2023 Group Sustainability Report – Appendix

Here, you can find out more about the Society's governance and business strategy in the Responsible Banking Report. We also report on the progress we've made against our 2022 Group goals.

Appendix 1: Society Principles for Responsible Banking Self-Assessment Report 2023
Appendix 2: Society GHG emissions 2023
Appendix 3: Progress update against our 2022 Group ESG objectives
Appendix 4: Materiality assessment methodology



Appendix 1:
Society Principles for Responsible Banking Self-Assessment Report 2023

Skipton Building Society (the Society) became a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (the 'Principles') in 2021. The Principles form a sustainable banking framework for integration into banks' strategies and across their portfolio of activities, aligned to the UN Sustainable Development Goals and international agreements such as the Paris Climate Agreement. This is our second self-assessment report.

Over the coming pages we present information, using the template provided by the UNEP FI, against the six Principles: alignment, impact and target setting, clients and customers, stakeholders, governance and culture, and transparency and accountability.

Links to further relevant information have been provided throughout the report, including the website of the Society, the 2023 Annual Report and Accounts, and the 2023 Group Sustainability Report.

UN environment programme

finance initiative



Key | The following naming references are used within this document:
AR Annual Report and Accounts **GSR** Group Sustainability Report **CFD** Climate-related Financial Disclosures

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.

Business model

1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

Skipton Building Society (the Society) is the UK's fourth largest building society, founded in 1853. We have a UK presence represented by a network of over 80 branches and over one million members. The Society is a mutual organisation – owned and shaped by its members, rather than shareholders. Ultimately, we are accountable to our members, meaning we have a responsibility to continually deliver value in a sustainable way. The Society's business model is centered on providing a secure place for our members' savings. We then use these funds to provide loans to our borrowers.

Home Financing

Our Home Financing business primarily provides loans to borrowers to buy their own home and we also support the private rental sector through the provision of buy-to-let mortgages to landlords. We no longer offer any commercial lending. At the end of 2023 we:

- had 278,153 UK mortgage customers;
- held £26.3bn (excluding fair value and impairment and Equity Release portfolio (of £293m)) in mortgage balances.
- helped 46,991 UK customers to remortgage or buy a new home, including supporting 19,120 first time buyers.

Money Business

Our Money Business offers members support in growing their savings and we provide guidance and Restricted financial advice to support long-term financial wellbeing. At the end of 2023:

- the savings balances in our Money business were £25.4bn;
- we provided financial advice to 6,000 customers;
- the value of funds under management was £4.3bn;
- we held £6.9bn of liquid assets; and
- the total number of UK savings customers was 968,483.

Our mutual status means we do not pay dividends. Our profits are for both the short- and long-term benefit of our members.

Please note: the data on the distribution of the Society's portfolio is presented as at 31 December 2023.

Links and references

About Us

AR

Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

☒ Yes

☐ No

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

☐ UN Guiding Principles on Business and Human Rights

☐ International Labour Organization fundamental conventions

☐ UN Global Compact

☐ UN Declaration on the Rights of Indigenous Peoples

☒ Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: Taskforce for Climate-related Financial Disclosures (TCFD)

☒ Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: UK Modern Slavery Act 2015

☐ None of the above

1.2 Please describe how your bank 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.

Our purpose is to help more people have a home, help people save for life ahead and support their long-term financial wellbeing. We firmly believe this purpose remains as relevant and important today as it was when we were founded in 1853.

We've identified the relevant Sustainable Development Goals (SDGs), where we believe we can have the greatest positive impact and where they support our strategy and purpose. Our strategy for making positive change aligns most closely with the following SDGs:

Goal 8 – Decent Work and Economic Growth: we have a significant opportunity to support this goal by widening access to the UK housing market, and we're helping first-time buyers get a foot on the housing ladder. We continue to be an employer that supports its colleagues. This includes the Society's commitment to paying the Real Living Wage rate and our one-off cost of living payment to eligible employees in 2023.

Goal 10 – Reduced Inequalities: we want to enable people trapped in rental cycles to realise homeownership, targeting UK housing inequalities. We also want to help customers feel secure and in control of their finances. We are also working towards making the Society a more accessible place, for both colleagues and members. We have diversity policies and practices in place to attract and retain a diverse workforce.

Goal 11 – Sustainable Cities and Communities: we can support this goal by helping our members to evaluate the energy efficiency of their homes through our EPC Plus scheme. We are supporting local communities through our commitment to pledging 1% of our Group pre-tax profits to charitable causes.

Goal 13 – Climate Action: with homes being a significant contributor to the UK's carbon footprint, we can support this goal by helping our customers to improve the energy efficiency of their homes. At the same time, we're continuing to work to reduce the Society's emissions, including from our offices and branches.

Goal 16 – Peace, Justice and Strong Institutions: we'll always remain owned by, and be responsible to, our members, not shareholders. This supports long-term decision making and means we can operate in the best interests of our members, colleagues and communities.

We have worked to align our sustainability approach to the Paris Agreement, and the UK economy net zero target. We will continue to strengthen our commitments and strategic alignment with global and UK frameworks as we evolve, and we'll continually review our progress throughout this process.

Links and references

Page 11 of the GSR

Corporate governance and policy

Being environmentally sustainable

Charitable Giving

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.

Impact Analysis (Key Step 1)

2.1 Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

All of Skipton Building Society (the Society) is considered within the scope of this PRB report. The other business lines in the Skipton Group, including Connells Group, Skipton Business Finance and Jade Software are not in scope, although elements are included in our broader Skipton Group strategy and materiality assessments. Skipton International Limited (SIL) a bank based in the Channel Islands carries out mortgage lending and deposit taking, and reports separately under the Principles.

The Society is a retail financial services provider operating solely in the UK. The Society's core business activities are in mortgage lending for residential and residential buy-to-let properties. There is a smaller proportion of commercial buy-to-let and legacy commercial mortgages. We also offer a range of saving accounts and Restricted financial advice.

Links and references

AR

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope:

i) by sectors and industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or

ii) by products and services and by types of customers for consumer and retail banking portfolios.

We have considered our portfolio in our analysis. The Homes (mortgages) and Money (savings, financial advice) divisions are the core of the business model. Our mortgage balances remain mostly funded by retail deposits, in line with our mutual status, whilst we also make use of longer-term funding from the wholesale markets. The core business is in UK retail banking. As a mutual, the Society is legally required to obtain at least 50% of its funding through retail member deposits. It is the Society's aim to maintain a position which is significantly above the legal limit.

The Society continues to manage the mix of retail and wholesale funding in the best interests of our members but remains primarily funded by retail savings (83.2%). We source some of our funding from the wholesale markets (£4.9bn, 31 December 2023) to supplement core activities, diversify our funding base and support our financial stability. The Society also maintains sufficient levels of high-quality liquid assets to support growth plans and recognise market uncertainty.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

In 2023, we used the UNEP FI Consumer Banking (v3) context module to consider the main challenges and priorities for the UK. We have identified availability, accessibility, affordability, and quality of housing as a particular priority. This is alongside climate stability and moving towards a circular economy.

Page 10 of the GSR

Principle 2 continued

In addition, in 2023, through our Group materiality assessment we engaged with over 1,500 customers, 300 colleagues, 30 brokers, 10 of our key investors, our executive committee and risk experts across the wider Group. Some of the topics highlighted as relevant to our business were: decent and affordable homes, financial inclusion, greening UK homes and supporting a circular economy. These strongly align with the UNEP FI outputs at a UK level.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritise to pursue your target setting strategy (see 2.2)?

Using the UNEP FI Consumer Banking identification module (v3), we have identified 'availability, accessibility, and affordability' related to finance and housing as important areas where we could have a positive impact. We have also identified potential positive and negative impacts associated with socio-economic convergence (the ability of countries to reduce inequality at the individual and population level) and climate stability.

Within these macro impact areas, and put in context of the UK's needs and the Society's purpose, priorities and the wider Group's materiality assessment, we concluded on two areas of most significant impact:

- **Help identify ways to support the transition to decarbonise UK homes** (supporting SDGs 11 and 13) – emissions from households are a significant contributor to the UK's carbon footprint. We can play a positive role in raising awareness and supporting our members to improve the energy efficiency of their homes, as the UK transitions to achieving net zero by 2050.
- **Help more people have a home** (supporting SDGs 8 and 10) – our core business is providing products which help people to buy a home and save for their future. We also want to help customers feel secure and in control of their finances. As such, we recognise the need to look at more ways we can provide greater access to financial products, financial guidance and support to enable better customer outcomes.

d) For these (min. two prioritised impact areas): Performance measurement: Has your bank identified which sectors and industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

As part of the assessment of our priority areas and positive and negative impacts, we considered the Group's wider set of stakeholders.

Our research in 2023 highlighted the importance and concerns our customers place on sustainability, 68% told us reducing their environmental footprint is important and 72% worry about the state of communities in the UK. Our research has also found a significant number of our customers expect businesses to take the lead in creating a more sustainable future.

Help identify ways to support the transition to decarbonise UK homes

We measure and report our climate impact across our scope 1, 2 and operational and financed scope 3 emissions for our mortgage lending portfolio. Please see page 13 of the 2023 Group Sustainability Report and our Climate-related Disclosures. We recognise, to reach our net zero target for financed emissions for our mortgage lending, there are many factors and uncertainties beyond our control. They require the involvement of others, including policy makers, governments, suppliers, and customers. We acknowledge that a large element of scope 3 reductions lie outside of our direct control.

Help more people have a home

To help more people have a home, we want to drive collaborative change and tackle the key issues impacting our members and the UK housing sector. This specifically includes helping more first-time buyers get on to the property ladder than ever before. We continue to explore further ways to support new and existing borrowers with their lending needs. This includes helping them with affordability challenges, transitioning to a higher rate environment and helping first-time buyers achieve their home ownership ambitions. We monitor progress against a number of key performance indicators, as detailed on page 21 in the Annual Report and Accounts. This includes the number of first-time buyers we're supporting.

Links and references

CFD

AR

Page 13 of the GSR

Principle 2 continued

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope:	☒ Yes	☐ In progress	☐ No
Portfolio composition:	☒ Yes	☐ In progress	☐ No
Context:	☒ Yes	☐ In progress	☐ No
Performance measurement:	☒ Yes	☐ In progress	☐ No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

In line with our purpose, we have identified helping people have a home and supporting the transition to decarbonise homes.

How recent is the data used for and disclosed in the impact analysis?

☒ Up to 6 months prior to publication

☐ Up to 12 months prior to publication

☐ Up to 18 months prior to publication

☐ Longer than 18 months prior to publication

Target Setting (Key Step 2)

2.2 Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and 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.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

c) SMART targets: (incl. key performance indicators (KPIs)): targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target?

d) Action plan: which actions including milestones have you defined to meet the set targets?

Principle 2 continued

The Society has made commitments, aligned to its broader corporate plan, to address the impact areas and drive a greater contribution to the SDGs. We are working to align our target with the requirements in the PRB guidelines.

Help identify ways to support the transition to decarbonise UK homes:

We are committed to reducing the impact of our operations on the environment and contribute to playing our part in achieving the UK net zero target by 2050 and to align with the Paris Agreement. We have a target to halve scope 1, 2 and operational scope 3 carbon emissions by 2030, from a 2021 baseline. And to achieve net zero scope 1, 2 and 3 (operational and financed) carbon emissions by 2045. We measure our emissions across scope 1, 2 and 3. Please see the Society specific reporting in Appendix 2.

In 2023, we expanded the calculation of our indirect scope 3 greenhouse gas (GHG) emissions to support effective net zero target setting and emissions reductions. This includes our mortgage portfolio financed emissions generated from lending activity and those generated through our operational activity. The Society's mortgage portfolios are the most significant contributor on our balance sheet. Emissions associated with our mortgage lending are calculated according to the Partnership for Carbon Accounting Financials (PCAF) methodology and account for the majority (95%) of our total value chain emissions.

So, we have focused our initial activities on understanding these emissions and developing an approach to influence the decarbonisation of the UK's residential housing. We measure the emissions intensity of our financed mortgage emissions (please see our Climate-related Disclosures for further information) and internally track the percentage of customers recognising our commitment to greening UK homes through a monthly survey.

We anticipate making further improvements in governance and development of KPIs to track progress over the coming years.

However, we are aware of the significant challenges which arise in relation to decarbonising UK homes, and we have very limited control over the steps taken by our members and customers to implement energy efficiency at the properties which they own. We appreciate that these may impact our ability to meet our climate-related targets, or make them more challenging, and there is a risk that all or some of them will not be achieved.

Help more people have a home

A key strategic priority is to help more people have a home. We want to help deliver societal change and broaden housing equality, by enabling more first-time buyers to get on to the property ladder, in particular those without access to intergenerational and familial wealth. Our plans are to explore further ways to support new and existing borrowers with their lending needs. This includes helping them with affordability challenges, transitioning to a higher rate environment and enabling first-time buyers to achieve their home ownership ambitions.

We aim to be a leader for first-time buyers across the industry. In 2023, over a third of our new lending was to first-time buyers. Our aim is to complete 50% of our new lending to first-time buyers by 2028. We track and report our progress monthly and publish the figures in the ARA. We plan to develop innovative products and digitised customer journeys to help those trying to get onto the property ladder. This includes specifically focusing on underserved lending segments.

Links and references

See Appendix 2

AR

CFD

See our website **here**

Principle 2 continued

	Help identify ways to support the transition to decarbonise UK homes	Help more people have a home
Alignment	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No
Baseline	☒ Yes ☐ In progress ☐ No	☐ Yes ☒ In progress ☐ No
SMART targets	☐ Yes ☒ In progress ☐ No	☒ Yes ☐ In progress ☐ No
Action plan	☐ Yes ☒ In progress ☐ No	☒ Yes ☐ In progress ☐ No

Target implementation and monitoring (Key Step 2)

2.3 Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

The Society has made commitments, aligned to its broader corporate plan, to address the impact areas. We are working to further align our target with the requirements for target setting against the PRB guidelines.

Help identify ways to support the transition to decarbonise UK homes:

Operational energy reduction actions over this last year have included switching to more energy-efficient lighting across the branch network and investigating improved building insulation options. The Society purchase 100% renewable electricity tariffs for our offices and branches. We also sourced a green gas tariff across our offices and branches in 2023.

In November 2023, we announced our plans to conduct a residential property retrofit study, together with academic partners Leeds Beckett University and Leeds University. The study will help us to develop a deeper understanding of the costs, behaviours and experiences faced when undertaking a retrofit. And to identify ways to support and promote access to retrofit to a wider cross-section of customers.

Links and references

Please see Appendix 2 for reporting against selected KPIs.

Principle 2 continued

The offer of a free EPC Plus was extended to all Society savings and mortgage members in January 2023, as we look to scale and develop this proposition.

Despite the increase in scope 3 emissions – due to a higher number of mortgages in 2023 – there are signs of a very minor shift in the mortgage book towards a higher average EPC rating (from a Standard Assessment Procedure (SAP) score of 65 to 66). Please see our Climate-related Disclosures for further details.

Help more people have a home

In May 2023, we launched a new option for aspiring first-time buyers – our Track Record mortgage which enables people trapped in rental cycles to realise their homeownership aspirations, via the only deposit-free 100% mortgage. With the criteria now extended to include tenants that were previous homeowners, we're enabling even more renters to access the property ladder.

In an increasingly complex landscape of mortgage terms and product names, first-time buyers often find themselves navigating uncharted waters. And without the right guidance, first-time buyers can often overlook some of the mortgage options that could potentially help them to step onto the property ladder sooner rather than later. We have worked to cut down on confusing jargon and help first-time buyers awareness of all the options that are available to them. In 2023, we renamed the Joint Borrower Sole Proprietor mortgage to the Income Booster scheme. We feel this term highlights exactly what this product is about, plus it encourages prospective first-time buyers to find out more about it.

We were a founding signatory to the Mortgage Charter, which outlines the standards lenders have agreed to uphold for customers affected by the increase in mortgage rates and the elevated cost of living. We closely monitor and manage mortgages that have fallen into arrears, working with borrowers to find solutions that are appropriate for their individual circumstances

Links and references

Please refer to page 18 of the **GSR** for more details and page 17 of this Appendix for the number of members that have received a free EPC Plus report.

CFD

See the Track Record mortgage case study on page 22 of the **GSR**.

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.

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

☒ Yes ☐ In progress ☐ No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

☒ Yes ☐ In progress ☐ No

3.1 Client Engagement. Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

3.2 Business opportunities. Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g., green mortgages – climate, social bonds – financial inclusion, etc.).

Being a mutual means we are owned by our members. We don't answer to shareholders. Instead we are accountable to our members. They vote for directors and they hold our board to account.

Through our strategic priority to make membership matter, we have a plan to engage more frequently, more meaningfully and deepen relationships with members. We use, for example, a customer panel to gain insights to continually develop, refine and improve how we do things.

We are working with our members in a range of ways to encourage sustainable practices:

- We are committed to delivering fair customer experiences and outcomes. Taking individual circumstances into account is a key element of this. We ensure colleagues are fully aware of these principles. And that they are appropriately trained to recognise signs of actual or potential vulnerability. Our Vulnerable Customer Policy and Guidance Document ensures we provide good customer outcomes, regardless of their circumstances or characteristics of vulnerability.
- We launched an EPC Plus scheme, offering a free home energy performance assessment certificate and report to members and colleagues to help them on their journey towards more energy efficient homes. We also offer an Additional Borrowing product to existing customers to make energy efficient home improvements such as (but not limited to):
  - Solar panels
  - Insulation
  - New windows and doors
  - Ground or air source heat pumps
- Our financial advice division has developed a proposition offering customers a range of passive third-party investment funds which excludes holding shares in specific industries such as production of arms, tobacco or thermal coal, or which fail to uphold one or more of the UN Global Compact principles. They also look to include companies that work to enhance sustainability, such as companies with lower carbon intensities.

Links and references

Corporate governance and policy

AR – Strategic Report

Our Customer Panel

Annual General Meeting – AGM

Our People

Additional Borrowing

EPC Plus

Principle 4: Stakeholders

Stakeholder identification and consultation

4.1 Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

☒ Yes ☐ In progress ☐ No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

Stakeholder Engagement:

Our main stakeholders are our members and customers, our people, suppliers, banking counterparties and regulators. We formally consult and engage in several ways on the topic of sustainability. This included undertaking a double materiality assessment in 2023, involving customer research, to better understand the views of our stakeholders on the topic of sustainability.

Specific examples of how we engage with stakeholders on sustainability include when:

- We partnered with Leeds Beckett University and Leeds University as part our residential property retrofit study. The study will help the Group to develop a deeper understanding of the costs, behaviours and experiences faced when undertaking a retrofit. And to identify ways to support and promote access to retrofit to a wider cross-section of customers.
- We partnered with WISE (Women in Science and Engineering) to help deliver gender parity across the Society by attracting, retaining, and developing the best talent. We are using evidence-based methods to improve our understanding of our colleagues. And to make further improvements around diversity and inclusion.
- The Society monitors all our business relationships with suppliers, on an ongoing basis, using EcoVadis to assess suppliers' sustainability credentials. This ongoing work will help us gain a deeper understanding of their sustainability goals and progress and efforts we can take to drive high standards of sustainability throughout our supply chain.

Links and references

Materiality Assessment, page 10 of the **GSR**.

Our Suppliers

Principle 5: Governance and Culture

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

Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

☐ Yes ☒ In progress ☐ No

5.1 Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- **which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),**
- **details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets.**

Accountability for the Principles for Responsible Banking resides with the board of directors. We are currently updating the governance processes for the PRBs, along with a review of other governance following an alignment on many of these matters in the Skipton Group.

Ultimate oversight of Group climate-related risk continues to reside with the Society's board. The executive committee are responsible for the proactive management of the financial and operational risks arising from climate change.

ESG performance, including a diversity and inclusion metric, remain aligned to some of the targets and measures linked to remuneration through the Single Variable Pay Arrangement (SVPA). The SVPA is the incentive scheme in which the Society's executive team participates.

For further details of our climate risk governance, please see our CFD

Links and references

AR – Governance, page 58

AR – Directors' Remuneration Report, page 86

CFD

5.2 Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Our board and executive committee drive, encourage and challenge our colleagues to deliver responsible products and services.

CFD

Principle 5 continued

Our performance and development programmes include mandatory and voluntary training modules available to all colleagues. They include training on equality and diversity, vulnerable customer awareness and sustainability. This training is linked to specific team discussions alongside assessment and reward of colleague performance.

It is important to us that we have a strong understanding of our colleagues' views of their experience of working at the Society. We gain this through team meetings, surveys, employer review websites and listening sessions. We also periodically run a colleague survey specifically around sustainability to gain their views on environmental, social and governance matters. Colleagues with serious concerns have access to an internal whistleblowing process which protects their identity.

We encourage our colleagues to get out into their communities and make a difference through volunteering. Every colleague can take two working days every year to volunteer for a cause of their choice. They can also take a third day to support Skipton's charity partner in 2023 – Mental Health UK.

In addition, the Society have 11 employee resource groups that colleagues get involved in. These range from the Accessibility Working Party, Social Mobility Taskforce, and the Pride Alliance. We also participate in external working groups and liaise with peers from other organisations to ensure we take insight from best practice across the industry.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

The Society has a formal structure for identifying and managing risks throughout the business. This framework is based on the three lines of defence risk management model.

The Society has embedded capabilities to meet the requirements of the Prudential Regulation Authority's (PRA's) Supervisory Statement 3/19 (SS3/19) Enhancing banks' and insurers' approaches to managing the financial risks from climate change. In 2023, the Senior Management Function (SMF) responsibility for the identification and management of the financial risks from climate change was allocated to the Group Chief Risk Officer.

The Society has set quantitative Credit Risk Appetite limits to manage the financial risks from climate change. We manage our climate risk exposures where possible, including enhancing our lending controls for flooding and coastal erosion to provide further physical risk mitigation. Any postcode identified as potentially at risk of future coastal erosion requires a desktop or physical survey to capture local knowledge of the risks to each property.

Links and references

AR

CFD

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

☒ Yes ☐ No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

☐ Yes ☒ No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

☒ Yes ☐ In progress ☐ No

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.

6.1 Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

☐ Yes ☐ In progress ☒ No

If applicable, please include the link or description of the assurance statement.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

☐ GRI ☐ SASB ☐ CDP ☐ IFRS Sustainability Disclosure Standards (to be published) ☒ TCFD ☐ Other: ...

6.3 Outlook

Our next steps are to evaluate and reset the baseline for our climate target across the Skipton Group. We continue to develop our KPIs and governance to track, monitor and challenge progress against these over the coming years.

For future reporting, we will explore external assurance opportunities to support our sustainability reporting and disclosures.

6.4 Challenges

To reach our net zero target, there are many factors and uncertainties beyond our control. They require the involvement of others, which includes policy makers, governments, suppliers, and customers. We acknowledge that a large element of scope 3 reductions lies outside of our direct control. As such, it may not be possible to fully achieve financed emission reduction targets without direct policy direction or government mandated reforms.

Scope 3 calculations involve a higher degree of assumptions and estimates based on spend data, which may subsequently turn out to be incorrect.

Appendix 2:
Society GHG emissions 2023

Society GHC emissions (tonnes CO_2e)	2023	2022	2021
Total scope 1 and 2 emissions (location-based)	1,247	1,178[1]	1,598[2]
Total scope 1 and 2 emissions (market-based)[4]	25.3	24.8	775.2
Total scope 3 financed emissions – mortgage lending (on LTV basis according to PCAF methodology)	260,375	241,425	252,338[3]

Footnotes:
1: This figure has been restated. Company vehicles under a car allowance scheme are now reported under scope 3 business travel.
2: This figure now excludes SBF emissions.
3: This figure has been restated using the re-issued PCAF 2021 emissions factors.
4. The calculation includes reduced emission figures for a contractual arrangement for Renewable Gas Guarantee of Origin (RGGO) certificates.

Appendix 3:
Progress update against our 2022 Group ESG objectives

Business line	Objective	Progress	Explanation
The Society	By 2023, reduce scope 1 and 2 emissions by 5% from 2022 levels.	Not achieved	The Society saw a slight increase in market-based and location-based emissions from 2022, partly due to installation of air conditioning and testing of a backup generator. However, the overall trend is a reduction in GHG emissions due to purchasing 100% renewable electricity tariffs for our head office and branches. The Society also source a renewable gas tariff.
The Society	Increase recycling to 80% of total waste by end of 2023.	Achieved	Recycling increased to 81% in 2023.
The Society	Help 10,000 first-time buyers into homes.	Achieved	We provided specific financing for 19,120 first-time buyers in 2023.
The Society	Maintain scope 1 and 2 carbon neutral operations through our carbon reduction and offsetting programme.	Not achieved	In 2023, the Society moved away from an investment in carbon offsets in favour of reducing emissions in our own value chain.
The Society	Begin our commitment to setting science-based targets for the Skipton Group.	Not achieved	We are using the methodologies of the Science Based Targets Initiative (SBTi) as the basis for our target setting. At this initial stage we do not plan to have our targets formally approved by the SBTi.
The Society	Drive awareness, education and significant uptake among members and colleagues of free home energy performance certificate and report (EPC Plus) to drive greening of UK housing.	Achieved	8,540 surveys conducted in 2023.
The Society	Digitise 10% of all operational mailings.	In Progress	Several actions are in progress to enable customers to receive digital mailings. Over time, we expect this will achieve greater than 10% digitisation of operational mailings, as part of a wider digital transformation project. Current actions have included switching 70,000 customers to receive certain operational mailings digitally, which include annual statements. The current opt-out rate is less than 0.5%.
The Society	Achieve Women in Finance Charter targets of 45% of senior leadership roles filled by female colleagues.	Achieved	We achieved 46% as reported in August 2023 for the Women in Finance Charter.

Appendix 3:
Progress update against our 2022 Group ESG objectives, continued.

Business line	Objective	Progress	Explanation
The Society	Give back to the communities we serve with 1% Group pre-tax profits donated to charitable causes (in addition to existing charitable giving annual commitments).	Achieved	Through our commitment to donate up to 1% of Group pre-tax profits each year, we are helping tackle significant societal challenges, aligned to our purpose and Group strategic priorities. In 2023, £2.9m has been pledged.
The Society	Deliver vulnerable customer awareness training to 90% of colleagues to ensure a supportive and adaptable service is provided to deliver good customer outcomes for all.	Achieved	We have delivered vulnerable customer awareness training to over 98% of Society colleagues in 2023.
The Society	Continue to embed the UN Principles for Responsible Banking.	Achieved	Please see our 2023 UN PRB report on page 2 for our progress.
The Society	Embed EcoVadis within procurement systems and processes to achieve a 5% uplift (compared with 2022 year-end levels) in suppliers who have completed an EcoVadis supplier assessment.	Achieved	In 2023, we increased the number of suppliers by 21% to 45, compared with 37 in 2022.
Connells Group	Survey all Connells Group properties and agree a plan to implement LED lighting where appropriate.	Achieved	All sites have been surveyed, apart from newly opened branches. We are focusing on upgrades to non-LED sites with the highest energy consumption.
Connells Group	Fleet – agree plan to convert the car fleet to ULEV or EV (where appropriate) to reduce CO_2 emissions.	In Progress	When a fleet car requires replacing, it's replaced by a vehicle which meets the Ultra Low Emissions Zone (ULEZ) standards. Electric vehicles will be purchased when it becomes cost effective to do so.
Connells Group	Emissions – complete the measurement of scope 1, 2 and 3 emissions, agree an emissions reduction plan and net zero strategy.	Achieved	Connells Group emissions have been measured across all 3 GHG scopes. A Connells Group net zero target has been set for 2045. Plans are being delivered to reduce scope 2 (electricity) emissions and plans to reduce scope 1 and scope 3 emissions are being developed in 2024.
Connells Group	Establish Diversity and Inclusion Networks to cover gender, race, LGBTQI+ and wellbeing.	Achieved	These networks are established and making active contributions.
Connells Group	Deliver unconscious bias training for managers and leaders.	In Progress	The training started being delivered in 2023.

Appendix 3:
Progress update against our 2022 Group ESG objectives, continued.

Business line	Objective	Progress	Explanation
Connells Group	Launch a Great Place to Work action plan, covering Values, Mission, Leadership and Culture.	In Progress	A framework covering these areas has been shared with senior managers.
Connells Group	Develop quantitative climate change risk stress testing approach.	Achieved	Connells Group performed quantitative modelling on the Late Action Scenario and qualitative review of the other scenarios and the counterfactual baseline. See the Climate-related Financial Disclosures for further details of these scenarios.
Connells Group	Benchmark TCFD disclosures against others and enhance disclosures where appropriate.	Achieved	Connells Group have updated their disclosures as a result of the benchmarking.
Skipton International	Continue to review current customer communication processes to reduce consumption by 20% per customer by 2025.	In Progress	SIL is making better use of technology to reduce paper consumption. This includes campaigns to increase the number of customers using our online portals and utilising video to complete the verification of customers. In future, SIL will investigate on-boarding tools to support this target.
Skipton International	Continue exploring tactical use of offsets to reduce scope 1 and 2 emissions.	In Progress	SIL continues to offset scope 1, scope 2 and limited scope 3 emissions. Please see further details in the SIL Sustainability Report.
Skipton International	Annually retain at least 90% of colleagues.	Not achieved	SIL had 15% employee turnover in 2023.
Skipton International	Help 200 first-time buyers into homes annually.	Not achieved	SIL helped 190 first-time buyers in the Channel Islands in 2023, just below the target.
Skipton International	Review plans to increase colleague volunteering in 2023.	In Progress	SIL is reviewing its charity volunteer programme and is also planning SIL organised volunteering events.
Skipton International	Continue to support Channel Island good causes during 2023.	Achieved	We added £20k to our SIL community fund, supporting even more charities.
Skipton International	Retain Feefo Platinum Trusted Provider by year end 2023.	Achieved	SIL received a rating of 4.7/5 for 2023.

Appendix 3:
Progress update against our 2022 Group ESG objectives, continued.

Business line	Objective	Progress	Explanation
Skipton International	Complete UN Principles for Responsible Banking impact analysis and identify two targets to address any areas for improvement.	In Progress	SIL publish their PRB report here. Progress will be updated in their 2023 PRB report. In 2024, SIL will work with Skipton Group to progress its commitment, to include setting two SMART impact targets.
Jade	Create ESG strategy and 3-year work plan.	In Progress	Jade will continue to regularly review and implement strategies and initiatives aligned with its B Corp certification.
Jade	Become an official 'B-Corp' certified business in 2023 and continue embedding the B-Corp framework across Jade's operational areas, including Governance, Workers, Community, Environment and Customers.	Achieved	Jade has been verified as meeting B Lab's high standards for social and environmental impact, that it has made a legal commitment to stakeholder governance, and that it is demonstrating that accountability and transparency by disclosing this record of performance in a public B Corp profile.
Skipton Business Finance	Digitise 50% of mailings to debtors by end of 2023.	In Progress	Digital statements are still in progress and SBF are working towards achieving 50% in 2024.
Skipton Business Finance	Introduce a low emission vehicle policy for colleagues.	Achieved	SBF joined the Society's colleague salary sacrifice scheme for low emission vehicles.
Skipton Business Finance	Establish a Green Finance working group to support clients into a greener economy.	Achieved	SBF is chairing a working group at UK Finance looking at the methodology of calculation to provide unification of how scope 3 emissions are captured and reported.
Skipton Business Finance	Bring forward colleague pay review to January 2023.	Achieved	Completed in January 2023.
Skipton Business Finance	Effectively donate our target of £10,000 to 40 community groups or projects across the UK through our community charitable scheme.	Achieved	We effectively donated £10,420 to 28 community groups and to Children Today and Pink Ribbon.
Skipton Business Finance	Deliver ESG training to all SBF colleagues by FYE 2023	Not achieved	SBF board training to be completed in 2024.
Skipton Business Finance	The SBF Board will undertake an annual review of ESG policy and progress on action points including a review of market approach and customer expectations.	Achieved	The SBF Board performed a review in July 2023. No further actions were identified.

Appendix 4:
Materiality assessment methodology

A materiality assessment is a structured process to gain insight into the sustainability topics that matter most to our stakeholders and to the long-term success of Skipton Group.

To start the process, we identified the sustainability topics with potential applicability to the businesses within the Skipton Group. Individuals with operational responsibility for sustainability across the Skipton Group were then asked for their input to determine the relevance of topics at a subsidiary level.

Topics were grouped into 19 macro-issues, reviewed, and approved by our Group executive committee. We consulted on these with a wide range of stakeholders, including colleagues from across the Skipton Group, brokers, members and customers of the Society and investors.

Double materiality principles were built into our research, which means consideration was given to both how the Skipton Group is impacted by sustainability issues (termed business materiality) and how our activities can impact people and the environment (termed impact materiality).

Our methodology was also designed to determine relative importance between issues, and these have been categorised as follows:

Stakeholder classification	Definition	Example material issues
Critical	Stakeholders believe there is the greatest potential for Skipton to impact and be impacted by these issues.	• Responsible lending and lettings • Business resilience • Data protection and cyber security
Very important	These are issues our stakeholders see as very important, either from an impact and/or business materiality perspective.	• Climate change • Financial wellbeing • Decent and affordable homes
Important	These issues are seen as important by stakeholders, but less so in comparison to others Skipton Group could focus on.	• Community investment • Supporting the circular economy • Developing a sustainable supply chain

Examples of sources used to help identify our key issues

- Current and possible future sustainability reporting requirements (i.e. TCFD and IFRS1/S2)
- Voluntary sustainability standards and assessments (UN Principles for Responsible Banking, Sustainability Accounting Standards Board (SASB) and EcoVadis)
- Non-financial ratings agencies, including MSCI, S&P and Sustainalytics
- UN Sustainable Development Goals (SDGs)
- Society's previous (2022) materiality assessment
- Publicly available materiality matrices from peers and leaders in our sectors
- Sustainability thought leadership from reputable sources, such as the Institute of Business Ethics (IBE)

Stakeholders

Impact materiality

Stakeholders asked to consider each key issue based on the potential impact to customers, colleagues, communities, and the environment:

- Society members and customers
- Cross-section of Group colleagues
- Society mortgage brokers

Business materiality

Stakeholders asked to consider each key issue based on the potential risks and opportunities to the financial performance of the Skipton Group:

- Group executive team
- Risk subject matter experts from across the Group
- Society investors

We will regularly review the sustainability topics with potential to be applicable to the Skipton Group, involving our stakeholders as needed.

Definition of key issues

Theme	Key issues	Definition	Relevant SDGs	Where to read more
Critical				
Social impact	Good employment and pay	Providing colleagues with secure employment, development opportunities and fair pay		Group Sustainability Report 2023, pages 29 and 34
Social impact	Diversity and inclusion	Creating a business where people feel welcome, valued, and feel a sense of belonging irrespective of their background, gender, race, age, or any other characteristic		Group Sustainability Report 2023, page 28
Governance	Data protection and cyber security	Protecting customers' data and putting measures in place to combat cyber crime		Annual Report and Accounts 2023, page 72
Governance	Business resilience	Running the business in a way that means it is financially resilient		Annual Report and Accounts 2023, pages 33-34
Governance	Responsible lending and lettings	Acting in customers best interests when lending to homeowners or letting to renters, and supporting those facing financial difficulties		Annual Report and Accounts 2023, page 42
Very Important				
Social impact	Financial inclusion	Improving access to financial products and services		Group Sustainability Report 2023, page 22
Social impact	Financial wellbeing	Helping customers to feel secure and in control of their finances		Group Sustainability Report 2023, page 23
Social impact	Decent and affordable homes	Playing a part in providing solutions to the UK's housing crisis		Group Sustainability Report 2023, pages 21-22
Social impact	Community investment	Supporting local communities and good causes with money and/or time		Group Sustainability Report 2023, pages 26-27

Definition of key issues continued

Theme	Key issues	Definition	Relevant SDGs	Where to read more
Social impact	Human rights	Upholding working rights and freedoms within the business and wider supply chain		Supplier Code of Conduct, Skipton Building Society
Social impact	Colleague wellbeing	Providing colleagues with a safe working environment and supporting their mental, physical and financial wellbeing		Group Sustainability Report 2023, page 29
Social impact	Vulnerability and accessibility	Supporting customers in vulnerable circumstances and those with accessibility needs		Group Sustainability Report 2023, page 25
Environmental	Climate change	Reducing greenhouse gas emissions from operational activities		Group Sustainability Report 2023, page 13
Environmental	Greener homes	Helping to make UK homes more energy efficient		Group Sustainability Report 2023, pages 17-18
Important				
Environmental	Circular economy	Reducing waste and reusing, repairing, and refurbishing goods the business uses		Group Sustainability Report 2023, page 14
Environmental	Nature and biodiversity	Protecting nature and restoring biodiversity		Group Sustainability Report 2023, page 27
Governance	Product innovation	Developing products and services which address societal or environmental problems		Group Sustainability Report 2023, pages 18, 19, 21 and 22
Governance	Tax transparency	Demonstrating tax has been paid according to both the letter and the spirit of the law		Group Sustainability Report 2023, page 34
Governance	Sustainable suppliers and clients	Encouraging suppliers and clients to adopt sustainable business practices		Group Sustainability Report 2023, page 33

Skipton Building Society
Principal Office
The Bailey
Skipton
North Yorkshire
BD23 1DN

www.skipton.co.uk

Skipton Building Society is a member of the Building Societies Association.
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, under registration number 153706, for accepting deposits, advising on and arranging mortgages and providing Restricted financial advice. Principal Office, The Bailey, Skipton, North Yorkshire BD23 1DN.

323627_10/05/2024