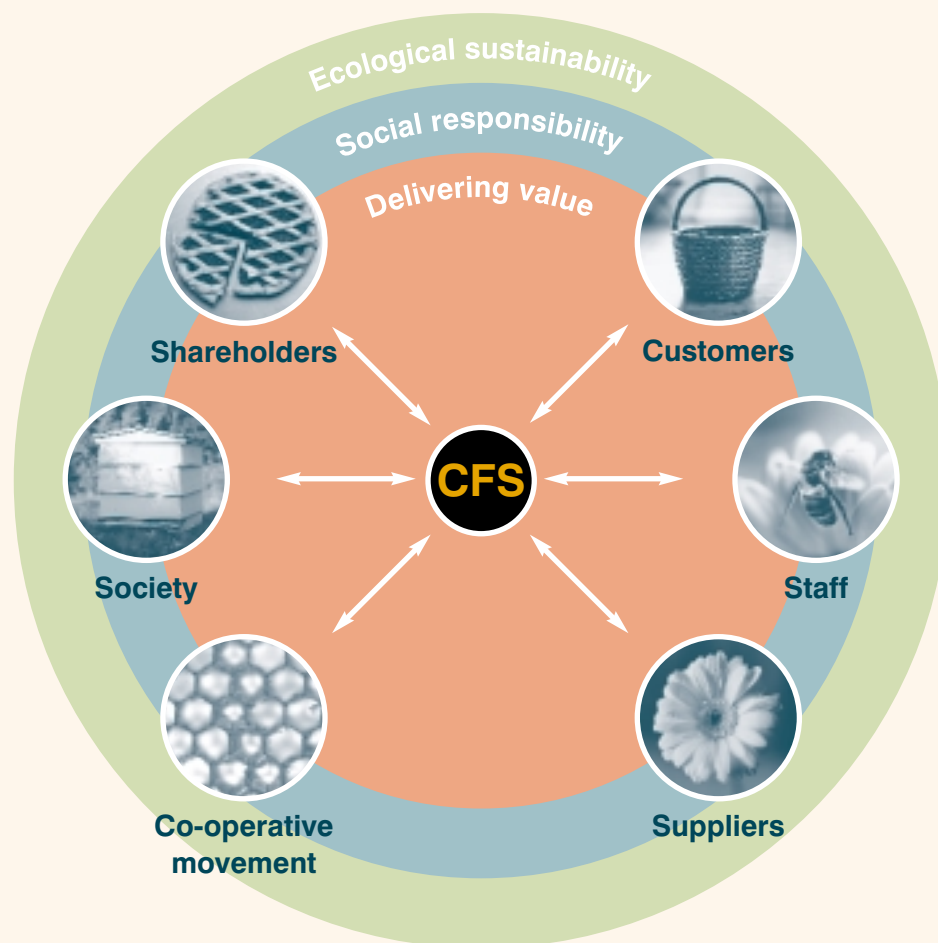


Sustainable Development Policy

Co-operative Financial Services seeks to deliver value to its Partners in an ecologically sustainable and socially responsible manner.



Co-operative Financial Services (CFS) recognises the need to develop its business in a sustainable manner – i.e. business development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

CFS has identified six classes of stakeholder, or Partners, upon whom its continued success is, to varying degrees, dependent (as shown above). In managing our business we take into account the interests of all Partners, not just those of shareholders or customers, and we seek to deliver value to all – importantly, as defined by the Partner, not CFS – in a socially responsible and ecologically sustainable manner. Of course, ‘conflicts of interest’ will arise; situations where enhancing the utility of one Partner will mean diminishing that of another. Therefore, alongside ‘profitability’, which is absolutely vital to CFS’ continued existence, ‘balance’ is a key component of our pursuit of sustainability.

We recognise that there are physical limits to the resources of the Earth (both in terms of generating materials and absorbing wastes), and that any business activity that exceeds these limits is, by definition, unsustainable in the long-term and will need to be reconstituted. Nature cannot withstand a progressive build-up of waste derived from the Earth’s crust, nor can it withstand a progressive build-up of society’s waste, particularly substances that it cannot degrade into harmless materials. In addition, the productive area of Nature should not be diminished in terms of quality (diversity) or quantity (volume) and must be enabled to grow. These we recognise as the minimum conditions for ecological sustainability.

There are ethical components of sustainable development for which business should be accountable. These extend far beyond legislative compliance. Unlike for ecological sustainability, there exists much less consensus as to what constitutes socially

responsible business practice. Therefore, when considering such matters, CFS will undertake extensive stakeholder dialogue and be guided by the views arising. In particular, the views of customers will be regularly sought in relation to socially responsible investment, not only because they are numerous (currently CIS and the Bank have some seven million customers) and represent a diverse cross-section of society, but also because we believe that they should have a real say in how their money is used. There will, however, always be certain values that we will be guided by. CFS supports the co-operative values of self-help, self-responsibility, democracy, equality, equity and solidarity. We also recognise that diversity, be it amongst staff, customers or suppliers, is a priority.

We will seek to be transparent and accountable in our pursuit of sustainable development; reporting on progress (or the lack of it); securing independent verification; and setting clear priorities and targets for all material activities.