

Principles for Responsible Banking Report 2022



Introduction

Coventry Building Society is one of 300 financial services organisations across the world that are currently signed up to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking ('the Principles'). The Principles provide a framework for a sustainable banking system, by signatories demonstrating how their strategies and activities support the UN Sustainable Development Goals and the Paris Climate Agreement. This is our first report on our progress towards implementing the Principles using the self-assessment template provided by the UNEP FI.

The Six Principles for Responsible Banking



Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



Principle 2: Impact and target setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.



Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Principle 1: Alignment

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<i>Reporting and self-assessment requirements</i>	<i>High-level summary response</i>	<i>Link(s) to full response/relevant information</i>
<p>1.2 Strategy Alignment Please describe how your organisation has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>Sustainability is at the core of the Society's strategy and aligns with our purpose and values. The Society's sustainability strategy is framed by the three key external benchmarks which we have committed to: the UN Global Compact (UNGC), the UN Principles for Responsible Banking and the UN Sustainable Development Goals (UN SDGs). Delivering against these external benchmarks forms the core of the Society's sustainability strategy.</p> <p>Our sustainability strategy is included in the Society's Strategic Plan, which is approved by our Board annually and guides decision making for a five year period. More detailed decision making on this topic, including identifying specific actions and accountabilities, is considered by the Board twice annually in specific sustainability strategy updates. The 2021 Strategic Plan set an objective of the Society being a 'people and purpose-led mutual' contributing to a fair, confident and resilient society and a cleaner, carbon neutral world. Making this outcome a reality is achieved by three strategic goals:</p> <ol style="list-style-type: none"> 1. Having a purpose-led approach to business and the environment. 2. Creating an inclusive workplace which prioritises growth and belonging and inspires brilliance. 3. Seeking to create a meaningful impact on the people of Coventry and wider society. <p>Against these goals, the following key priorities for 2022 have been identified:</p> <ul style="list-style-type: none"> • Developing sustainability principles, strategy, and reporting in line with external requirements. • Defining and developing 'sustainable' products including relevant product propositions, risk appetite and pricing strategy. • Developing a sustainable supply chain which reflects the Society's purpose and values. • Continuing to reduce the Society's environmental footprint across its operations and lending activities. • Defining purpose-led KPIs, reporting and empowering teams to deliver against them. <p>UN Global Compact The UNGC is a strategic policy initiative for firms committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We are committed to making the ten principles of the UNGC part of the strategy, culture and day-to-day operations of the Society.</p>	<p>Sustainability Report (pages 21-24)</p>

Principle 1: Alignment

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1.2 Strategy Alignment <i>(continued)</i>	<p>UN Sustainable Development Goals</p> <p>Coventry Building Society is committed to supporting the UN Sustainable Development Goals by integrating sustainability into the products we offer, the way we operate our business and the contribution we make to broader society. In 2020 we completed a detailed review of the UN Sustainable Development Goals identifying those where the Society could make a material difference. In line with recommended practice, we selected four goals to be our areas of focus. For each of these goals we agreed ambitions and specific targets. These measures help to define, measure and report on our broader sustainability activities.</p> <p>Our four priority goals</p> <table border="0"> <thead> <tr> <th data-bbox="639 625 807 682">Why we can make a difference</th> <th data-bbox="807 625 1593 682"></th> </tr> </thead> <tbody> <tr> <td data-bbox="639 715 794 868">  </td> <td data-bbox="807 715 1593 868"> <ul style="list-style-type: none"> We are a leading local employer, wanting to provide employment opportunities for our local communities. We are committed to enhancing the skills of our employees. We have the resources to make a positive impact on education in Coventry. </td> </tr> <tr> <td data-bbox="639 876 794 1029">  </td> <td data-bbox="807 876 1593 1029"> <ul style="list-style-type: none"> We provide career opportunities at differing levels of seniority. We spend over £165 million annually with our supply chain, enabling us to drive positive changes with our suppliers. We can offer underrepresented groups career pathways. </td> </tr> <tr> <td data-bbox="639 1038 794 1190">  </td> <td data-bbox="807 1038 1593 1190"> <ul style="list-style-type: none"> We provide financing for housing and can help first time buyers onto the housing ladder. We can help homeowners with the transition to net zero. Our community programme focuses on access to housing for the least advantaged. </td> </tr> <tr> <td data-bbox="639 1199 794 1352">  </td> <td data-bbox="807 1199 1593 1352"> <ul style="list-style-type: none"> Our own operations emit GHG emissions. Our borrowing members will need help to deal with the transition to net zero. </td> </tr> </tbody> </table>	Why we can make a difference			<ul style="list-style-type: none"> We are a leading local employer, wanting to provide employment opportunities for our local communities. We are committed to enhancing the skills of our employees. We have the resources to make a positive impact on education in Coventry. 		<ul style="list-style-type: none"> We provide career opportunities at differing levels of seniority. We spend over £165 million annually with our supply chain, enabling us to drive positive changes with our suppliers. We can offer underrepresented groups career pathways. 		<ul style="list-style-type: none"> We provide financing for housing and can help first time buyers onto the housing ladder. We can help homeowners with the transition to net zero. Our community programme focuses on access to housing for the least advantaged. 		<ul style="list-style-type: none"> Our own operations emit GHG emissions. Our borrowing members will need help to deal with the transition to net zero. 	
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1.2 Strategy Alignment (<i>continued</i>)	<p>Paris Climate Agreement</p> <p>Helping to address the impact of climate change aligns with our mutual purpose and we have our ambition to work towards a net zero carbon emissions future by 2040, having joined the Net-Zero Banking Alliance, Glasgow Financial Alliance for Net Zero in 2021 and The Climate Pledge in 2022.</p> <p>Our business model means that our strategy does not involve lending to or investing in businesses which have a negative impact on the environment, such as those in the fossil fuel industry. This means we can focus our efforts on greening UK homes.</p> <p>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.</p> <p>We issued our first Climate Action plan in 2021 in which we focused on addressing our direct Scope 1 and 2 emissions. In 2021, we achieved our short term targets to be carbon neutral for Scope 1 and claim Net Zero merits for Scope 2.</p> <p>During 2022, we focused on how we can continue to reduce our indirect Scope 3 emissions to enable our ambition to be fully Net Zero by 2040. 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 including significant government intervention.</p> <p>Our long term climate ambition is to be net zero across scope 1, 2, and 3 emissions 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 line with our 2021-2023 Climate Action 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.</p>	Climate Action Plan

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<i>Reporting and self-assessment requirements</i>	<i>High-level summary response</i>	<i>Link(s) to full response/relevant information</i>
<p>2.1 Impact Analysis Show that your organisation has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:</p> <p>a) Scope: The organisation’s core business areas, products/services across the main geographies that the organisation operates in have been as described under 1.1. have been considered in the scope of the analysis.</p> <p>b) Scale of Exposure: In identifying its areas of most significant impact the organisation has considered where its core business/its major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context & Relevance: Your organisation has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the organisation has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the organisation’s activities and provision of products and services. (your organisation should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) Show that building on this analysis, the organisation has:</p> <ul style="list-style-type: none"> ■ Identified and disclosed its areas of most significant (potential) positive and negative impact ■ Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts. 	<p>As discussed above, we used the framework of the UN Sustainable Development Goals to identify which areas the Society could make a positive impact on and which areas the Society was creating a negative impact. This activity was overseen by a group of subject matter experts from our Sustainability, Strategy, Procurement, Product and Governance functions. As a result of this activity the Society identified four areas where a real difference could be made.</p> <p>To build on this activity we undertook an impact analysis in line with the GRI Standards. This exercise required the Society to identify its stakeholders and then engage with them in a structured way on how the organisation impacted them. This activity was then reviewed by the Board and incorporated into the strategic planning process.</p> <p>The activity highlighted that the Society would need to continue to address its environmental impacts, could play a role in encouraging home owners in the UK to “retrofit” their properties and reduce emissions as well as provide employment and other social benefits to the people living in the Coventry area, which has areas of high deprivation.</p>	<p>Sustainability Report (pages 55-61)</p> <p>Sustainability Report (pages 16-17)</p>

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Conclusion/statement on fulfilment of the requirements regarding Impact Analysis.

The Society has made good progress in understanding and identifying the areas in which it believes that it can make the most significant, positive impact. A set of measurable ambitions have been set to support progress and delivery against these. We will, however, continue to develop our strategy and will provide an update in future reporting.

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Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>2.2 Target Setting</p> <p>Show that the organisation has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the organisation's activities and provision of products and services. Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The organisation should have identified a baseline (assessed against a particular year) and have set targets against this baseline. Show that the organisation has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.</p>	<p>UN SDG 4: Quality Education</p> <p>Our ambition</p> <ul style="list-style-type: none"> Continue to help and encourage employees to develop the skills needed to succeed. Make a positive impact on education in Coventry. <p>Our targets</p> <ul style="list-style-type: none"> 250 apprenticeships over five years from 2021. 50% of senior management roles recruited internally by 2025. 10,000 children and young people in Coventry supported via education programmes over the three years from 2021. <p>UN SDG 8: Decent Work and Economic Growth</p> <p>Our ambition</p> <ul style="list-style-type: none"> Offer career development to enable colleagues to achieve their potential. Progress the sustainability agenda with our suppliers. 40% of all senior manager and above roles held by women by 2025. 25% of manager and above roles held by colleagues from Black, Asian or Minority Ethnic backgrounds by 2025. All key suppliers have committed to the CBS Supplier Code of Conduct by 2023 <p>UN SDG 11: Sustainable Cities and Communities</p> <p>Our ambition</p> <ul style="list-style-type: none"> We will look to diversify our mortgage proposition to give people greater access to mortgage finance in a way which is consistent with our risk appetite. We will aim to make more funding available to first time buyers. We will enhance environmental outcomes through our lending activities. We will support communities to improve access to housing and address isolation and vulnerability <p>Our targets</p> <ul style="list-style-type: none"> Number of people supported through access to housing is 1,000 between 2021 and 2025. Double first time buyer numbers in 2021 (3,200 to 7,500) and move to supporting 10,000 first time buyers annually by 2023. 	<p>Sustainability Report (pages 13-14)</p>

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Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>2.2 Target Setting <i>(continued)</i></p>	<p>UN SDG 13: Climate Action</p> <p>Our ambition</p> <ul style="list-style-type: none"> • Developing a GHG reduction action plan with targets. • Reviewing lending opportunities to encourage energy efficiency in homes across the UK. • Undertaking work to our head office sites and branch network which will reduce long-term energy use. <p>Our targets</p> <ul style="list-style-type: none"> • Carbon Neutral for Scope 1 and claim Net Zero merits for Scope 2 emissions by the end of 2021. • Net zero Scope 3 upstream emissions by the end of 2030. • Ambition to be entirely Net Zero by 2040. • 50% reduction in paper by 2023 compared to 2017 levels. 	<p>Sustainability Report (pages 13-14)</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Target Setting</p>		
<p>We have set and published SMART targets/ambitions which address areas in which we believe we can make the most significant, positive impact. These align to the UN SDGs and the Paris Agreement.</p>		
<p>2.3 Plans for Target Implementation and Monitoring</p> <p>Show that your organisation has defined actions and milestones to meet the set targets. Show that your organisation has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>Performance against each target is published annually via the Society’s Annual Report and Accounts, Sustainability Report and Climate Action Plan.</p> <p>In addition, in year performance is monitored via the respective management steering groups and Committees detailed at section 5.1 of this report. Performance against key ESG metrics are also reported to the Board on a quarterly basis and reviewed bi-annually as a part of the Board’s sustainability updates.</p>	<p>Sustainability Report (pages 42-43)</p>
<p>Conclusion/statement on fulfilment of the requirements regarding Plans for Target Implementation and Monitoring</p>		
<p>We have set defined actions and milestones to meet the ambitions detailed above and have the means to measure and monitor progress against these. We are committed to being transparent on our progress and we will continue to report on our progress annually through our Annual Report and Accounts, Sustainability Report and Climate Action Plan.</p>		

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Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>2.4 Progress on Implementing Targets</p> <p>For each target separately:</p> <p>Show that your organisation has implemented the actions it had previously defined to meet the set target.</p> <p>Or explain why actions could not be implemented / needed to be changed and how your organisation is adapting its plan to meet its set target. Report on your organisation's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, organisations should include quantitative disclosures).</p>	<p>UN SDG 4: Quality Education</p> <p>In 2021 we delivered</p> <ul style="list-style-type: none"> • 67 apprenticeships (2020: 22 apprenticeships). • 49% of senior managers recruited internally (2020: 22%). • 11,400 children and young people in Coventry supported by education programmes. <p>UN SDG 8: Decent Work and Economic Growth</p> <p>In 2021 we delivered</p> <ul style="list-style-type: none"> • 37% of senior manager and above roles held by women (2020: 34%). • 12% of manager and above roles held by Black, Asian and Minority Ethnic colleagues (2020: 13%). • 40% of key suppliers were committed to the Society's Supplier Code of Conduct by the end of 2021. • We supported local firms and 12% of our spend was with local suppliers. <p>UN SDG 11: Sustainable Cities and Communities</p> <p>In 2021 we delivered</p> <ul style="list-style-type: none"> • 107 people supported through access to housing. • First time buyers increased to 7,100. <p>UN SDG 13: Climate Action</p> <p>In 2021 we delivered</p> <ul style="list-style-type: none"> • We achieved Carbon Neutrality for Scope 1 emissions and we claim Net Zero merits for Scope 2 emissions by the 2021 deadline. • Climate Action Plan created and approved by the Board. • 22% reduction in paper in 2021. • We conform to ISO 14064-1 requirements for our GHG emissions for 2020 data. • Launched Our Green Together Reward scheme for borrowers. <p>Updated data on the Society's performance against the UN SDGs will be reported in its 2022 Annual Report and Accounts and 2022 Sustainability Report which will be published in 2023.</p>	<p>Sustainability Report (pages 13-14)</p>

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Conclusion/statement on fulfilment of the requirements regarding Implementing Targets

The Society reports on its progress towards achieving its sustainability ambitions annually through its Annual Report and Accounts, Sustainability Report and Climate Action Plan and will continue to do so annually. We will continue to develop our approach on monitoring progress and enhancing capabilities in this regard, in line with best practice guidance.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

<i>Reporting and self-assessment requirements</i>	<i>High-level summary response</i>	<i>Link(s) to full response/relevant information</i>
<p>3.1 Provide an overview of the policies and practices your organisation has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.</p>	<p>The Society has a long standing ethos of treating its customers responsibly. All products issued by the Society are specifically reviewed for customer suitability. All customer complaints are reviewed by a dedicated complaints team. A significant programme of customer insight is undertaken to understand the requirements of customers. There is a customer panel, which enables customers to provide their views on a wide range of topics in an unfiltered manner. Members of our Board and other senior executives regularly attend the panel so they can understand customers perspectives directly. One Non- Executive Director has been appointed by the Board with specific accountability for bringing the voice of members to the Board meetings. Board members also undertake a programme of branch visits and call listening to ensure that views of customers are properly understood.</p> <p>Like other UK financial services firms, the Society is required to collect details of the number of complaints it receives and the number that are escalated to the Financial Ombudsman Service. These figures show a 8.7% decrease in complaints year to date, building on a 13.3% reduction in complaints in 2021 vs. 2020. The Society continues to outperform its peers in the Financial Ombudsman results too and has the second lowest overturn rates (3%) compared with 215 financial firms in H2 2021. This is well below the industry average of 37%. Details of the 2022 performance, which remains strong, will be reported in the Society's Annual Report and Accounts.</p>	<p>Sustainability Report (pages 18-21)</p> <p>2021 Annual Report and Accounts (pages 63-64)</p>
<p>3.2 Describe how your organisation has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.</p>	<p>In 2021 the Board and Executive agreed a sustainability 'Product Roadmap' which sought to lay out in detail the steps planned over the next four years to enhance the sustainability profile of our lending and savings products. The roadmap contained a range of product initiatives and changes the Society will look to implement to meet our UN SDGs targets and ambitions. In 2021 this saw the inception of specific new product types designed to encourage home owners to reduce the emissions arising from their property as well as encouraging first time buyers into the property market. Our innovative Green Together Reward was designed to encourage both homeowners and landlords to improve the efficiency of their property via a £500 reward to help offset the initial cost of home improvements. The introduction of our first time buyer mortgages seek to encourage home ownership and provide affordable financing for first time buyers.</p> <p>For individuals, we look to offer solutions that meet targeted life stage and intergenerational needs. We do this through offering cash savings products such as easy access savings accounts, bonds and cash ISAs.</p>	<p>Sustainability Report</p>

Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

<i>Reporting and self-assessment requirements</i>	<i>High-level summary response</i>	<i>Link(s) to full response/relevant information</i>
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your organisation has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your organisation's impacts. This should include a high-level overview of how your organisation has identified relevant stakeholders and what issues were addressed/results achieved.</p>	<p>The Society's stakeholders The Society's sustainability related activities are based on understanding and responding to the views of its stakeholders. In 2019, the Society's Board formally reviewed and identified its stakeholders as the following groups - members/customers; colleagues, investors, suppliers, community groups and the environment. This identification process followed a review of the Society's activities and the groups impacted in a material way by such activities. The Society has in place a range of formal and informal mechanisms to understand the views of our stakeholders. This engagement is undertaken to ensure that the views of stakeholders are understood by relevant functions within the Society to aid with decision making as well as by the Board.</p> <p>Stakeholder engagement activity For customers, the Society undertook research and other activities with current and prospective customers to better understand their views. In addition, the Society created a 'Member Panel', which enabled us to engage directly with members on key issues. Members of our Board regularly met with groups of members throughout 2021 via video conference. One of the Society's Non-Executive Directors, Brendan O'Connor, was appointed as the Non-Executive Director with specific responsibility for providing the perspective of members at the Board. The views of employees were captured through our employee opinion survey, the Great Place to Work Trust Index. In addition, further in-house research, including surveys on specific topics, was undertaken through the year to ensure the views of colleagues were well understood. Our Deputy Chair, Jo Kenrick, has specific responsibility for understanding the views of colleagues and ensuring they were represented to the Board. For suppliers, we undertook specific surveys and the output of this activity was reviewed by the Head of Procurement and Supplier Relationship Management as well as being reported to the Executive and Board. Our Community Team engaged with community groups and partners, through facilitated discussions, to gain a perspective of what was important to them. Our Treasury Function engaged formally with our principal wholesale investors and ratings agencies. This insight formed part of the Society's strategic planning process.</p> <p>Materiality Assessment In 2021 the Society formalised its process for seeking the views and opinions of its stakeholders on our business priorities and our role in wider society. A materiality assessment, as defined by the guidelines of the GRI, sought stakeholder views on key topics relating to the Society's economic, social and environmental performance and impacts. This assessment was reviewed again by stakeholders in 2022.</p>	<p>Sustainability Report (pages 15-17)</p> <p>2021 Annual Report and Accounts (pages 17-18)</p> <p>Sustainability Report (pages 16-17)</p>

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<i>Reporting and self-assessment requirements</i>	<i>High-level summary response</i>	<i>Link(s) to full response/relevant information</i>
4.1 Stakeholder consultation <i>(continued)</i>	<p>This allowed us to:</p> <ul style="list-style-type: none">• identify the sustainability issues that are most relevant to our business and stakeholders• shape our sustainability strategic framework• provide focus in prioritising our commitments and resources. <p>This process was overseen by the Society's Executive, with the outputs reported to the Board where they were discussed and considered as part of the 2021 strategic planning process. The materiality assessment process was managed by an internal cross functional materiality assessment team led by the Chief People Officer and General Counsel with support and challenge being provided by the ESG Steering Group. The results of the materiality assessment can be found in our Sustainability Report. Consultation with stakeholders was repeated in 2022 and this largely re-affirmed that areas considered to be most material in 2021, remained so in 2022.</p> <p>Climate Resolution</p> <p>At its 2022 AGM, the Society sought approval from members on its ESG Strategy by proposing to put its first ever Climate Action Plan to an advisory members vote. The resolution received resounding support from members with 96.9%% voting in favour of the proposal. This further demonstrates how the Society and its Board have sought the input of its members in formulating its future sustainability strategy. The Society was the first building society to undertake these steps</p> <p>All the above listed engagement activities have been continued throughout 2022 and will be reported in our 2022 Annual Report and associated documents.</p>	<p>2022 AGM Results</p>

Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>5.1 Describe the relevant governance structures, policies and procedures your organisation has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.</p>	<p>The Society prides itself on high standards of corporate governance and this includes its approach to the management and oversight of sustainability related topics. In 2021 we reviewed whether our governance framework properly reflected our ambitions in relation to sustainability and we revised arrangements to ensure there was an appropriate focus on this important area.</p> <p>Board: the Board is ultimately accountable for the long-term stewardship of the Society and sets our strategic direction, including having responsibility for our approach to sustainability. Throughout 2021 and 2022 the Board received regular detailed updates on sustainability matters including on the challenge of climate change and the new opportunities it presents. The Board receives two detailed updates on sustainability related matters each year including approving the Society’s Climate Action Plan. Through these actions the Board approved the Society’s vision for sustainability and the material elements of the Society’s Sustainability Plan. The Board agreed a set of sustainability related MI which is reviewed quarterly and ensures that the Society’s sustainability impacts are regularly reviewed.</p> <ul style="list-style-type: none"> • The Board has also nominated a Non-Executive Director with responsibility for oversight of sustainability matters <p>Committees of the Board also play an important role in terms of oversight of climate related matters.</p> <ul style="list-style-type: none"> • The Board Risk Committee oversee risks relating to climate and receives updates on this topic every six months. In addition, the Chief Risk Officer’s Report, which is considered at every meeting of the Board Risk Committee and Board, includes key updates on climate risk related matters. • The Board Audit Committee has responsibility for oversight of non-financial disclosures, which include disclosures concerning climate and sustainability matters. • The Nominations & Governance Committee have reviewed the effectiveness of the Society’s ESG governance frameworks and have overseen the review and implementation of a number of new policies including a Human Rights Policy, a Director Equity Policy and a Political Donations and Responsible Lobbying Policy. • The Remuneration Committee have reviewed the Society’s balanced scorecard to ensure this contains a balance of financial and non-financial measures which align with the Society’s wider ESG strategy. The scorecard is used to assess performance which in turn feeds into remuneration outcomes. <p>Management’s role</p> <ul style="list-style-type: none"> • The Chief Executive Officer, has overseen the Society’s engagement on a range of climate change matters as part of the broader sustainability agenda. 	<p>Sustainability Report (pages 42-43)</p>

Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>5.1 Describe the relevant governance structures.. <i>(continued)</i></p>	<ul style="list-style-type: none"> • The CRO is responsible for overseeing implementation of an appropriate strategy to understand, identify, measure, monitor, control and report risks from climate change in line with the Society’s risk appetite set by the Board Risk Committee. The CRO also supports in the development of appropriate processes to monitor and report exposures to the risks from climate change. • The Executive Risk Committee is chaired by the CRO, with membership formed from the executive team and has responsibility for executive oversight of climate related risks. • A Climate Change Working Group has been established, comprising members from the Society’s Risk, Finance, Strategy, Treasury and Governance Functions. This broad membership ensures appropriate consideration, monitoring and management of climate-related risks by senior management. • The Executive team devote time monthly to the oversight of People & Purpose. The execution of the Society’s Climate Strategy within the context of our broader sustainability agenda is overseen through this forum, chaired by the Chief People Officer. • An ESG Working Group, which is also chaired by the Chief People Officer develops and oversees the delivery of the Society’s Sustainability Strategy and is comprised of senior leaders across the operations, product, risk, communications, strategy, legal and shared services functions. 	<p>Sustainability Report (pages 42-43)</p>
<p>5.2 Describe the initiatives and measures your organisation has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.</p>	<p>Values: Our culture reflects our shared set of ‘CARES’ values which are focused on being Caring, Ambitious, Responsible, Empowering and Straightforward in our dealings with each other, our members/customers and other stakeholders. These values underpin as both a key driver of employee engagement and to sustain a strong culture.</p> <p>Employee Code of Conduct: The Society’s Employee Code of Conduct sets out our commitments to doing the right thing. This document is designed to ensure all colleagues: (i) are professional, co-operative, courteous and inclusive to others in the performance of their duties (ii) behave with honesty and integrity (iii) conduct both their personal and professional lives in a manner which does not pose a risk to the Society and/or its reputation (iv) understand the standards of behaviour and conduct that our regulators, expect and the potential consequences if these standards are not met (v) appropriately manage and report conflicts of interest. This reflects the broader point that all colleagues play a part in shaping the culture of the Society.</p>	<p>Sustainability Report (pages 6, 21-27, 30-32, 45-50)</p>

Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>5.2 Initiatives implemented to foster a culture of responsible banking amongst employees <i>(continued)</i></p>	<p>Reward: Our reward proposition reflects our mutual values and focus on wellbeing. Pay is benchmarked externally with comparable roles in financial services. In our customer roles, we operate pay accreditation schemes that provide a mechanism to increase pay as colleagues gain role-specific skills and capabilities. We are committed to pay equity and conduct regular reviews to ensure that all employees are paid fairly for comparable work.</p> <p>We do not offer individual bonuses to any employee, given the risks to our culture and the potential for such measures to drive a focus on individual priorities. Rather, we have a Success Share scheme overseen by the Remuneration Committee which is anchored to the Society's strategic scorecard. This has a range of measures including financial, risk, customer and people. Under Success Share every employee, regardless of role, receives the same percentage award.</p> <p>Policies: The Society has a number of policies aimed at supporting a culture of responsible behaviour among its employees, including Anti-Money Laundering, Terrorist Financing and Facilitation of Tax Evasion Risk Management Policy, the Anti-Bribery and Inducements Policy, the Whistleblowing Policy and the Data Protection Policy . Responsible business conduct towards the Society's customers is detailed in the Society's Conduct Risk Framework. Conduct between colleagues is detailed in the Employee Handbook, which also details how colleagues are expected to engage with customers. Responsible business conduct towards suppliers is detailed in the Society's Supplier Code of Conduct.</p> <p>Training: All employees (temporary and permanent) are required to complete financial crime training which covers anti-money laundering (AML), fraud and anti-corruption. Other mandatory training programmes for colleagues include whistleblowing which sets out how matters can be raised and confirms this can be done anonymously, data protection and cyber security safety in the workplace</p>	<p>Sustainability Report (pages 6, 21-27, 30-32, 45-50)</p>
<p>5.3 Governance structure for implementation of the Principles Show that your organisation has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p> <p>Confidential</p>	<p>The governance structure as documented at 5.1 of this report, supports implementation of the Principles including oversight of performance ok key objectives of the Society's Sustainability Strategy and Climate Action Plan. Any remedial action required in the event of targets or milestones not being achieved or unexpected negative impacts being detected will be co-ordinated by the relevant management committee and reported up to the Board/Board Committee as required.</p>	

Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Conclusion/statement on fulfilment of the requirement regarding Governance Structure for implementation of the Principles

The Society prides itself on high standards of corporate governance and this includes its approach to the management and oversight of sustainability related topics. We believe that the current framework is well established and ensure the activities that support the Principles are well managed, implemented and overseen.

Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

Reporting and self-assessment requirements	High-level summary response	Link(s) to full response/relevant information
<p>6.1 Progress on Implementing the Principles for Responsible Banking</p> <p>Show that your organisation has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).</p> <p>Show that your organisation has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice. Show that your organisation has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>We have continued to enhance our progress and reporting on sustainability matters in the last 18 months. Our Annual Report and Accounts, Sustainability Report and Climate Action Plan provide a detailed overview of 2021/2022 activities, including our progress on implementing the PRB, target setting and updates on individual ESG topics.</p> <p>Our Sustainability Report is consistent with the Global Reporting Initiative (GRI) Standards and The information disclosed within our Annual Report and Accounts is structured to demonstrate our understanding of the risks associated with climate change in a way that is transparent and in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). It also outlines how e have incorporated the Prudential Regulation Authority's Supervisory Statement (SS3/19) – Enhancing the bank's and insurers' approaches to managing the financial risks from climate change.</p> <p>It is our ambition to work towards a net-zero carbon emissions future by 2040, having joined the Net-Zero Banking Alliance and Glasgow Financial Alliance for Net-Zero in 2021. We are in the process of finalising a net zero transition plan, aligned to the methodologies of the science-based target initiative (SBTi) which will be published in 2023.</p> <p>We have remained carbon neutral for all energy use and emissions for our internal business operations since November 2021 and we remain certified against ISO14064-1 for our GHG emissions</p>	<p>Sustainability Report</p> <p>2021 Annual Report and Accounts</p> <p>Climate Action Plan</p>
<p>Conclusion/statement of fulfilment of the requirements regarding progress on implementing the Principles of Responsible Banking</p>		
<p>The Society has made good progress over the last 18 months in implementing the Principles and is committed to making further progress in this regard. We actively monitors developments in emerging best practice guidance and seeks to implement these wherever possible. We will continue to develop our approach in line with good practice and seek to further embed the Principles within our business.</p>		

