urgent action required to address more systemic transformations in organisations' business models and value chains. This practice is attractive because it can be cheaper to purchase compensation credits from outside a value chain than to tackle the more fundamental transformations within it. But by delaying these transformations, the world may miss the window to limit global temperature rise to 1.5 degrees above pre-industrial levels. We believes credible net zero strategies must lead with science-based emissions reduction pathways, complemented with carbon removals only when all feasible reductions have been implemented.

03
Operations

Operations

The capital investment required to meet these targets will require an accelerated shift to new technologies that reduce or eliminate our GHG emissions. We have decided to move towards an explicit commitment to ensure that future capital expenditure for our operations is aligned with the Paris Agreement's objective of limiting global average temperature rise to 1.5 degrees.

The activities we will undertake in our own operations include

- Using renewable energy
- Prioritising energy efficiency in our buildings
- Reviewing carbon impacts of our activities
- Assessing heating sources

Our Supply Chain

CBS purchases goods and services with a value of over £170 million annually. This represents a significant opportunity for us to contribute to our Net Zero ambitions. Our approach in our supply chain will be to integrate our procurement and sustainability processes and ensure our decisions about which suppliers to use reflect the importance of the Net Zero agenda.

We will roll out a total cost of ownership model by 2022 meaning all costs (financial and non-financial) associated with the purchase of a product or service are captured.

We will partner with ESG ratings provider Ecovardis to undertake sustainability assessments for both existing suppliers and new sourcing activities.

We plan to put in place integrated GHG reduction roadmaps for all key suppliers with a significant impact to CBS's upstream Scope 3 GHG footprint by 2030, which we will embed in our ongoing relationship and performance management processes.

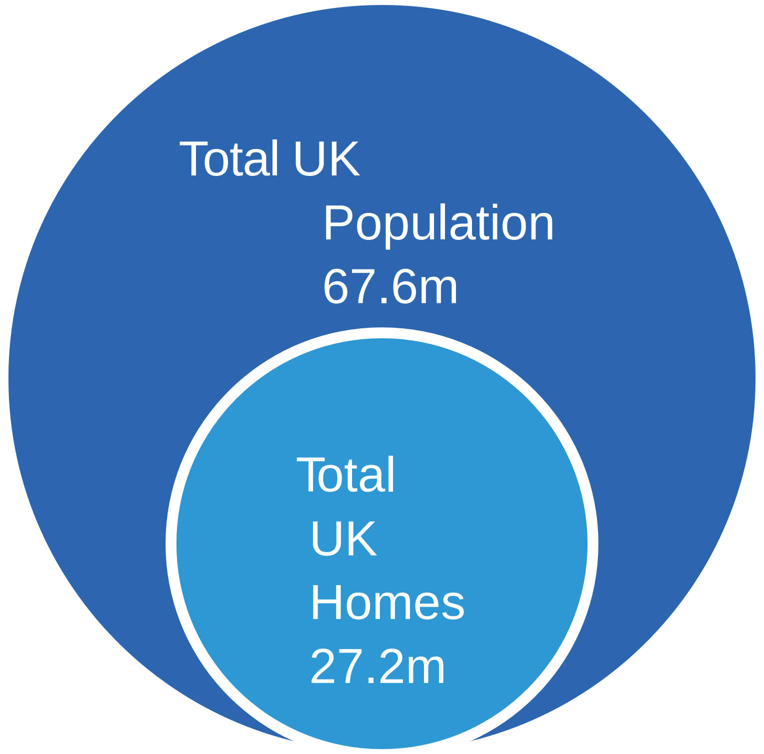
We are committed to achieving ISO 20400, the globally recognised standard for sustainable procurement, by 2023.

04
Our Products

Why ‘Greening Homes’ is so Critical...

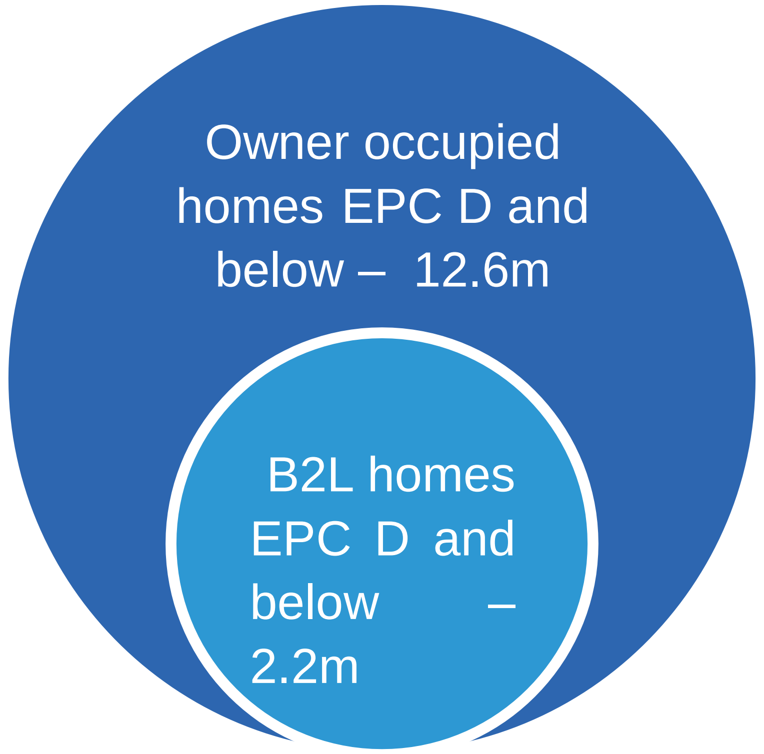
With homes making up 20% of the UK’s emissions, and an estimated funding gap of £65bn, identifying ways to finance reduced household emissions is critical.

The UK Government is expecting homeowners to make energy efficiency improvements to their homes



- UK has committed into legislation a reduction in GHG emissions to **Net Zero by 2050**
- All homes will be required to achieve an EPC and C rating by 2035

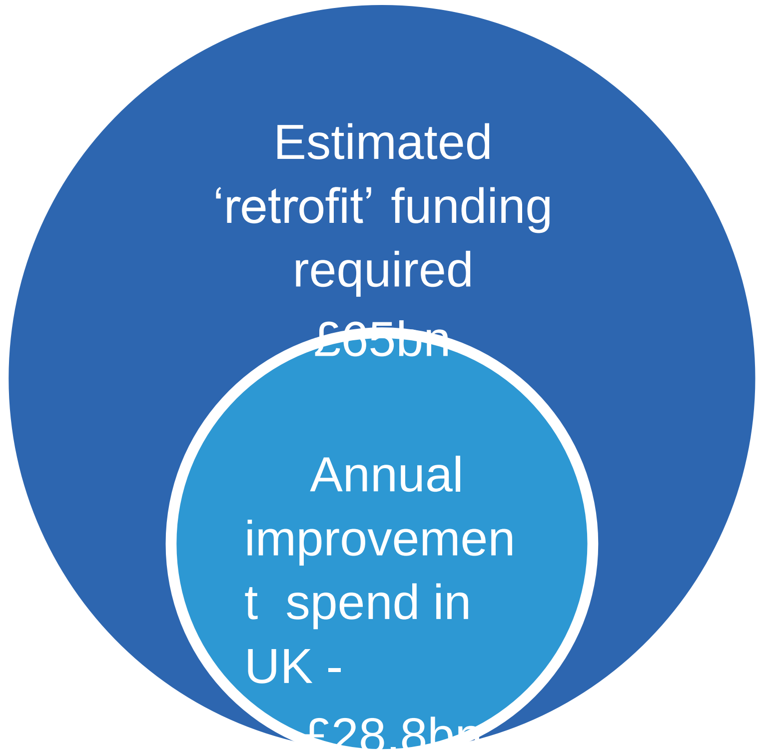
With the majority of owner occupied and rented homes currently not meeting the requirements



For owner occupied homes **75% don’t meet EPC level C,** and will require significant work before 2035 or earlier.

For privately rented homes 73% don’t meet EPC C requirements

The funding required to make these changes is significant



- It will cost circa **£25k to ‘retrofit’** the average UK semi
- Average UK homeowner will need to borrow money to make the changes

(Source: UK Government ONS)

Our Products

Our products are the very core of our commitment to members. Delivering our climate targets requires us to help our members make the transition to an energy efficient future. We also believe that those lenders that can demonstrate to consumers how to minimise their footprint and improve the health of the planet will be well-positioned to succeed over the long term

Key Objectives

- To educate our customer base on the issue of climate change and how it impacts housing
- Provide simple secured lending solutions to encourage carbon reduction
- Reward proactive change by our members
- Collaborate with other key stakeholders to promote the decarbonisation agenda

05
Wider Society

Our Influence on Wider Society

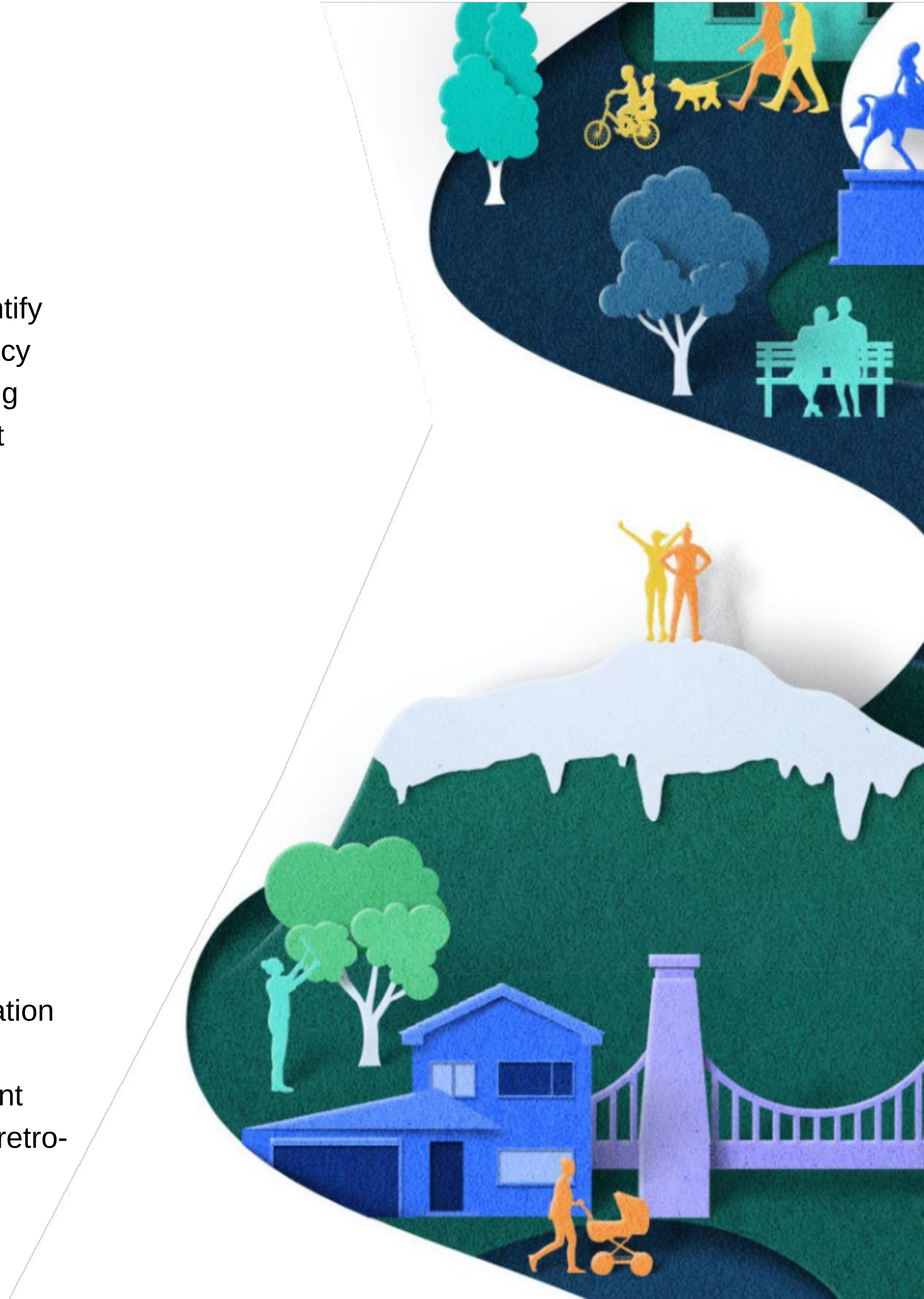
Wth most of our emissions falling outside of our direct control, engaging openly and collaboratively with other stakeholders to understand what they need to help achieve this transformation of the UK's housing stock will be key.

Playing our part in the wider debate on climate is therefore critical

We will look to explore how to give members the tools they need to identify current and potential energy efficiency performance of their homes including carbon calcualtors as well as retro-fit options

We will collaborate with other organisations working on Net Zero, particularly through our role as a signatory of the UN Principles of Responsible Banking.

We will look to give customers education and support so they can identify education and tools to identify current and potential energy efficiency and retro-fit options for their homes



06
Climate Governance & Risk

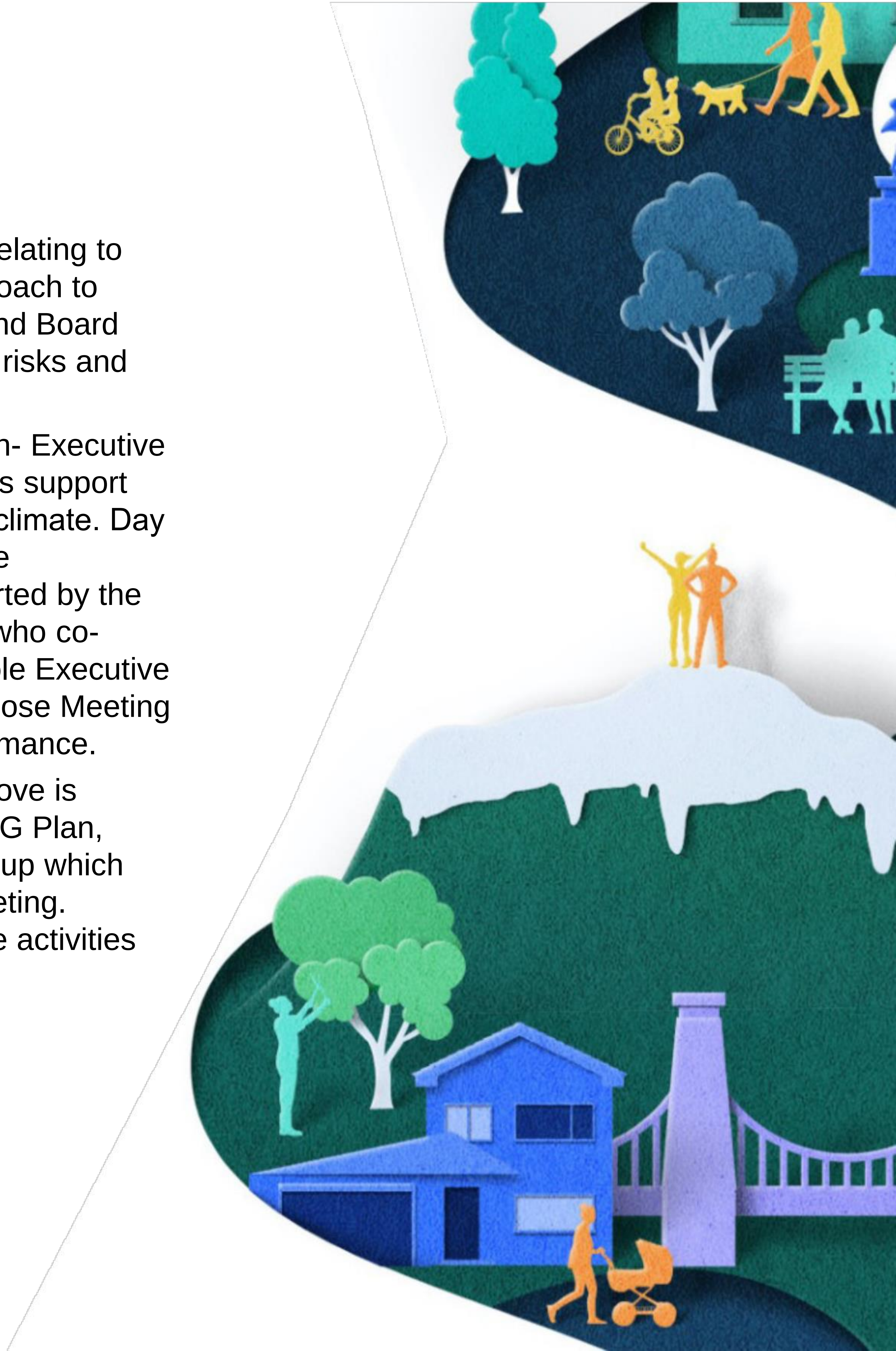
Climate Governance

We will continue to develop our capabilities to measure, report and mitigate the risks we face arising from climate change.

The Board has overall accountability for the management of all risks and opportunities relating to climate change as well as our broader approach to sustainability. The Board Risk Committee and Board Audit Committee review our climate related risks and climate reporting respectively.

The Board is supported by a nominated Non- Executive Director, Shamira Mohammed, who provides support and challenge to the Society's activities on climate. Day to day executive oversight of this topic is the responsibility of the Chief Executive, supported by the Chief People Officer and General Counsel who co-sponsor the broader ESG agenda. The whole Executive meet at a dedicated monthly People & Purpose Meeting to review the Society's sustainability performance.

Putting into effect the ambitions detailed above is undertaken by the creation of an annual ESG Plan, which is overseen by the ESG Steering Group which reports in turn to the People & Purpose meeting. Specialists at the Society work to deliver the activities necessary to achieve these objectives.



Risk

We will continue to develop our capabilities to measure, report and mitigate the risks we face arising from climate change.

Through the period covered by the Plan we will develop procedures and tools for the identification, assessment and monitoring of climate risks which are integrated into our standard risk, compliance and operations processes. This will include assessment of risks associated with products originated for the purpose of carbon reduction.

We will continue to develop tools, insight and data to better understand our own vulnerability to climate related risks, including using scenario based stress testing and other analytical methods. We will look to report the output of these activities through both our financial and sustainability reporting. will support the Society develop the capabilities for climate risk assessment and scenario analysis, with alignment to existing credit risk models. This will include the integration into existing, credit risk and stress testing processes and models, with outputs that are interpretable in the context of credit risk, profitability, capital and liquidity in line with relevant regulatory requirements.

We will look to ensure publication of disclosures in line with the requirements of the TCFD as well as continuing to enhance our reporting more generally on sustainability related issues

Jargon Buster

EVs refers to electric vehicles

GHG refers to Green House Gas Emissions

Net Zero refers to achieving a balance between the carbon emitted into the atmosphere, and the carbon removed from it. This balance – or net zero – will happen when the amount of carbon we add to the atmosphere is no more than the amount removed.

Carbon Neutral refers to any CO_2 released into the atmosphere from a company's activities is balanced by an equivalent amount being removed.

Paris Agreement refers to the legally binding international treaty on climate change which was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015 and entered into force on 4 November 2016. Its goal is to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels. To achieve this long-term temperature goal, countries aim to reach global peaking of greenhouse gas emissions as soon as possible to achieve a climate neutral world by mid-century.

Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. Targets are considered ‘science-based’ if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

TCFD means the Taskforce on Climate Related Disclosure which was created in 2015 by the Financial Stability Board to develop consistent climate- related financial risk disclosures for use by companies, banks and investors in providing information to stakeholders.

tCO_2e stands for tonnes (t) of carbon dioxide (CO_2) equivalent (e). "Tonne" refers to a metric ton, or 2,200 pounds. “Carbon dioxide equivalent” is a standard unit for counting greenhouse gas (GHG) emissions regardless of whether they're from carbon dioxide or another gas, such as methane.

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