

# Environmental, Social and Governance Policy

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Document Owner	Board Risk Committee
Executive Sponsor	Chief Strategy and Insights Officer

## Minimum Controls / Limits

<b>ESG01</b>	The Society maintains appropriate arrangements for the identification, management, monitoring and reporting of ESG risks.
ESG01.1	The Board / BRC is responsible for the oversight of ESG risks to ensure that these are managed in line with the Society's appetite and stakeholder expectations.
ESG01.2	The Society's Responsible Business ("RB") strategy sets out its commitment to members, colleagues and communities <sup>1</sup> .
ESG01.3	The Society has a dedicated RB Team, and a Responsible Business Forum ("RBF"), which reports to the Society's Executive Committee. The RBF drives and coordinates ESG activities across the Society. This is supported by resources with requisite skillsets to manage individual ESG risks. Where this is not feasible, the Society maintains appropriate outsourcing arrangements.
ESG01.4	The Society maintains a suite of metrics/long term ESG targets, which are monitored and reported at an appropriate frequency, to understand the Society's ESG risk profile in relation to appetite and allow for timely Management action.
ESG01.5	Horizon scanning will be conducted on an ongoing basis, by the RB Team, SMEs across the business and through the Society's Regulatory Review Working Group so that ESG emerging trends or regulatory requirements are identified and where appropriate take action.
ESG01.6	The Society discloses its approach to ESG externally through its Annual Report and Accounts ("ARAs"), ESG Policy and Purpose Impact Report.
ESG01.7	The Society aligns its ESG reporting to relevant sustainability standards e.g. Global Reporting Initiative Standards.

<b>ESG02</b>	The Society integrates ESG factors into decision making at both strategic and operational levels to support its long-term strategy and brand.
ESG02.1	ESG risks will be considered as part of the Society's strategic review process on an annual basis.
ESG02.2	The Society's due diligence processes for third party suppliers must consider ESG factors as part of the tender process, at renewal and retrospectively using a risk-based approach for existing suppliers.
ESG02.3	The Society's Treasury and Lending Strategies must incorporate appropriate ESG factors.
ESG02.4	The Society's Pension Scheme arrangements must consider ESG risks as part of their investment decisions, including provision of an

<sup>1</sup> Defined as five priority themes – Home Ownership, Sustainable Communities, Inclusion and Diversity, Climate and Environment and Trust and Transparency

	ethical fund option for colleagues as part of the current Scheme offering.
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<b>ESG03</b>	The Society applies a strategic approach to the management of the risks and opportunities related to climate change, proportionate to the nature, scale and complexity of its operations.
ESG03.1	The Society maintains a Climate Risk Management Framework, which articulate the Society's approach to managing the risks and opportunities from climate change.
ESG03.2	The Society's appetite for climate risk is underpinned by the following targets: <ul style="list-style-type: none"> <li>• To reduce absolute Scope 1 &amp; 2 emissions 90% (market-based approach) and 60% (location-based approach) by 2030<sup>2</sup>.</li> <li>• To maintain carbon neutrality for Scope 1, 2 and selected Scope 3 emissions, on the pathway to net zero.</li> <li>• To maintain negligible / low exposure to physical climate risks<sup>3</sup> both currently and under a high-emissions 30-year representative scenario (as defined under the ICAAP).</li> <li>• To maintain zero exposure to the funding of fossil fuel and other carbon-intensive industries.</li> </ul>
ESG03.3	The Deputy CEO <sup>4</sup> is accountable for the day-to-day identification and management of the risk associated with climate change. Other individual Executive responsibilities for the management of climate risk are defined under the Green Strategy.
ESG03.4	The Board/BRC will receive sufficient information at an appropriate frequency in order to understand the potential climate change risks associated with its Strategy.
ESG03.5	The Society will conduct scenario analysis, at least annually, to inform its strategic planning and determine the impact of the financial risks from climate change on its overall risk profile and business strategy.
ESG03.6	The Society will make climate-change disclosures as part of its ARAs and Purpose Impact Report, aligned to disclosure requirements (including the recommendations of the Taskforce on Climate-related Financial Disclosures "TCFD").

<b>ESG04</b>	The Society deploys appropriate methodologies/approaches to understand, manage, report and reduce its own environmental footprint.
ESG04.1	The Society maintains a GHG Inventory, which identifies the sources of the Scope 1, 2 and 3 emissions across its value chain and defines appropriate methodologies and systems of control to calculate the Society's carbon emissions.

<sup>2</sup> From a 2021 base-year.

<sup>3</sup> As defined / measured by 3rd party climate catastrophe modelling for flooding, ground hazards and coastal erosion.

<sup>4</sup> Appointed by the Board September 2019.

ESG04.2	The Society will disclose its Scope 1, 2 and 3 <sup>5</sup> emissions on an annual basis, in accordance with the GHG Protocol and accounting standards.
ESG04.3	The Society will procure renewable energy <sup>6</sup> and offset any residual Scope 1, 2 and 3 emissions <sup>7</sup> in line with the agreed strategy and targets via a verifiable offsetting scheme, to ensure its operations remain carbon neutral.
ESG04.4	The Society will send zero waste <sup>8</sup> to landfill and proactively encourages recycling across its operations.
ESG04.5	The Society offers support schemes to colleagues to minimise its carbon footprint from travel, such as travel loans and a Cycle to Work Scheme.

<b>ESG05</b>	The Society is committed to its mutual status, offering accessible and responsible products and services to its members and supporting communities more widely.
ESG05.1	The Society's Strategy is built upon the principles of mutuality to deliver our purpose of putting home ownership in reach of more people, generation after generation.
ESG05.2	The Society will invest profits back into the Society for the benefits of its members in accordance with principles of the Society's Capital strategy.
ESG05.3	The Society's products and services will support financial inclusion for its members.
ESG05.4	The Society will maintain a Product Governance Framework ("PGF") that ensures that all products are designed, developed and managed in a structured way and ensures that the products remain appropriate for the market throughout their lifecycle.
ESG05.5	The Society offers advised business for residential mortgage customers by appropriately qualified colleagues and uses affordability assessments to inform its lending decisions.
ESG05.6	The Society will align with Consumer Duty requirements to ensure a considerate and flexible approach is applied in managing individual circumstances and achieving good customer outcomes.
ESG05.7	The Society will operate a fair and transparent complaints process, which ensures that customer complaints are addressed with empathy and sensitivity.
ESG05.8	The Society will collect, process and store personal information in a fair, lawful and transparent manner, as covered under the Data Protection Policy.

<sup>5</sup> Scope 3 emissions that the Society determines to be material.

<sup>6</sup> For sites where the Society cannot procure renewable energy, the emissions from these sites will be offset.

<sup>7</sup> Based on scope 2 emissions calculated using the market-based approach and scope 3 emissions from the Society's business travel, waste and employee homeworking.

<sup>8</sup> Excludes IT disposals, construction waste and sanitary waste

ESG05.9	The Society will continue to support communities through its national charity partnership model and the Leeds Building Society Foundation, whilst also providing colleagues with access to volunteering, matched funding schemes and other ESG investment initiatives.
ESG05.10	Colleagues are incentivised to support registered charities/causes of their choice through a matched funding scheme, additional leave and small donations for volunteering and other ESG investment initiatives.

<b>ESG06</b>	The Society treats colleagues fairly and with respect to achieve an engaged and inclusive workforce.
ESG06.1	The Society's recruitment and selection process supports equality of opportunity for all candidates.
ESG06.2	The Society delivers against an Inclusion and Diversity strategy that defines the Society's approach to being an organisation where inclusive practices are embedded into everything we do. Enabling a culture where difference is embraced, and all colleagues feel included and valued for who they are and the unique perspectives they bring.
ESG06.3	The Society is committed to the development of all colleagues, helping them attain and maintain competency in their roles and supports career development.
ESG06.4	The Society operates a Fair Pay Charter, which outlines its approach to fair remuneration, including paying at least the Real Living Wage <sup>9</sup> to all colleagues and contractors.
ESG06.5	The Society's approach to workplace wellbeing proactively promotes and offers a range of initiatives to support colleagues in managing their social, mental, physical and financial wellbeing.
ESG06.6	All colleagues must comply with the Society's Health and Safety Policy, which outlines the Society's minimum standards to ensure a safe working environment.
ESG06.7	Where restructures are unavoidable, the Society will endeavour to find alternative roles for colleagues affected.
ESG06.8	The Society maintains appropriate documentation and processes, including a Speak Up Standard, guidance / procedures and a whistleblowing hotline, to facilitate the disclosure of reportable events in a confidential manner.
ESG06.9	The Society operates a zero tolerance approach to abuse, discrimination or violence towards our colleagues.

<b>ESG07</b>	The Society's procurement activities are managed in a fair, transparent, and ethical manner.
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<sup>9</sup> As set by the Living Wage Foundation.

ESG07.1	The Society maintains a Third Party Management Policy that defines the minimum standards in managing procurement risks and third party relationships.
ESG07.2	The Society's Supplier Code of Conduct requires suppliers to comply with all relevant regulations and align with the Society's minimum expectations.
ESG07.3	The Society will comply with the Modern Slavery Act 2015 and act vigilantly when procuring third parties, in respect of Modern Slavery.
ESG07.4	The Society's payment practices require timely payment aligned to internal standards.

<b>ESG08</b>	The Society maintains robust Corporate Governance arrangements to oversee the implementation of the Society's Strategy and to hold Management to account.
ESG08.1	The Society will review its corporate governance arrangements on a periodic basis, to ensure they meet the requirements of the UK Corporate Governance Code.
ESG08.2	The Society's Board will be comprised of an appropriate balance of independent Non-Executive and Executive Directors to ensure that no one individual or small group of individuals dominate decision making.
ESG08.3	The Board's composition must reflect an appropriately diverse range of skills, knowledge and experience and is reviewed on annual basis.
ESG08.4	The Board will be supported by a group of Sub-Committees with delegated responsibilities as defined in their Terms of Reference and consist entirely of non-Executive Directors.
ESG08.5	The Society will operate arrangements for the cascading of mandates from the Board to Management.
ESG08.6	The Society's remuneration arrangements ensure that Material Risk Takers are incentivised to act in the interests of the long term viability of the Society and avoid conflicts of interest.
ESG08.7	The Society must hold an Annual General Meeting, whereby members can vote on appointment / re-election of Directors to the Board and proposed remuneration awards.

<b>ESG09</b>	The Society displays appropriate behaviours aligned to the interests of its key stakeholders and wider society.
ESG09.1	The Society's Purpose Blueprint underpins its corporate strategy, behaviours and sets the direction for the business.
ESG09.2	The Society will not make donations to any political party.
ESG09.3	The Society will not engage in anti-competitive practices.

ESG09.4	The Society adopts a zero-tolerance approach towards bribery, fraud, money laundering and corruption and offers support for members who fall victim to financial crime.
ESG09.5	The Society recognises its Colleague Association as a principal mechanism for collective bargaining for salary and reward decisions.
ESG09.6	The Society will work with external partners and industry bodies to represent the interests of our members, colleagues and communities
ESG09.7	The Society will operate appropriate tax arrangements to ensure that the Society pays the right amount of tax at the right time and to provide transparency in respect of its tax affairs to its members and the general public, based on regulatory requirements and the guidelines of the Fair Tax Mark.