The future matters

Group Responsible Business Report 2022

**Our role. Our vision.
Our responsibility.**

Contents

Please direct any enquiries regarding this report to our Press Office: newsline@skipton.co.uk

Introduction

2022 brought us all many new challenges, yet through everything, we continued to stand by our customers, our colleagues and our values to deliver against our targets, and pave the way for further positive ESG (environmental, social and corporate governance) impacts. This report reflects our activities from 1 January 2022 to 31 December 2022 and is the second time we've published our Group Responsible Business Report, alongside our 2022 Annual Report and Accounts.

One thing we've all observed over the past 12 months, and something I very much welcome, is the growing need for individual businesses to act. With soaring summer temperatures, 'leaky' housing stock losing heat in the cooler months and scientific consensus calling for more urgent responses — we must all play our part in accelerating climate mitigation action. And with increased risks, it's incumbent on us as responsible lenders to weigh up and manage the risk exposures to our business and our customers.

Across all the subsidiaries in the Skipton Group, we know that tackling and driving forward ESG is essential for us to deliver as the stewards of responsible business. When the future brings more systemic challenges, we must pull together to meet them with tangible solutions. That is why this year's report brings an even closer focus to the efforts and achievements of the Skipton Group as a collective. In it, we share our subsidiaries' progress against the Group's ESG standards, demonstrating whole-Group alignment to our ESG objectives.

The Skipton Group collectively employs over 18,000 people across two continents. In recognition of the global span of the challenges we're facing into, it's now more important than ever that we unite under one banner to deliver the most impactful actions. For instance, this year we've worked collaboratively with several subsidiaries to screen our financed carbon emissions, including from our lending. We feel this is an important step in sharing the bigger picture of our entire 'iceberg' of emissions so that we can target the most emission-intensive parts of our value chain and have the biggest impact on our collective path to Net Zero. We also collaborated with Vibrant, one of our Group subsidiaries, to launch the 'EPC Plus' home energy report for all Society customers and colleagues. This is a key tangible step for us on our journey to help improve the energy efficiency of homes.

This year, we've taken further steps to map out how we can help deliver against the requirements of the United Nations' Sustainable Development Goals whilst also meeting the needs of our colleagues, customers and communities. And we've also created and published our ESG and Net Zero strategies, so we all understand the roadmap to a more sustainable future.

We've also updated our materiality analysis to understand issues of greatest importance to our key stakeholders. This has revealed the key issues to be: ensuring we're accessible and inclusive to all customers, helping more first-time buyers own homes and reducing our greenhouse gas (GHG) emissions. We share how we're addressing these issues throughout the report.

Despite the challenges, we will continue to be guided by the principles promoted by the 'Just Transition' approach, championing a fairer move to a sustainable future. In the face of adversity, the Skipton Group will continue to deliver on our core values to help deliver a better society today, for a better future tomorrow.

Stuart Haire
Group Chief Executive
March 2023

Introducing the Skipton Group

Located across the UK, Guernsey, New Zealand and Australia, our Group is made up of Skipton Building Society and four key subsidiaries. These include the UK's largest estate agency, the Connells Group, and software development company, Jade

Mortgages and Savings
SKIPTON INTERNATIONAL

SKIPTON BUILDING SOCIETY Since 1853

Connells group

Asset-Based Lending
Sbf. Skipton Business Finance

Software Development & Support Services
jade

Asset Management
Countrywide CORPORATE PROPERTY SERVICES
AMG

Surveys and Valuations
Countrywide Surveying Services
Connells SURVEY & VALUATION

Estate Agency Commercial
Lambert Smith Hampton

Mortgage Services
Mortgage Intelligence
Dynamo
THE NEW HOMES GROUP

Conveyancing
Conveyancing Direct PROPERTY LAWYERS

Estate Agency Residential & Lettings
sequence
Countrywide
Connells

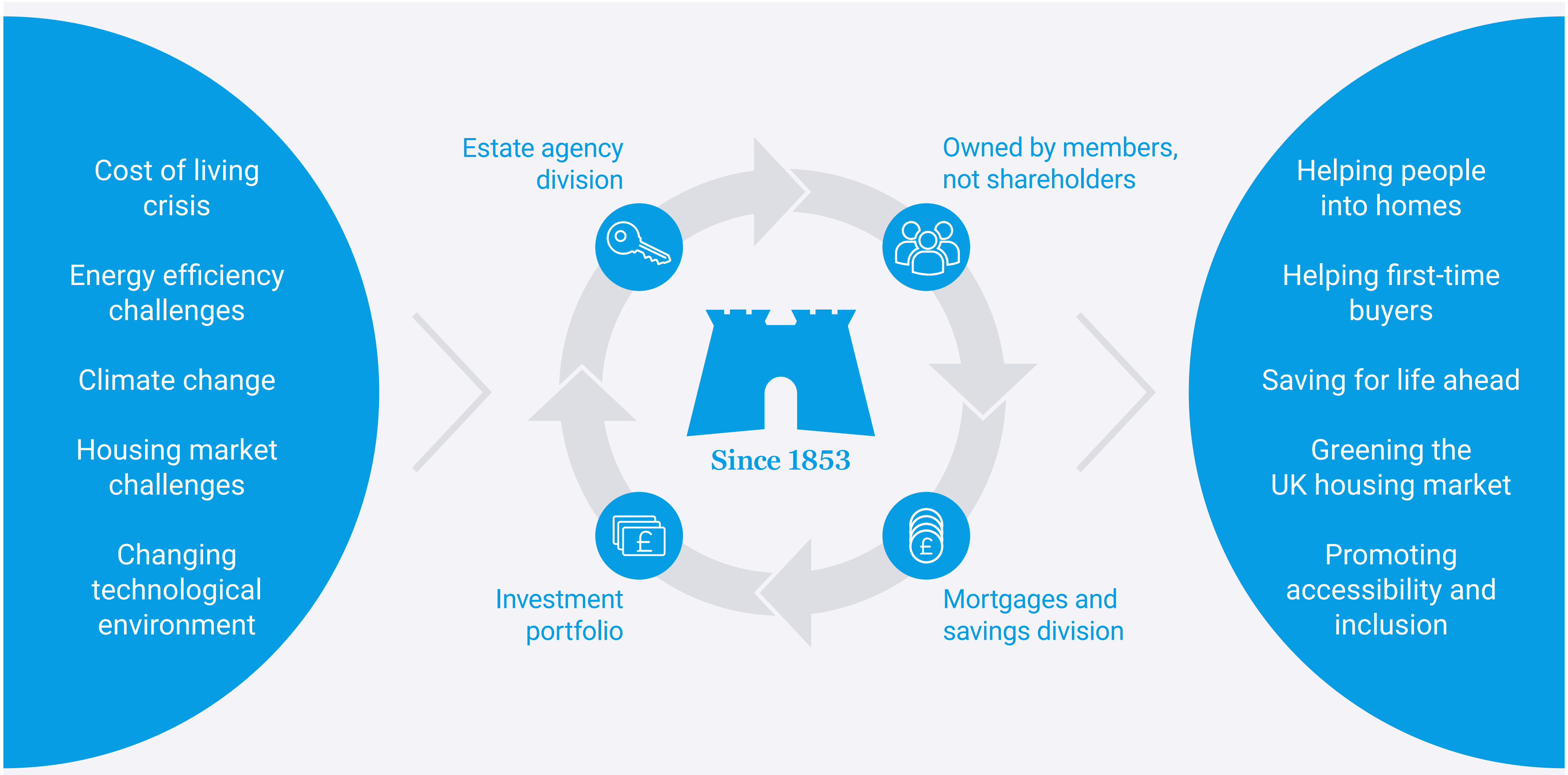
Note: We also include in this report emissions data for North West Investments (NWI), a small software development and support services firm operating from one office with a head count of six colleagues as at 31/12/2022.

Strategy

Celebrating Skipton Building Society's 170th birthday this year, we continue to make ESG, including climate resilience, central to our decision making. We also recognise that we've a unique opportunity with our Group structure to make a positive impact. Our Group strategy is to deliver our purpose of helping more people have a home, helping people save for life ahead and supporting long-term financial wellbeing. That's why we'll continue to deliver our purpose whilst leveraging the power of the Group for the benefit of our members, customers and our communities.

The Skipton Group's Sustainable Operating Model

Building a more sustainable society today, for a better tomorrow



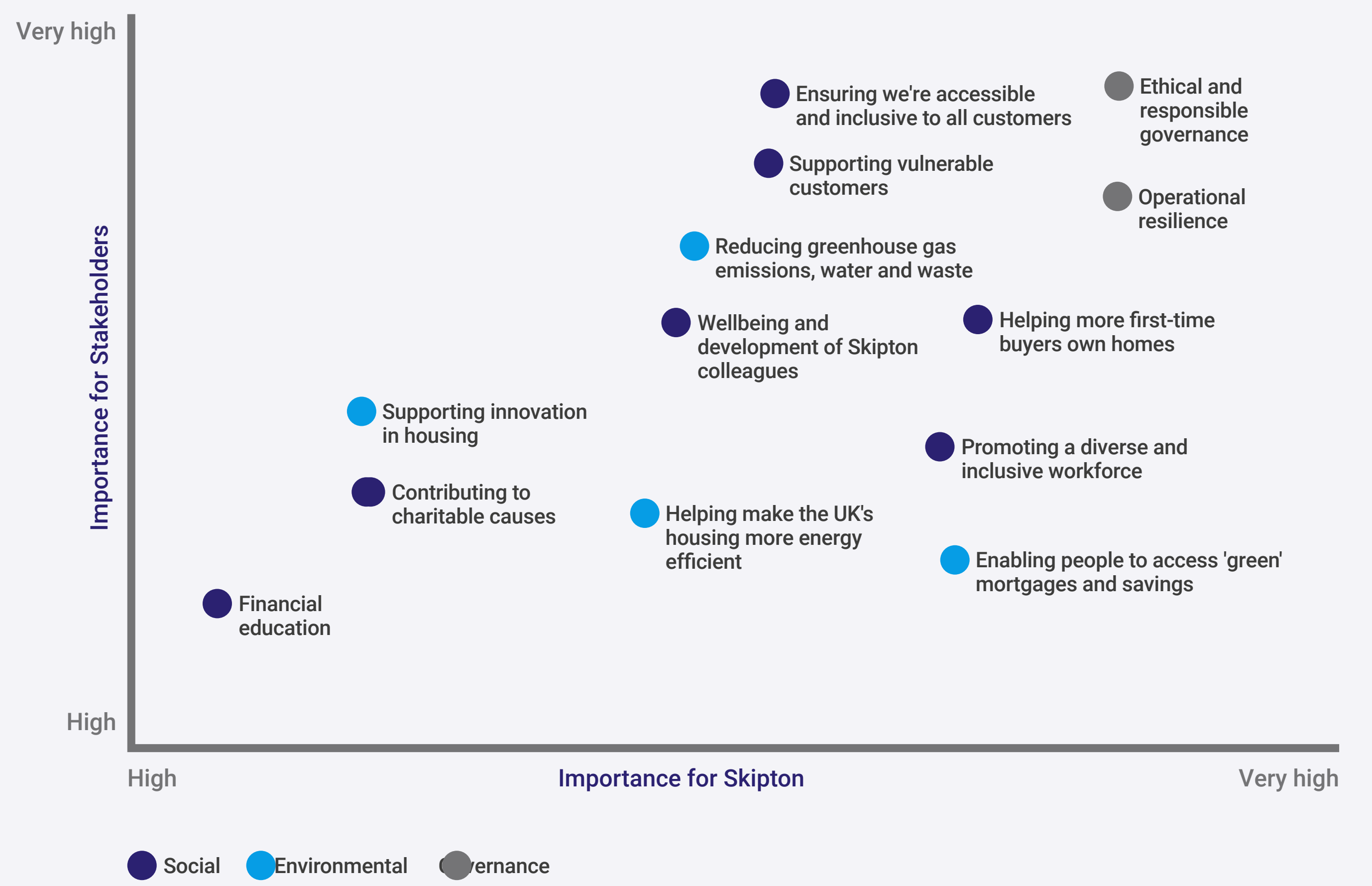
2022 Materiality Assessment

We continue to review which ESG issues matter most to our customers and key stakeholders around the Society

A materiality assessment is the process of assessing numerous potential environmental, social and governance (ESG) issues that could affect a business, and/or stakeholders and condensing them into a shortlist of topics that inform company strategy, targets and reporting. The following graph shows which issues our internal and external stakeholders believe we should impact for the better.

This has been developed through initial desk-based research to identify a shortlist of priorities. The vertical axis represents topics prioritised by Skipton customers (1,586 surveyed) and Skipton colleagues (295 surveyed). The horizontal axis represents priorities relating to Skipton's purpose as a mutual, through the views of the Society's executive committee (via a survey) and ESG Team discussions. The two governance points were included following the surveys as it was considered they will always be the most important for all stakeholders.

Please note, support for all of these issues was high, hence the table goes from high to very high, however they've been organised by priority for stakeholders.



Group ESG Minimum Standards

ESG principles are central to the Skipton Group operating model

Since the start of 2022, the Society and its subsidiaries have started to implement Group ESG minimum standards with respect to:

- ESG Strategy
- Environmental Impact Reduction Plans
- Net Zero Strategy
- ESG Policies and Legal Compliance
- ESG Target Setting and Reporting
- Climate Risk Appetite Framework Development.

Our subsidiaries have started the process of meeting these standards throughout 2022, as seen throughout this report. They'll continue to strengthen their engagement with these throughout 2023.

The Society's ESG Strategy

Building a more sustainable society today, for a better tomorrow

At Skipton, we've updated our environmental, social and corporate governance (ESG) strategy to capture our trajectory towards new and stretching initiatives to deliver on our ESG ambitions.

Our key ESG strategic goals are to:

- **Measurably increase our positive environmental impact;**
- **Measurably drive positive social impact for our colleagues, customers and communities; and**
- **To lead the Society and wider Group to higher ESG standards of governance.**

With these goals embedded across Skipton's organisational strategy, our focus now is to further align them across our Group.

ESG Priorities 2023

The following top five priorities have been identified and approved by the Sustainability Steering Group (Sustainability Governance Group from January 2023) as the focus for delivery of ESG initiatives in 2023:

1. Transition to Net Zero

We'll drive forward our transition as a Group to Net Zero greenhouse gas (GHG) emissions. We'll review our collective emissions as a Group to establish a clear baseline from which to set our targets.

Short Term Next Steps: **Establish robust transition plans and science-based carbon reduction targets to set a Net Zero road map which supports a Just Transition.**

2. Green our business operations, products and services

We'll continue to challenge ourselves at the Society to reduce our operational emissions and use the planet's resources responsibly, as well as supporting our colleagues and customers to be more sustainable.

Short Term Next Steps: **Work with suppliers to reduce any detrimental environmental or social impacts from supply chains, as well as developing products to support our customers and colleagues to be more sustainable.**

3. Increase support of charitable causes

We're passionate about giving back to the communities we serve, and we continue to push ourselves to do more. We've committed to donate 1% of Group profits before tax to charities across the UK.

Short Term Next Steps: **Deliver on our commitment and make significant impactful donations to well-deserving charities that align with our purpose.**

4. Advocate for positive social change

We want to be the voice for change for our customers, colleagues and communities.

Short to Medium Term Next Steps: **Enhance our research and engagement with our key stakeholders, find out what matters most, and look to drive action to meet those needs.**

5. Embed ESG values across our culture and governance

We want to further enhance ESG-driven decision making and organisational activity across the Society.

Medium Term Next Steps: **Set stretching UN Principles for Responsible Banking targets, deliver further training for colleagues and continue to enhance our ESG disclosures.**

A Just Transition is the move towards households which generate lower emissions, whilst meeting the needs of all stakeholders. This means avoiding the creation of a two-tier housing market where homes which haven't benefited from 'green' improvements could be downvalued.

The Society's Green Homes Strategy

Supporting the greening of the UK housing market

We believe we've a vital role we can play in helping UK homeowners green their homes. With the cost of living and energy prices on the rise, bringing household energy payments down over time is essential.

Our key goals for achieving this are:

- Helping customers to understand the opportunities to green their homes;
- Broadening the financial support available to help customers improve their heating and energy footprints; and
- Driving policy decision making and change across the housing sector.

Green Home Priorities 2023

We want to make sure customers are equipped to make appropriate choices when it comes to greening their homes. Below we set out our top five priorities for this in 2023. Our progress against the connected targets is heavily reliant on the UK Government and clear, early policy intervention to help change landlord and homeowner behaviours.

1. Positively link energy efficiency measures with affordability

We'll continue to explore ways we reward customers who make green choices in their home. We'll also look at how we can support those where the costs of such measures are prohibitive.

Short Term Next Steps: **Launch 2023 information campaign for our customers on steps that can be taken to green their homes.**

2. Deliver free home energy reports Energy Performance Certificate (EPC Plus) to members to drive energy efficiency improvements

Launched at the end of 2022, we'll continue investing in giving our members access to a free home energy report specifically tailored to their properties. The report also highlights if there are any government grant schemes available to fund home energy efficiency improvements.

Medium Term Next Steps: **Extend our green finance offering to support funding for home energy efficiency improvements.**

3. Become the 'go to' expert for mortgage brokers on green lending

Leveraging the strengths and insights from across the Group to empower brokers to lead in green lending.

Medium Term Next Steps:
Identify gaps in knowledge and insights across our broker networks to target information and awareness campaigns.

4. Simplify the green additional borrowing journey

We want to make it as simple and easy as possible for customers to access the funds for green home improvements as and when they need it.

Short Term Next Steps: **Review our mortgage journey to map new touchpoints and methods to access green home finance.**

5. Help Buy to Let (BTL) landlords get 'regulation ready' for new minimum energy efficiency standards in rentals

We'll support our Buy to Let landlords in meeting the requirements for updates to the Domestic Minimum Energy Efficiency Standards from 2025.

Short to Medium Term Next Steps:
From 2025, rented properties for new tenancies must meet a minimum EPC rating of 'C'. For existing tenancies, the same standard will apply from 2028. All of the Society's landlords have access to up to 10 free EPC Plus reports to help them understand how to make energy efficiency improvements to their portfolios. We'll continue to work closely with landlords to help them finance the cost of improvements to ensure that rental properties remain accessible and affordable.

The Society's Net Zero Strategy

Building a better, Net Zero society for our customers, colleagues and communities

The challenges posed by climate change go well beyond the boundaries of our immediate businesses as a Group. To play a more impactful role in helping the UK to achieve Net Zero greenhouse gas emissions, Skipton's Net Zero strategy sets out how we plan to do this.

Our top three priorities are:

- **To halve Scope 1, 2 and 3 operational carbon emissions by 2030 and achieve Net Zero Scope 1, 2 and 3 (operational and financed) carbon emissions by 2045[1];**
- **To educate and incentivise our customers on steps to decarbonise their homes.**
- **To educate and incentivise our colleagues on steps to reduce their commuting and home-working emissions.**

Net Zero Priorities 2023

We know the path to Net Zero is not always a clear one, and there are lots of factors beyond our operational influence which will help support the Society's Just Transition to Net Zero. That is why we've set ourselves specific goals for 2023 to help deliver our broader Net Zero roadmap.

1. Use our baseline Scope 1, 2 and 3 emissions to commit to stretching science-based targets

Now that we've screened our full Scope 1, 2 and 3 emissions to form a baseline, we'll engage external frameworks to commit to identifying stretching science-based targets.

Short Term Next Steps: Work with the Science Based Targets initiative (SBTi) to set stretching and realistic carbon reduction targets.

2. Lead customer uptake on home energy efficiency and retrofit home improvements

With UK homes contributing around 19% of overall UK emissions, our Green Homes Strategy will make it as easy as possible for customers to make greener choices and understand the funding available to them from both the Society, and in conjunction with government grant schemes where available.

Short to Medium Term Next Steps: Invest in an energy efficiency awareness campaign across our branch network.

3. Help our colleagues to decarbonise their home-working and commuting

Since the Covid-19 pandemic, many of us have adjusted to hybrid ways of working, presenting new sources of emissions. We'll provide our colleagues with information and support on how best to reduce emissions linked to commuting to work and from home-based working.

Short Term Next Steps: Launch our updated sustainable rewards and benefits proposition for colleagues to green their commutes and home energy use.

Target Setting

Whilst we aim to set science-based targets soon, we've set ourselves these initial targets to show our commitment and spur immediate action towards reaching Net Zero before 2050. This aligns with Intergovernmental Panel for Climate Change (IPCC) reports which state that climate action should be more urgent and ambitious in timescales than 2050.

Addressing the climate crisis is not something the Society or any individual organisation can do on its own. Being clear about the risks in achieving our ambitions is important to us. There are many factors and uncertainties beyond our control, including the macroeconomic environment, the extent and pace of climate change and the effectiveness of the actions of others, including policy makers. These uncertainties will make it challenging for the Society to meet its climate ambitions and targets and there's a risk that all or some of them will not be achieved.

[1] Our Net Zero target includes all operational and value chain Scope 3 emissions. Reduction activity will be measured against a baseline year of 2021 for Scope 3 financed emissions and 2022 for Scope 1, 2 and operational Scope 3 emissions.

Climate Risks and Opportunities

Climate change presents both risks and opportunities to the Society, our members and the wider Group

The impact of climate change on our customers, their homes and the financial stability of the business has the potential to be significant. We therefore recognise the importance of limiting our impact on the environment and managing the associated risks effectively.

In order to manage the impacts of climate change, we've taken a strategic approach which is closely integrated with our broader ESG agenda, with risks and opportunities considered during the corporate planning process to help shape our strategy over the short, medium and long-term.

Understanding our climate-related risks and opportunities

Climate risk can be split into two broad themes: physical and transition risk.

- **Physical risk arises from the impact of extreme weather events (e.g. flooding) or longer-term shifts in the climate. It's widely accepted that climate change will accelerate these risks.**
- **Transition risk** **arises from the process of adjusting to a low carbon economy, impacting, for example, financial asset values or policy and regulation.**

During 2022, we completed a review of our key climate-related risks that are likely to impact the Group over the short, medium and long-term. The assessment considered the high-level risk categories presented in Schematic 1.

Please see the Risk Management section on page 54 for further detail on those risks to which the Group is exposed, expressed in terms of traditional risk categories, including credit risk, operational risk and market risk.

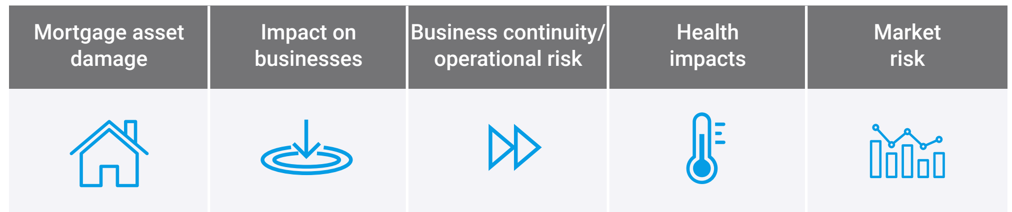
While climate risk may impact our business model in a range of ways, the most material potential impact relates to credit risk in our residential mortgage portfolio.

Changes in climate have the potential to increase the frequency and severity of physical risks, which could lead to a decrease in the valuation of the property being used as collateral to mitigate mortgage credit risk. In addition, transitional risks associated with progress towards a Net Zero economy could lead to reduced property valuations or affect a borrower's ability to service their mortgage loan.

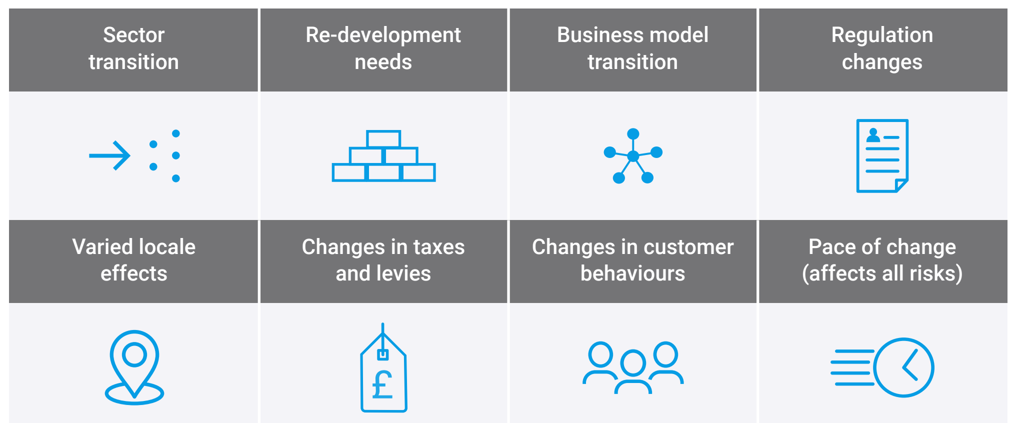
To help understand the impact of these risks, scenario analysis has been undertaken. Please see the Risk Management section on page 57 for further details.

Climate change also presents strategic opportunities to the Society. The opportunities identified have been highlighted through our strategies outlined on pages 9-11.

Physical Risks



Transition Risks



Schematic 1

Group Achievements in 2022

We've lots to be proud of from 2022. We've continued to strengthen our ESG profile as a Group, collaborating across some initiatives and being individual pioneers for ESG excellence with others. This section shares our Group awards and achievements from the past year.

Group awards in 2022

2022 presented lots of opportunities for the Group to gain recognition for their efforts. Here are some of the awards which we're most proud of

Winners
Best National Building Society at the What Mortgage Awards (9th year in a row)
– Skipton Building Society

Winners
High Street Savings Provider of the Year at the Moneyfacts Consumer Awards
– Skipton Building Society

Winners
3rd 'Best Big Company' to Work For and 3-star accreditation retained
– Skipton Building Society

Platinum Status
Investors in People retained
– Skipton Building Society

Best Lender for Digital Innovation at the Legal and General Mortgage Club Awards
– Skipton Building Society

Winners
Best Cash ISA at the 25th Annual Personal Finance Awards 2022/2023
– Skipton Building Society

Winners
Best Financial Services Research at the Market Research Society Awards
– Skipton Building Society

Winners
Financial Reporter Women's Recognition Awards 2022 – Kharla Mullen, Chief Operating Officer at Countrywide Surveying Services

Winners CSS Moneyfacts 2022 Innovation for Energyfact – Countrywide Surveying Services

Platinum Status
Trusted Service Award feefo
– Skipton International Limited

Winners
High Street Savings Provider of the Year – Skipton Building Society

Winners
TOP Mortgage Employer 2022
– Skipton International Limited

Group Achievements in 2022

The Skipton Group are proud to share some of our top ESG highlights from across our businesses in 2022

Environmental Achievements

EPC Plus

The Society, working with Vibrant Energy (part-owned by Connells Group), launched an EPC Plus scheme, offering free home energy reports to all Society borrowers (plus savings customers from January 2023) to help them on their journey towards more energy efficient homes. This helps to inform customers of their options when it comes to improving their home's energy efficiency, both from a cost saving but also environmentally responsible standpoint.

28,000

The Society provided around 28,000 paperless mortgage offers to customers and solicitors since paperless mortgage offers went live in September 2022.

Ultra-low emission vehicles

The Connells Group launched their ultra-low emission vehicle car leasing scheme allowing colleagues to lease new plug-in or hybrid cars which will support reducing carbon dioxide emissions from business vehicle use.

83%

The Society cumulatively reduced single use plastic waste by 83% versus 2019 levels.

Social Achievements

1% Group profit before tax (PBT) donated to charity

During the year the Group made charitable donations of over £1.3m, primarily through support by Connells' group of £0.5m to the victims of the conflict in Ukraine, donations to the Skipton Building Society Charitable Foundation and through Skipton's Community Giving scheme. We also introduced a commitment to donate 1% of future Group profits to charities aligned with our values and purpose.

Women in Leadership

The Connells Group delivered a Women in Leadership programme which provides mentoring to develop colleagues for leadership roles in the Connells Group.

Mind the Gap

Jade became a founding contributor to the 'Mind the Gap' online directory for sharing gender pay gap data in New Zealand. In 2022 they reduced their gender pay gap to 1%.

SBF Charitable Giving Scheme

Skipton Business Finance launched their Community Charitable Giving Scheme in December. They also created a charitable partnership strategy with charities Menfulness and The Pink Ribbon Foundation, who they supported throughout 2022.

Governance Achievements

UN Principles for Responsible Banking

The Society completed the impact analysis as part of our work as signatories of the UN Principles for Responsible Banking.

EcoVadis

The Society also began working with EcoVadis who will conduct assessments on our suppliers on Environment, Labour and Human Rights, Ethics and Sustainable Procurement.

Supplier Surveys

Jade began to survey their largest suppliers to understand their ESG journeys and to review ways of supporting positive sustainability outcomes through their procurement process.

B-Corp

Jade committed to becoming a 'B-Corp' business.

Ambiental

Skipton International Limited worked with Ambiental to identify the potential impact of climate change risks on Channel Islands properties.

Group ESG Metrics and Targets

As in our 2021 Group Responsible Business Report, we're disclosing our greenhouse gas emission metrics to show our progress year on year. We've also set new objectives and targets for 2023 and we're proud to share our progress against our 2022 objectives.

Environmental Metrics

We continue to measure a range of environmental metrics within the Society. Here we look at how these compare with previous years

Waste, Water and Plastics

We continue to divert over 99% of our waste from landfill and encourage our colleagues to consider how business items are purchased and used. We improved the recycling system in our branch network by providing all branches with a recycling bin in July, as well as clarifying waste myths across the Society. This has resulted in a 13% increase in recycling between 2021 and 2022.

Overall waste produced has increased as more colleagues have returned to our head office on a more regular basis since the Covid-19 pandemic. Certain food and drink packaging was also not easily recyclable so we've replaced these from July 2022 with recyclable packaging in our café and restaurant areas, where reusable crockery and utensils are also available.

Our single use plastics have reduced by 83% cumulatively since we started tracking reductions in 2019, well beyond our original target of 75% reduction by 2025. This has been achieved through:

- **Working with our catering and merchandising suppliers on initiatives such as replacing plastic bottles with aluminium cans;**
- **Buying merchandise made from recycled and/or recyclable materials, and;**
- **Changing our branch passbook wallets to recycled and recyclable cardboard instead of plastic.**

Our updated targets reflect the strong gains we've made and a further need for stretch and ambition in reducing our waste as a business (see page 32).

Waste, water and plastics	2019	2020	2021	2022
% waste diverted from landfill	95%	99.5%	99.5%	99.6%
% waste recycled	n/a	83.9%	59%	72%
Total waste produced (tonnes)	n/a	263	238	246
% of single use plastic reduced*	20%	54%	75%	83%
Head office water usage (cubic metres)*	n/a	n/a	n/a	6,042

*The 2020 and 2021 plastic reduction has been restated following a more thorough revision. The 2021 Group Responsible Business Report report stated a 30% reduction in 2021 which was incomplete.

Environmental Metrics

The Society's 2022 carbon emissions

Colleague headcount: **2479** | Number of offices: **88***

The Society and our Group continue to calculate and disclose greenhouse gas emissions in line with the Taskforce for Climate-Related Financial Disclosures (TCFD) framework. We also do this to monitor our decarbonisation efforts as we progress towards achieving our Net Zero and carbon reduction targets.

The Society's Scope 1, 2 and limited Scope 3 emissions

The following carbon emissions have been independently calculated by Envantage using the Greenhouse Gas (GHG) Protocol methodology across all of the Society's sites for the period from 1 January to 31 December 2022. The Society's Scope 3 financed emissions have been calculated for the financial year January – December 2021 and are reported separately in the following pages.

Overall, we're pleased to have reduced our absolute GHG emissions by 19.32% between 2021 and 2022. This is largely due to our switch to biogas which has allowed for a 99.9% decrease in our Scope 1 natural gas emissions. The Society's Scope 2 emissions have also decreased slightly. This has impacted our emission intensity score which has reduced to 6.3 (versus 11.0 in 2021).

The Society's 2022 GHG emissions (Scope 1, 2 and limited Scope 3)

GHG Emissions Scope	Source	2021 GHG emissions (tCO_2e)	2022 GHG emissions (tCO_2e)	Difference (tCO_2e)	Difference (%)
Scope 1	Natural gas/Biogas	625.4	0.6	-624.8	-99.90%
	HFCs	95.8	-	-95.8	-100.00%
	Gas oil	6.7	5.2	-1.6	-23.17%
	Company vehicles	41.1	112.9	71.8	174.70%
Scope 2	Electricity	6.2	5.7	-0.50	-2.52%
Scope 3	Waste	4.7	5.7	1.0	20.22%
	Water	7.4	4.0	-3.4	-45.81%
	Grey fleet	2.7	44.4	41.7	1526.55%
	Air travel	0.8	39.3	38.6	4930.01%
	Rail travel	10.3	39.6	29.3	284.67%
	Hotel	5.9	21.3	15.4	262.57%
	Working from home (WFH)	552.6	552.6	-	0.00%
	Employee commuting	1007.6	1007.6	-	0.00%
	Electricity transmission and distribution, and well-to-tank (WTT)	291.9	172.7	-119.2	-40.09%
	Natural gas/Biogas & bulk fuel WTT	113.9	84.7	-29.2	-25.64%
	Business travel WTT	13.0	54.5	41.5	318.71%
	WFH WTT	108.5	108.5	-	0.00%
	Commuting WTT	264.0	264.0	-	0.00%

* All colleague headcount and office numbers correct as at 31 December 2022. The total reduced to 87 offices when we closed the Manchester city branch in December.

Environmental Metrics

The Society's 2022 carbon emissions (continued)

The Society's operational Scope 3 emissions have increased by 0.62% versus 2021, as a result of a significant increase in business travel. This is following the resumption of normal business travel following the lifting of travel restrictions during the Covid-19 pandemic. When we look to set our science-based targets, we intend to use 2022 data for Scope 1, 2 and Scope 3 business travel for our baseline to provide a more realistic and recent measure.

We'll continue to monitor these emissions and seek further reductions in line with both our 2023 Society targets and longer-term environmental targets.

A note on data

The Society continues to review available data sources and enhance its methodology and processes to improve the robustness of its ESG reporting over time, aligned with emerging, recognised industry developments.

The availability of accurate, verifiable, reliable, consistent and comparable climate data is crucial to our climate journey, including modelling our carbon emissions and risk exposures, setting our strategy, metrics and targets and monitoring progress. It's important to recognise the current limitations in the climate data available to inform these decisions and processes, and therefore our reliance on several assumptions, judgements and projections as a result.

All reported emissions data for 2022 is calculated from robust and auditable records, and GHG emissions have been calculated using the 2022 UK Government BEIS GHG emissions factors and supplier fuel mix disclosures. The following notes on data assumptions apply:

- For colleague commuting and homeworking we've used 2021's emissions data as proxy whilst the Society prepares to issue its 2022 travel and homeworking emissions survey for colleagues. These numbers will then be updated and restated in our 2023 disclosures report.
- Electricity and natural gas have been calculated using a market-based methodology approach, as electricity was sourced from REGO backed sources, while biogas was purchased for all sites. (REGO stands for 'Renewable Energy Guarantees of Origin', relating to energy which comes from renewable sources).
- Electricity usage in 2021 has been restated to include a branch site that was originally excluded in 2021.
- Where invoiced data was unavailable, consumption of electricity or natural gas for missing periods was estimated based upon the daily average consumption of each site derived from fiscal invoices. Estimations accounted for 0.4% of total energy consumption during the reporting period.
- Where meter readings did not cover the full reporting period, the daily average volumetric consumption was calculated from the metered consumption at site and used to estimate any periods where meter readings were not available. Where meter consumption only covered the supply of water to the site, the wastewater outflow was estimated to equal 95% of the water supply at each site. Where no meter readings or invoices were available, water consumption was estimated from a benchmark for water use in an office, as proxy for a branch, based on floor area of the branches.
- In the cases where no staff from a single branch had responded to the survey, an average emission for employees working at the branches was derived from the responses of colleagues at other branches in the survey and used to estimate employee commuting and WFH emissions from these branches.

GHG Emissions Scope	2021 GHG emissions (tCO_2e)	2022 GHG emissions (tCO_2e)	Difference (tCO_2e)	Difference (%)
Total Scope 1 emissions (tCO_2e)	769.0	118.7	-650.3	-84.57%
Total Scope 2 emissions (tCO_2e)	6.2	5.7	-0.5	-2.52%
Total Scope 3 emissions, as above (tCO_2e)	2,383.4	2,399.0	15.6	0.62%
2022 GHG emissions (tCO_2e)	3,158.6	2,523.3	-635.3	-19.32%
Economic emissions intensity ratio (Scope 1, 2 and limited Scope 3 (as above) tCO_2e / £m turnover)	11.0	6.3	-4.7	42.73%
Outside of scope - Biogenic elements	351.5	850.4	498.9	139.04%

1 - This table includes emissions generated for the Society only. The GHG emissions of Skipton Business Finance, who also use the Society's head office (the Bailey), are reported separately.
2 - tCO_2e = metric tonne carbon dioxide equivalent and is the standard measure used for greenhouse gases.

Environmental Metrics

The Society's 2021 Scope 3 (financed) emissions

In 2022, the Society and some of our subsidiaries screened our Scope 3 financed emissions for the first time, working with carbon consultants Envantage. They calculated the Society's Scope 3 financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology for reporting from 1 January 2021 to 31 December 2021. We've selected this as the baseline year for Scope 3 financed emissions which we intend to use for setting our science-based targets in the future.

Scope 3 financed emissions look beyond operational emissions to include any emissions generated from the other Scope 3 value chain categories. In this table, we've also included Scope 1 and 2 emissions from 2021 to show the overall split of emissions across the entirety of our operations, using a market-based calculation methodology.

The PCAF method is widely considered to be the financial services industry standard for calculating Scope 3 financed emissions. To understand what proportion of the property's emissions are financed by the Society, an attribution of emissions for each mortgaged property is calculated based on the property's remaining loan to value (LTV). This is also considered alongside EPC data which is publicly available on government websites, or modelled where not available (as described on page 30).

This GHG inventory shows that the majority (99.8%) of the Society's emissions are Scope 3, with 95% of these coming from our investments, including the residential, commercial BTL and commercial mortgage books. Residential mortgages accounted for 82% of all GHG emissions during 2021, while commercial mortgages account for 7% and commercial BTL only 0.9%. In contrast, Scope 3 emissions that relate to Skipton's internal operations, such as business travel and employee commuting, only account for 4.2% of all emissions highlighting the dominance of financed emissions in the GHG inventory.

The Society's 2021 GHG emissions for Scopes 1, 2 and 3

Scope	Source	2021 Emissions (tCO_2e)	% of total Scope 3
Scope 1	Natural Gas	625.4	0.16%
	HFCs	95.8	0.03%
	Gas Oil	6.7	0.00%
	Company Vehicles	41.1	0.01%
Scope 2	Electricity*	6.2	0.00%
Scope 3	Purchased Good and Services	12,360.9	3.23%
	Capital Goods	465.8	0.12%
	Fuel and Energy Related Activities	791.4	0.21%
	Upstream Transportation and Distribution	38.1	0.01%
	Waste Generated in Operations	4.7	0.00%
	Business Travel**	20.2	0.01%
	Employee Commuting and WFH	1,560.2	0.41%
	Downstream Leased Assets	914.3	0.24%
	Investments	365,909.9	95.58%
	Total Scope 1 emissions (tCO_2e)	769.0	0.20%
	Total Scope 2 emissions (tCO_2e)	6.2	0.00%
	Total Scope 3 emissions (tCO_2e)	382,065.6	99.80%
	Total emissions (tCO_2e)	382,834.6	

*Calculated using the Market Based Methodology. ** Including air, rail, pool car, coaches and taxis.

Environmental Metrics

The Society's 2021 Scope 3 (financed) emissions (continued)

Focusing on the most material impacts, we'll continue to develop further options to help our customers 'green' their homes and also continue to monitor carbon reductions through procurement practices. However, we acknowledge that a large element of these reductions lie outside of our direct control therefore it may not be possible to fully achieve financed emission reduction targets without direct policy direction or government-mandated reforms. As we progress to setting science-based reduction targets, these external factors will be considered.

Intensity Metrics

Whilst residential mortgages produce the highest total emissions, our commercial back book has the highest physical and economic intensity metrics. Though we no longer actively lend on commercial properties, we'll continue to monitor our back book and look for any potential opportunities to support these businesses in their own decarbonisation efforts.

As our first time using the PCAF methodology, we're pleased with the initial PCAF data scores which are in line with our peers and the broader mortgage lending industry.

The Society's intensity metrics and data quality score for financed emissions (mortgages)

Metrics	Residential Mortgages	Commercial Buy to Let (BTL) Mortgages	Commercial Mortgages	Total
Number of mortgages (#)	159,764	1,433	786	161,983
Total Lending (£m)	21,031	147	195	21,373
Total Emissions (tCO_2e)	314,817	3,477	24,038	324,333
Intensity Metrics				
Physical Intensity (tCO_2e/#)	1.97	2.43	30.58	2.11
Economic Intensity (tCO_2e/£m)	14.97	23.69	123.32	16.02
Physical Intensity ($kgCO_2e/m^2$)	20.70	33.11	-	-
PCAF Data Score[1]	3.31	3.63	5.00	3.32

1 – PCAF data scores indicate the quality of data inputs used to calculate CO_2 emissions. This aligns with the voluntary PCAF 'Global GHG Accounting and Reporting Standard'. Scores run from highest quality (1) to lowest data quality (5).

Environmental Metrics

The Connells Group's 2022 Emissions

Colleague headcount: **13950** | Number of offices: **1296**

We continue to track the emissions across the Skipton Group, including the preparation of disclosures on both a mandatory and voluntary basis. This section shares our 2022 emission metrics for the Connells Group, Skipton International Limited, Skipton Business Finance, Jade and Northwest Investments. Carbon consultants, Envantage Ltd, have also screened the Scope 3 financed emissions across Skipton International Limited for the 2021 financial year.

The Connells Group have calculated their Scope 1, 2 and limited Scope 3 GHG emissions for 2022 using the following independent consultants: Catalyst Digital Energy (Connells), Sustainable Energy First Limited (Countrywide) and PlanetMark (Lambert Smith Hampton). Each consultancy has applied the GHG Protocol for Corporate Emission Reporting and UK BEIS and DEFRA conversion factors.

There has been an 12.12% overall increase in GHG emissions driven mainly by increases in Scope 3 emissions from the inclusion of Connells' business travel. The Scope 3 emissions data for 2021 includes Countrywide, and for 2022 it now also includes Connells as well as Countrywide which results in an increase in the emissions measured. The overall intensity ratio has also increased as a result of the inclusion of Connells' Scope 3 business travel in 2022. Connells Group will continue to monitor their emissions and have a target to set in place carbon reduction plans and a Net Zero strategy for 2023.

Connells Group 2022 GHG emissions

Emissions Scope	Source	2021 (tCO_2e)	2022 (tCO_2e)	Difference (tCO_2e)	Difference (%)
Scope 1 - Direct emissions from owned or controlled sources	Natural gas & company cars	5,314	4,321	-993	-20.61%
Scope 2 - Indirect emissions from purchased energy	Electricity	4,877	4,715	-162	-3.38%
Scope 3 - Other indirect emissions that occur in an entity's value chain	Business Travel (in employees' own vehicles)	872	3,454	2,582	119.37%
Total emissions		11,063	12,490	1,427	12.12%
Emissions intensity ratio	Scope 1, 2 and grey fleet tCO_2e (£m Turnover)	11	12	1	8.70%

The following notes on assumptions and methodology apply:

*2021 emissions have been restated to include updated Lambert Smith Hampton (LSH) 2021 emissions following external verification.

*A location-based methodology has been used throughout to calculate Scope 2 emissions across the Connells Group.

*LSH's 2022 data hasn't yet been verified, therefore 2021 verified data has been used as proxy for this period. 2022 data will be restated for 2023 reporting.

*Business travel also includes air, rail and taxi travel for LSH only.

Environmental Metrics

Skipton International Limited's 2022 emissions

Colleague headcount: **80** | Number of offices: **2**

Skipton International Limited (SIL) have calculated their own GHG emissions for 2022 using the UK BEIS and DEFRA conversion factors. Some emissions for 2022 have used 2021 data as proxy where this had not yet been made available (as indicated), and will be restated in the 2023 disclosures report.

There has been an 18.99% overall increase in GHG emissions driven mainly by increases in business travel, working from home and colleague commuting. However, the overall intensity ratio has reduced in line with increased turnover. SIL will continue to monitor their emissions which will feed into the Society's science-based targets which will be set for the Group footprint.

Skipton International Limited's 2022 GHG emissions

Emissions Scope	Source	2021 GHG emissions (tCO_2e)	2022 GHG emissions (tCO_2e)	Difference (tCO_2e)	% Difference
Scope 1	Natural gas & company cars[1]	0.1	0.2	0.1	100.00%
Scope 2	Electricity[2]	16.0	15.3[3]	-0.7	-4.38%
Scope 3	Business travel	2.1	9.5	7.4	77.89%
	Working from home	18.1	19.6	1.5	8.29%
	Employee commuting	17.3	19.1	1.8	10.40%
	Electricity WTT	0.2	0.2	0	0.00%
Total Scope 1 emissions (tCO_2e)		0.1	0.2	0.1	100.00%
Total Scope 2 emissions (tCO_2e)		16	15.3	-0.7	-4.38%
Total Scope 3 emissions, as above (tCO_2e)		37.5	48.4	10.9	29.07%
2022 GHG emissions (tCO_2e)		53.7	63.9	10.2	18.99%
Emissions intensity ratio	Scope 1, 2 and 3 categories (as above) tCO_2e / £m turnover	1.5	1.3	-0.2	-13.33%

[1]SIL does not use natural gas in their offices – this has been included for table consistency only. [2]SIL's methodology includes their Scope 3 electricity lifecycle intensity measures alongside their Scope 2 use, namely: materials used for plant contructions; embodied carbon for each type of generation technology (including GEL-owned and for imported electricity); on-site operations; the supply chain of fuels; and transmission and distribution losses. [3]Data limitations have meant 2021 electricity usage, working from home and employee commuting emissions have been used. The calculations have been prorated for 2022 by the increase in headcount.

Environmental Metrics

Skipton International Limited's 2021 Scope 3 (financed) emissions

Using data provided by SIL, Envantage screened SIL's financed emissions from the year 1 January 2021 to 31 December 2021. As with the Society, both the GHG Protocol Corporate Standard and PCAF methodologies were used.

The 2021 inventory shows that the majority of SIL's emissions are considered to be Scope 3 emissions from the impact of their operations, both upstream and downstream, in the value chain. The majority of these emissions resulted from investments, which for SIL are the emissions from the residential mortgages for customers purchasing homes in the UK and Channel Islands. The other largest contributor to the GHG inventory was the emissions associated with the purchased goods and services. These key business operations account for over 99% of all SIL's GHG emissions in 2021. In contrast, emissions from Scopes 1 and 2 emissions, which are primarily the use of electricity at SIL's sites, account for 0.06% of total GHG emissions.

Through 2023, SIL, alongside the Society and other subsidiaries, will undertake a series of workshops to identify best next steps to have the most material impact on carbon reduction across their entire value chain of emissions. These will also feed into the Society's science-based target setting.

SIL - 2021 Scope 3 (financed) emissions[1]

Scope	Source	2021 Emissions (tCO_2e)	% of total
Scope 1	Company vehicles	0.2	0.00%
Scope 2	Electricity[2]	13.6	0.06%
Scope 3	Purchased Goods and Services	1,662.3	7.56%
	Capital Goods	8.6	0.04%
	Fuel- and Energy-related Activities	21.0	0.10%
	Business Travel	2.7	0.01%
	Employee Commuting	35.7	0.16%
	Investments	20,240.8	92.07%
	Total Scope 1 emissions (tCO_2e)	0.2	0.00%
	Total Scope 2 emissions (tCO_2e)	13.6	0.06%
	Total Scope 3 emissions (tCO_2e)	21,971.1	99.94%
	Total emissions (tCO_2e)	21,984.9	

SIL - 2021 Intensity Metrics for mortgage book emissions[3]

Metrics	Jersey	Guernsey	UK	Total
Total emissions (tCO_2e)	9,051.00	6,159.00	5,030.00	20,241.00
Intensity Metrics				
Physical Intensity ($tCO_2e/\#$)	4.46	4.46	1.70	3.18
Economic Intensity ($tCO_2e/£m$)	15.39	25.86	6.75	12.88
Physical Intensity (kCO_2e/m^2)[4]	45.02	43.27	20.62	34.46
PCAF Data Score	5.00	5.00	3.46	4.62

[1]The inventory has been calculated in accordance with the GHG Protocol: Corporate Value Chain (Scope 3) Accounting and Reporting Standard and the PCAF Global GHG Accounting and Reporting Standard for the Financial Industry. [2]Electricity calculated by Envantage using the market-based methodology. [3]The differing absolute emissions and intensity metrics are due to the data limitations in the Channel Island data, where EPCs are not required for a house sale and as a result, the financed emissions for these properties were higher than for the UK properties. [4]For the Channel Island properties, floor area has been estimated based on UK averages for similar property types.

Environmental Metrics

Skipton Business Finance's 2022 emissions

Colleague headcount: **105** | Number of offices: **5**

Skipton Business Finance's (SBF) 2022 greenhouse gas inventory has been independently prepared by Envantage Ltd using the GHG Protocol: A Corporate Accounting and Reporting Standard for Scope 1, Scope 2 and a subset of operational Scope 3 emissions.

In 2022, Skipton Business Finance's (SBF) overall GHG emissions increased by 2.3%, mainly driven by an increase in electricity usage. SBF's intensity ratio, however, has decreased due to increased turnover.

SBF also explored methodologies for calculating their financed emissions under both the PCAF and GHG Protocol Corporate Value Chain (Scope 3) Standard methodologies. However, due to neither methodology being specific or appropriate for the Invoice Finance sector, significant discrepancies in outputs arose, highlighting the requirement for an invoice finance specific methodology to be developed that can drive comparability across this sector. As set out by PCAF, additional calculation methodologies will be developed over time for different asset classes and we've raised this current gap for their attention.

SBF are taking the opportunity to convene a UK Finance-backed committee to devise a more appropriate methodology which reflects the more specialist financial instruments used in the invoice factoring sector. This will drive more appropriate Scope 3 calculations for future disclosures.

SBF - 2022 GHG emissions[1]

Emissions Scope	Source	2021 tCO_2e	2022 tCO_2e	Difference (tCO_2e)	% Difference
Scope 2	Electricity	13.7	16.1	2.4	17.5%
Scope 3	Working from home[2]	27.4	27.4	-	0.0%
	Employee commuting	61.7	61.7	-	0.0%
	Electricity T&D and WTT	5.4	6.0	0.5	9.5%
	WFH WTT	5.3	5.3	-	0.0%
	Commuting WTT	15.7	15.7	-	0.0%
Total Scope 1 emissions (tCO_2e)[3]		-	-	-	0.0%
Total Scope 2 emissions (tCO_2e)		13.7	16.1	2.4	17.5%
Total Scope 3 emissions (tCO_2e) – limited operational only		115.7	116.2	0.5	0.4%
Total 2022 GHG emissions (tCO_2e)		129.3	132.2	2.9	2.3%
Emissions intensity ratio (Scope 1, 2 and 3 categories (as above) tCO_2e / £m turnover)		10.1	8.4	-1.7	-16.8%
Outside of Scope – Biogenic Elements		7.4	8.0	0.6	8.1%

[1]Excludes any SBF emissions generated through operations at the Society's head office (the Bailey). [2]Emissions from working from home (WFH) and employee commuting are derived by proxy from the 2021 colleague survey (completed by Society and SBF colleagues). The 2022 staff survey will be issued shortly and 2022 working from home and commuting emissions will be restated in the 2023 Group Responsible Business Report. [3]Scope 1 emissions haven't been repeated here as they are included within the Scope 1 emissions calculated as part of the Society's emissions for 2022 (see page 18).

Environmental Metrics

Jade and Northwest Investment's 2022 emissions

Colleague headcount: **268** | Number of offices: **6**

In 2022, Jade and Northwest Investments (NWI) calculated their operational emissions, along with some of their financed emissions for the first time. This is also the first time NWI have reported on any of their emissions. Both firms worked with external consultants to produce their emissions reports. Jade worked with New Zealand consultancy, Carbon Canary, in line with ISO 14064-1-2018, using a control share approach. NWI worked with Carbon Trail to capture their emissions. The conversion factors for spend-based categories are sourced from:

- USEPA, July 2020: Supply chain greenhouse gas emissions factors for Industry and Commodities.
- Motu 2013: Consumption-based greenhouse gas emissions input/output model.
- DEFRA 2014: Indirect emissions from the supply chain.

Whilst Scopes 1 and 2 have reduced versus previous years, Scope 3 emissions have increased. The most notable increases result from purchased goods and services and business travel. Business travel in New Zealand has increased significantly since the Covid-19 pandemic. Purchased goods and services and colleague commuting are reported for the first time.

Jade and NWI's Scope 1, 2 and limited Scope 3 emissions (2022)

Scope	Source	2020 tCO_2e	2021 tCO_2e	2022 tCO_2e	2021 vs 2022 Variance
Scope 1 – direct emissions from owned or controlled sources	Natural gas & company cars[1]	3	3.2	2.6	-18.75%
Scope 2 – indirect emissions from purchased energy	Electricity	61	61.5	50.8	-17.40%
Scope 3 – other indirect emissions that occur in an entity's value chain	Business travel and accommodation (including air travel)	72	29.3	242[2]	718.77%[2]
	Working from home	-	26.6	21.5	-19.17%
	Waste	-	8	7.1	-11.25%
	Colleague commuting	-	-	44	-
	Purchased goods and services	-	-	699.847[3]	-
	Other[4]	-	-	415	-
	Total emissions[5]	136	128.6	1,482.8	1,053.03%
Emissions intensity ratio	Scope 1, 2 and 3 categories (as above) tCO_2e / £m turnover	4	7.8	69.6	791.03%

[1]Jade and NWI do not use natural gas in their offices – this has been included for table consistency only. [2]33.06 tCO_2e has been deducted as this is counted in the Society's business air travel emissions calculations as the parent company. [3]59.5 tCO_2e has been deducted as this is counted in the Society's products and services as an on-charge for the use of a data centre. [4]Includes professional services, contractors, staff medical insurance, attendance at seminars, consumables. [5]NWI emissions have only been included for 2022 reporting as their first year reporting.

Climate Risk Metrics

Physical Risk

In addition to tracking our carbon emissions, we've continued to monitor key physical risk metrics associated with climate change. For the purposes of this report, we've included the Society's climate risk metrics only.

Physical Risk Metrics

The current physical risks on the Skipton Residential Mortgage Portfolio remain low. The worst-case climate forecast for the Representative Concentration Pathway (RCP)[1] 8.5 is presented in the table overleaf to demonstrate the most severe view of the physical climate risk of the Skipton Mortgage Portfolio in 2080, which we're monitoring and using in our scenario analysis. This scenario is where there's 'no additional action' taken to mitigate against rising global temperatures, reaching an average temperature rise of 4.3°C by 2100.

Current Physical Risk Exposures

	As at 31 December 2021			As at 31 December 2022		
Residential Mortgages	**Number**	**Exposure £bn**	**% Book**	**Number**	**Exposure £bn**	**% Book**
Properties classed in the highest flood risk category[2]	2,396	0.26	1.25%	2,468	0.28	1.21%
Properties classed in the highest subsidence risk category[3]	1,032	0.16	0.73%	1,109	0.17	0.75%
Properties at risk of being impacted by coastal erosion[4]	-	-	-	-	-	-

[2]Ambiental Current Flood Risk Rating 81-100. [3]Ambiental Current Subsidence Score 81-100. [4]Ambiental Current Coastal erosion risk. Note: 7,723 properties with a balance of £1.71bn haven't been address matched because the physical risk data is from September 2022

[1]RCPs are greenhouse gas concentration pathways adopted by the Intergovernmental Panel for Climate Change (IPCC).

Climate Risk Metrics

Physical Risk (continued)

The flood and coastal erosion exposures increase in the RCP 8.5 severe scenario but overall remain relatively low. The greatest movement between the current and the severe scenario is observed for subsidence risk. Future climate change forecasts identify large areas of London, the South East and the Midlands as having a greater risk of shrink-swell because they are predominantly clay soils. Shrink-swell can cause ground movement which can impact building foundations causing the most common form of subsidence. An increased portfolio exposure to London has slightly increased Skipton's subsidence risk during 2022. As detailed in the climate change scenario analysis section, the subsidence risk score is calculated from British Geological Survey data which identifies the potential for clay shrink-swell to occur at a given location, during a given future time period, based on a combination of geological, hydrological and climate projections. However, this score does not include the mitigating factor that a property's foundations may be built to withstand movement due to shrink-swell.

The volume of properties without physical risk data has reduced in 2022 because properties only matched by postcode now have an average for that location supplied. This has a minimal impact on the proportion of high risk properties. Note: 2021 hasn't been restated as the postcode data is not available.

All climate risk exposures are monitored quarterly which enhance our understanding of the risks and mitigants to shape Skipton's assumptions in future scenario analysis and approach to risk management.

Physical Risk Exposures under RCP 8.5 in 2080

	As at 31 December 2021			As at 31 December 2022		
Residential Mortgages	**Number**	**Exposure £bn**	**% Book**	**Number**	**Exposure £bn**	**% Book**
Properties classed in the highest flood risk category[5]	6,166	0.67	3.15%	6,306	0.71	3.05%
Properties classed in the highest subsidence risk category[6]	21,150	4.23	19.97%	22,760	4.79	20.68%
Properties at risk of being impacted by coastal erosion[7]	15	-	0.01%	11	-	0.01%

[5]Ambiental Flood Risk Rating 81-100 at the end of the 30 year calibrated no additional action scenario. [6] Ambiental Subsidence Score 81-100 at the end of the 30 year calibrated no additional action scenario. [7]Ambiental probability of coastal erosion > 0% at the end of the 30 year calibrated No Additional Action scenario.

Note: 7,723 properties with a balance of £1.71bn haven't been address matched because the physical risk data is from September 2022

Climate Risk Metrics

Transition Risk

Transition Risk Metrics

There remains a lot of uncertainty around the impact that improvements to home energy efficiency ratings might have on property prices. There's strong rationale in the current 'cost of living' crisis why more energy efficient properties may appeal to owners and tenants. Existing homes can be retrofitted to improve energy efficiency such as by installing insulation, double or triple glazed windows or an alternative source of heating, such as a heat pump. There are recent case studies where retrofitting homes have improved sale prices relative to those which haven't, although it's unclear whether this will be sustained. The cost of transition remains a barrier to many and could risk creating a two-tier housing market without appropriate support if the energy efficiency of a property influences the valuation.

In 2022, we've reperformed our analysis of the EPC ratings of our residential portfolio to understand what the exposures of our current book are regarding the energy efficiency of those properties. Actual EPC data has been used where it's available, with the remainder modelled by Rightmove. We include a blend of actual and modelled current EPC data in the following table.

Following this year's review, there hasn't been a material change in the average EPC SAP score for our mortgage portfolio between 2021 and 2022, which remains an average of a high D (SAP of 65).

Energy Performance Certificates

All house sales legally require the production of an Energy Performance Certificate (EPC) which measures the energy efficiency of a property based on physical measures such as double glazing and heating systems.

A SAP score (Standards Assessment Procedure) is the methodology used by the government to assess and compare performance in more detail with a value typically from 1 to 100.

The higher the score, the better, as below:
A 92+ B 81-91 C 69-80 D 55-68
E 39-54 F 21-38 G 1-20

Home Energy Efficiency Reports

In 2022 we offered all of our colleagues and Society customers a free 'EPC Plus' home energy report. This outlines how individuals can potentially improve their home energy efficiency. It also signposts any local authority grants available for retrofitting. The Society offers a range of finance options for customers to finance retrofit improvements.

Current Transition Risk Exposures

	As at 31 December 2021			As at 31 December 2022		
Residential Mortgages	**Number**	**Exposure £bn**	**% Book**	**Number**	**Exposure £bn**	**% Book**
Current EPC Rating A	232	0.04	0.21%	244	0.05	0.20%
Current EPC Rating B	17,043	2.88	13.62%	17,962	3.06	13.21%
Current EPC Rating C	39,233	5.10	24.10%	40,844	5.78	24.92%
Current EPC Rating D	73,672	8.60	40.60%	74,355	9.07	39.12%
Current EPC Rating E	20,994	2.87	13.55%	21,199	2.92	12.61%
Current EPC Rating F	3,299	0.49	2.33%	3,173	0.49	2.10%
Current EPC Rating G	695	0.10	0.47%	699	0.11	0.46%
Unmatched EPC Rating	6,017	1.08	5.12%	7,723	1.71	7.38%

Note: For December 2022, 7,723 properties with a balance of £1.71bn haven't been address matched because the EPC data is from September 2022.
For December 2021, 6,017 properties with a balance of £1.08bn haven't been address matched because the EPC data is from September 2021.

Group Performance Against Environmental Targets

Here's how we've performed against our 2022 environmental targets as a Group

The Society

2022 Targets	Progress
Maintain Scope 1 and 2 carbon neutral operations through our carbon reduction and offsetting programme	Achieved – 2021 Scope 1 and 2 emissions were offset by purchase of Verified Standard Carbon Credits. 2022 emissions for Scope 1 and 2 have been offset by a reforestation project on degraded pastureland in Nicaragua (Gold Standard Registry project ID 4220)
Develop Net Zero carbon reduction methodology and plans	In progress – Scope 3 financed emissions screened, next steps will be to set out our clear transition plan roadmap and science-based reduction targets
Reduce 2021's Scope 1 and Scope 2 carbon footprint by 10%	Achieved – by replacing natural gas with biogas since February 2022, absolute emissions for Scope 1 and 2 (when applying the market-based method of calculating emissions) results in an 84% reduction for Scope 1 and 2 emissions versus 2021
Reduce single use plastic (SUP) by 40% from our 2019 baseline	Achieved – we've surpassed this target, achieving an 83% cumulative reduction on SUPs since 2019
Maintain 99% of waste not going to landfill	Achieved – we achieved 99% waste diversion from landfill in 2022
Explore potential to achieve mortgage portfolio average Energy Performance Certificate rating of C by 2035 from 2021's start point of D as part of our Net Zero plans	In progress – next steps will be assessing carbon reduction options to help our customers to reduce the carbon footprint of their homes

Jade

2022 Targets	Progress
Lodge application to become a B-Corp (Benefit Corporation)	Achieved - Jade lodged their application to become a B-Corp in December. This required Jade to look at the B-Corp framework, finding areas for changes and initiatives across five themes: Governance, Workers, Community, Environment and Customers
Measure Scope 1 , 2 and operational Scope 3 emissions	Achieved – Jade have measured their Scope 1, 2 and some of the Scope 3 value chain emissions as shared in this report
Begin to measure waste and water	In progress – as part of the B-Corp review activities, Jade have started to measure their water and waste
Launch a home e-waste recycling plan	Achieved – In 2022, Jade created a home e-waste recycle plan for colleagues

Group Performance Against Environmental Targets

Here's how we've performed against our environmental targets as a Group (continued)

SBF

2022 Targets	Progress
Calculate Scope 3 financed emissions alongside Scope 1 and 2 operational emissions	Achieved – SBF calculated their Scope 3 financed emissions for the 2021 financial year, however this has highlighted inadequacies in existing carbon account methodologies for the invoice finance sector. SBF will explore more appropriate methods of calculation in 2023
Reduce reliance on single use plastics and use plastic-free cutlery in the staff canteen as with SBS	Achieved – SBF colleagues in the Bailey have access to the reusable and non-plastic cutlery alongside SBS colleagues

Connells

2022 Targets	Progress
Develop Net Zero carbon emissions methodology and plans	Achieved – Connells have engaged the Energy Savings Trust to help measure their Scope 1, 2 and 3 emissions. This has been completed for some areas of the business and the remainder will be completed in 2023
Reduce the emissions from the car fleet	In progress – Connells moved one subsidiary (John D Wood) to electric cars, with 18 cars delivered and 52 on order. For the rest of the Group, only Ultra Low Emission Vehicles (ULEVs) are offered to non-essential users, with orders placed for 187 replacements. They've also launched an ULEV car leasing scheme with Novalease which enables colleagues access to lease a brand new electric or plug in hybrid car. This will reduce overall CO_2 emissions from colleagues using vehicles for business purposes

SIL

2022 Targets	Progress
Maintain the offsetting of 125% of their annual carbon footprint	Achieved – SIL offset 125% of its 2022 calculated Scope 1, 2 and limited* Scope 3 emissions
To become carbon neutral by 2024, offsetting their total carbon footprint since the company was formed in 2009	In progress – SIL plans to further this by offsetting 450 tonnes of carbon dioxide (versus 2022 emissions calculated as 63.6 tCO_2e)
To become carbon negative by 2026, offsetting 125% of their total carbon footprint since the company was formed in 2009	In progress – SIL plans to further this by offsetting 450 tonnes of carbon dioxide (versus 2022 emissions calculated as 63.6 tCO_2e)
Reduce paper consumption by 20% per customer by 2025	In progress – due to challenges with increased mailings associated with the 2022 base rate changes, paper consumption increased by 31% from 2021 levels. SIL launched an Online Mortgage Portal in 2022 and will continue to review processes to reduce consumption

* Scope 3 emissions include business travel, home working and employee commuting.

Group Environmental Targets 2023

What we aim to achieve in 2023

In order to continue delivering on our environmental ambitions, we've set ourselves the following targets for 2023 and beyond.

Our Environmental Targets

To measurably increase our positive impact on the environment.

The Society

- By 2023, reduce Scope 1 and 2 emissions by 5% from 2022 levels.
- Increase recycling to 80% of total waste by end of 2023.
- Digitise 10% of all operational mailings.
- Maintain Scope 1 and 2 carbon neutral operations through our carbon reduction and offsetting programme.
- Begin our commitment to setting science-based targets for the Skipton Group.
- Drive awareness, education and significant uptake among members and colleagues of free home energy performance certificate (EPC Plus) reports to drive greening of UK housing.

Longer term Environmental Targets

Reaching Net Zero

In addition to the above, we've also set ourselves the following Net Zero targets. Whilst these are yet to be assessed and externally validated, they provide a starting point for our reduction goals. We anticipate these will adapt as our carbon and greenhouse gas data improves with time.

- Halve our Scope 1, 2 and operational Scope 3 carbon emissions by 2030.
- Achieve Net Zero Scope 1, 2 and 3 (operational and financed) carbon emissions by 2045.

Jade

- Create their ESG strategy and three-year work plan.

Connells

- Premises – survey all Connells Group properties and agree a plan to implement LED lighting where appropriate.
- Fleet – agree plan to convert the car fleet to ULEV or EV (where appropriate) to reduce CO_2 emissions.
- Emissions – Complete the measurement of Scope 1, 2 and 3 emissions, agree an emissions reduction plan and Net Zero strategy.

SBF

- Digitise 50% of mailings to debtors by end of 2023.
- Introduce low emission vehicle policy for colleagues.
- Establish a Green Finance working group to support clients into a greener economy.

SIL

- Continue to review current customer communication processes to reduce consumption by 20% per customer by 2025.
- Continue exploring tactical use of offsets to reduce historic Scope 1 and 2 emissions.

Group Environmental Targets 2023

What we aim to achieve in 2023 (continued)

Approach to Carbon Offsetting

Purchasing carbon credits, or 'offsets', is the process of offsetting our emissions by financing an equivalent carbon dioxide saving elsewhere. The Society and others in the Skipton Group are using this as an interim measure to help mitigate against the worst impacts of climate change. However, offsetting does not form any part of our Net Zero carbon reduction strategy which will focus on emission reduction rather than mitigation. As our reduction plans gain more momentum, the requirement to offset will decrease over time and instead form part of our 'beyond value chain mitigation' strategy, as defined by the Science Based Targets initiative (SBTi).

The Society and Skipton Business Finance (SBF) have purchased carbon offsets to cover Society and SBF emissions for Scope 1, 2 and limited Scope 3* emissions in 2022. The project was chosen (GS ID 4220, a Gold Standard Certified Project) to support the reforestation of degraded pastureland in Nicaragua. We selected this for the additionality it provides (restoration of degraded lands to support a dual purpose of teak plantation reforestation and establishing new conservation areas).

Scope 3 operational categories, in line with the Greenhouse Gas Protocol, include: waste, water, business travel, colleague commuting, colleague home-working, and electricity, gas and fuel transport and distribution and well-to-tank emissions generated for these categories. *Limited Scope 3 includes grey fleet, air, rail and business travel.

Social Metrics

The Society continues to deliver positive social impacts to all of our key stakeholders. Here's a summary of what we've achieved

Our Customers

Accessibility

Over 10% of our customers have shared that they've a disability, although the number in reality is likely to be much higher, with 21% of working age and 42% of pension age adults registered as disabled.

All customer-facing, and many office based SBS colleagues (1,500+ altogether), have completed training from Communication Access UK, designed to make things easier for customers with sensory and cognitive disabilities. Skipton Business Finance have also introduced a 'Vulnerable Customer Training – Supporting Our Customers Online' scheme to all of their colleagues in 2022.

Video appointments are available for anyone who cannot or does not want to visit a branch, via Skipton Link. These are available for all services – mortgage advice, financial advice and reviews with a savings specialist. 'Silent' hold options are also available when customers call us.

Coloured transparencies are available in branch to aid with reading documents. Longer appointments are available to support customers who might need a little longer to process and understand information, or who require additional reassurance and support.

All branches have been audited with AccessAble, and detailed accessibility information for each branch is available to customers online.

Signature guides and magnifying glasses are available on request in our branches to aid people with visual impairments.

Documents in Braille and large print are available to customers who let us know that this is their communication preference.

Audio format CDs can also be provided to customers instead of written communications.

Induction loops are available in all branches.

SignVideo is available for British Sign Language users (providing a BSL interpreter) and BT Relay UK is available – allowing customers to type messages to a text relay assistant who speaks to the Society over the phone and types back to the customer.

Our Vulnerable Customers

We're committed to deliver fair customer experience and outcomes and taking account of individual circumstances is a key element of this. We ensure colleagues are fully aware of this and are trained to recognise signs of actual or potential vulnerability. Our Vulnerable Customer Policy and Guidance Document is in place to help us provide good customer outcomes for all, regardless of their circumstances or characteristics of vulnerability.

Our Communities

Charitable Activity

In 2022, the Skipton Group donated a total charitable giving amount of over £1.3m, £734,287.19 of which was donated by the Society.

Charity Partnership with Mental Health UK

Mental Health UK works to provide advice, support, training and information for people affected by poor mental health. We partnered with the charity in January 2020. Since then, we've worked together to help raise awareness, learn more about mental health and explore how we can better support our colleagues, our customers and our communities.

In 2022, we launched Growing for Gold where teams of colleagues were given £100 and had six months to draw on their skills, creativity, innovation and entrepreneurship to grow this money as much as they could to support the brilliant work at Mental Health UK. Colleagues walked, cycled, ran, baked, washed cars, created calendars, completed skydives, got crafty, sold used items, created seed packets, held prize draws and many other challenges and competitions. The 20 teams raised £37,710.70 and we couldn't be prouder of their effort! A special mention goes to the 'Angels of the North' team who won the challenge.

Community Giving

We donated £88,000 across 264 local organisations covering our branch network. The colleagues in each of the Society's 88 branches nominated three charities or community groups in their local areas to receive a share of £1,000. How much each group received was decided by customer votes cast in branch. Each nominated cause plays a vital role in supporting local people, from helping young children and older people, through to tackling poverty and homelessness.

The winner with the most votes received £500, the runner up received £300, and the third-placed group received £200.

Skipton Charitable Foundation

In 2022, the Society's Charitable Foundation donated £295,233.26 to 136 charities that support children, young people and the elderly.

Social Metrics

(continued)

Our Colleagues

Women In Finance

In 2022, we achieved our Women in Finance Charter target of 40% of women in senior leadership positions and above. While we continue to make good progress, we believe there's much more to be done to address gender imbalance in our senior leaders. That's why the Executive Committee has agreed a target of 45% females in senior leadership roles for 2023. We'll maintain our focus on this key area until there's no longer under-representation of women in senior leadership roles.

Gender Pay Gap

The Gender Pay Gap data for 2022 will be calculated ahead of the April reporting deadline. The most recent data we've from 2021 shows that the mean gender pay gap is 29.3%, the median gender pay gap is 27.7%, the mean gender bonus gap is 57.8% and the median gender bonus gap is 35.3%.

Colleague Volunteering

Colleagues have the option to do up to three volunteering days per year, including one in support of Mental Health UK. In 2022, the Society partnered with OnHand who provide an app to engage colleagues in local volunteering and climate action. OnHand allows colleagues to support their local community with activities such as food shopping for vulnerable people, befriending phone calls, environmental activities and lots more.

Matched Funding

Matched funding is available to all colleagues who take part in a fundraising activity, we can match the amount colleagues have fundraised for charities close to their hearts. Through this scheme, in 2022, we supported colleagues with total donations of £38,541.84 to 44 charities.

Best Companies

In 2022, the Society was placed 3rd in the UK's 'Best Big Companies' to Work For, placed in the top five in the ' Best Financial Services Company ' category and retained our 3-star accreditation.

Cost of Living

In recognising the challenges posed to colleagues by the 'cost of living' crisis, the Society and SBF made a one-off single payment of £1,500 to each colleague below senior leadership level. This was intended to help colleagues tackle their energy and heating bills against the backdrop of the energy crisis. From our colleague survey, we're heartened to report that 91% of colleagues surveyed believe that their leaders genuinely care about their wellbeing. The Society meets the national living wage for all roles and is an accredited Living Wage employer.

Employee Support Programmes

We recognise the benefit of working in partnership with our colleagues to support them with their wellbeing, family and other commitments. Family leave, financial support and flexibility gives everyone the best opportunity to balance their commitments and helps us to realise the many benefits of attracting and retaining a diverse colleague population. A positive balance between home and work life helps colleagues to be happy, healthy and well. During 2022, we reviewed and launched a new principles-based policy approach to ensure that colleagues are provided with the appropriate support. Additional benefits include our Employee Assistance Programme and availability of trained Mental Health First Aiders.

Training and Development

The growth and development of colleagues remains a key priority for the Society. Throughout 2022, colleagues have been supported in building their skills through on the job development, digital learning modules, coaching and mentoring as well as more formal internal and external development programmes.

Our well-established digital learning platform is accessible to all colleagues and hosts a wide range of modules, including both regulatory and non-regulatory training, with over 52,000 hours of up-skilling taking place during 2022. In addition, many colleagues have also had the opportunity to undertake external development to bolster their skills. These have ranged from Financial Advice qualifications through to Microsoft Azure and Agile courses that are linked to our strategic aims as an organisation.

As well as a focus on building individual capabilities, we recognise the importance that people leaders play in the development of colleagues, so our Leadership Essentials programme offered a suite of modules to support leaders be successful in their roles. These focused on a variety of topics including inclusive leadership, coaching conversations, interpreting people policies and supporting mental health. In 2022, more than 40 sessions were held with around 430 participants.

Social Metrics

(continued)

Diversity and Inclusion

We're in the process of reviewing our activity in the Diversity and Inclusion space, which will lead to a new Diversity, Inclusion and Wellbeing Strategy and Action plan. The work currently ongoing includes Diversity and Inclusion training for all colleagues, embedding data declarations to establish a baseline and ensure all activity is evidence based and data driven, developing the Social Mobility Taskforce and additional networks across the Society, and ensuring there's Senior leader accountability accompanying all plans.

Further work involves implementing targeted interventions to support colleagues, understanding the colleague journey and embedding inclusive practices throughout, developing new training material to cover microaggressions in the workplace and ensuring we're complying with all the Race at Work Charter requirements.

We're also committed to improving our Disability Smart Award (awarded by the Business Disability Forum) from Bronze in 2021 to Silver in 2023. This will include upskilling leaders on workplace adjustments and raising awareness of our duties under the Equality Act.

Hiring

We recognise the benefits that effective recruitment brings to the Society. When we plan well and have the right colleagues in the right roles at the right time, our customers receive the outstanding experience they've come to expect from the Society. We'll make sure our brilliant people know how to build their engaging careers with us and take up new role opportunities.

Colleague Engagement

In 2022, colleague engagement increased to 87% (versus 85% in 2021). We undertake colleague engagement in four primary ways: sharing, listening, acting and measuring.

We share information regularly through Quarterly Strategic updates, vlogs, our intranet and weekly leader message cascades. We listen both formally and informally, through ExCo Q&As, listening sessions, team meetings, Diversity and Inclusion Networks and others channels. Actions include planned actions, such as Society-wide initiatives following colleague engagement survey feedback, to unplanned actions, such as feeding back locally in a listening session. To measure, we use an annual engagement survey to benchmark internally and externally, plus ad hoc 'pulse' surveys on topical subjects. We frequently work with external organisations for additional listening and to gain external validation, such as Best Companies and Investors In People.

Group Social Metrics for 2022

SBF

- Donated over £3,000 in 2022 to charity partners Menfulness, the Pink Ribbon Foundation and local community projects.
- Launched a new Communities Matter Charitable Giving Scheme in late 2022.

Jade

- Became a founding member of mindthegap.nz, publicly declaring gender pay gap reporting in New Zealand, where this is not yet mandated. Jade celebrated a reduction in their gender pay gap to 1%.
- 4th cohort has completed the 'Lead' external leadership development programme.
- Raised funds as part of an internal fundraiser to support World Vision's Ukraine support work.

Connells

- Initiated the pilot of a Women in Leadership programme to develop female colleagues for senior leadership future roles.
- Issued a Great Place To Work survey across most of the Connells Group to gain insights into colleague engagement.
- Raised almost £70,000 for their charity partner Mind.
- Donated £500,000 to support the victims of the Ukraine conflict.

SIL

- Donated £60,000 through their Community Fund to 37 separate Channel Island causes during 2022.
- Launched a new Talent Management Scheme to support school-leavers in joining the company.
- Supported 307 first-time buyers in 2022, including 78 from social housing schemes.

Group Performance Against Social Targets

Here’s how we've performed against our Social Targets as a Group

The Society

2022 Targets	Progress
Help at least 10,000 first-time buyers	Achieved – in 2022, we helped 13,803 customers get the keys to their first home
Maintain colleague engagement of 85% or above	Achieved – this has increased by 2% since 2021’s results to 87%
Achieve our Women In Finance Charter target of 40%	Achieved – as at 31 December 2022, we had achieved a score of 45% female colleagues in senior leadership roles and above
Give £50,000 to support 100 community foodbank initiatives and donate £200,000 to Skipton Building Society Charitable Foundation	Achieved – during 2022, £50,000 was donated to foodbanks and over £350k was donated to the Skipton Building Society Charitable Foundation. This went towards helping over 130 individual charities
Further develop and implement Skipton’s Workforce of the Future strategy	Achieved – this strategy has now been embedded as part of business as usual
Maintain Investors in People platinum status	In progress – this will be assessed again in 2023
Further develop Skipton’s support for vulnerable customers	Achieved – following a gap analysis, we've enhanced team resource supporting our vulnerable customers
Launch social mobility working group	Achieved – launched in January 2022

SBF

2022 Targets	Progress
Establish two charitable partners by end of year	Achieved – SBF partnered with Menfulness and the Pink Ribbon Foundation
Colleague satisfaction survey – c.9/10 positive response rate for ‘I am proud to work to for Skipton Business Finance'	Achieved – SBF achieved a satisfaction score of 98% in their 2022 survey result

Group Performance Against Social Targets

SIL

2022 Targets	Progress
Score '9.0' on their annual Employment Engagement Survey by 2025 for "I am satisfied with Skipton as an employer"	In progress – achieved 8.6 in 2022
Annually retain at least 90% of colleagues	Achieved – staff turnover in 2022 (following probation) was 6.6%
70% of team members to hold at least Certificate level qualifications by 2025	In progress – 66% achieved by end of 2022. 17 colleagues will be studying for their Certificate in Mortgage Advice and Practice (CeMAP) during 2023

Connells

2022 Targets	Progress
Continue fundraising and donations to charitable causes	Achieved – Connells aimed to raise a minimum of £20,000 for their charity partner, Mind, within two years. In the first year alone, they've already raised almost £70,000. The business donated £500,000 to support the victims of the conflict in Ukraine and matched funds raised by colleagues. The New Homes Group raised £85,000 as well, donating £30,000 to East Anglia Children's Hospice and £55,000 to Funding Neuro
Colleague engagement – undertake a survey and provide feedback to leaders to address outcomes	Achieved – colleagues completed a Great Place to Work Engagement Survey. Connells benchmarked their colleagues' engagement and provided feedback for managers to implement measures relevant to their teams
Provide a Real Living Wage for colleagues	Achieved – all Connells Group colleagues are paid at least the Real Living Wage and they increased their base pay for non-commission earning roles to a level commensurate with the Real Living Wage (non-London rate) on 1 January 2022
Mental health support for colleagues	Achieved – Connells launched a wellbeing group to educate and inform colleagues about mental health issues
Diversity and Inclusion – Launch a Women in Leadership Pilot	Achieved – Connells initiated a Women in Leadership pilot which provides mentoring to develop colleagues for leadership in the Group

Group Social Targets 2023

What we aim to achieve in 2023

In order to continue delivering on our social ambitions, we've set ourselves the following social targets for 2023 and beyond.

The Society

- Help 10,000 first-time buyers into homes.
- Achieve Women in Finance Charter targets of 45% of senior leadership roles filled by female colleagues.
- 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).
- 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.

Jade

- Create their ESG strategy and three-year work plan.
- Become an official 'B-Corp' member in 2023.

Connells

- Deliver the Connells Group Women in Leadership Programme.
- Establish Diversity and Inclusion Networks to cover gender, race, LGBTQI+ and wellbeing.
- Deliver unconscious bias training for managers and leaders.
- Launch a Great Place to Work action plan, covering Values, Mission, Leadership and Culture.

SBF

- Bring forward colleague pay review to January 2023.
- Effectively donate our target of £10,000 to 40 community groups or projects across the UK through our community charitable scheme.

SIL

- Retain at least 90% of colleagues.
- Help 200 first-time buyers into homes.
- Review plans to increase colleague volunteering in 2023.
- Continue to support Channel Island good causes during 2023.

Spotlight on equality, diversity and inclusion

Results from our annual materiality analysis indicated that the topic of equality, diversity and inclusion in the workplace remains a clear focus for us in 2023. The Society champions ED&I for all colleagues in the workplace, both in recognition and support for those with the nine protected characteristics as defined in the Equality Act 2010, but also in recognition of a much broader range of individual identifying characteristics. We'll continue to make sure that all voices remain heard, are given the opportunity to speak up and that colleagues know how to share any potential concerns with us. A workforce that is diverse, inclusive and practices equality for all is one of our most important assets.

Governance Metrics

We're delighted to share some of the key ways we've worked to develop our governance throughout 2022

Customer Feedback

In 2022, the Society carried out further Customer Research to understand what more our customers would like to see in delivering ESG, and the issues that matter most to them. The research revealed that our customers:

- Remain engaged with ESG and remain anxious about the future of the planet. 54% of those surveyed shared that they had made efforts to improve their home's energy efficiency.
- Seek out ESG-focused financial providers. 60% seek providers who are committed to reducing carbon emissions and 69% view meeting accessibility needs as significantly important.
- Prioritise that we should be inclusive/ accessible to all customers and supporting our vulnerable customers.

We'll continue to focus on these outcomes which have been reflected in the results of our 2022 Materiality Assessment (see page 7).

UN Principles for Responsible Banking

In 2021, both the Society and SIL became signatories for the United Nations Principles for Responsible Banking (PRBs). Since then, we've worked to perform an impact analysis looking at how we currently perform as a financial services provider, and what more can be done. From this analysis, we'll look to set clear targets to help us perform even better against the UN PRBs and we expect our 2023 targets to underpin this work.

ESG ratings

We're aware there's increased investor interest in our ESG credentials. To address this and increase our transparency in our ESG performance, in 2022 we participated, for the first time, in the Standard and Poor (S&P) Global Corporate Sustainability 2022 Assessment.

The publication of this report and increasing our publicly available policies and reports is in part to address investor interest.

This result, expected by the end of Q1 2023, will allow us to continue to collaborate and address any gaps. We expect investor interest in ESG issues to continue and will continue to improve our disclosures to facilitate decision making for investors. As part of our ongoing work on ESG, we'll create an action plan to address any issues arising from the assessment.

Group Governance Metrics for 2022

SIL

- SIL commenced their review for the completion of the UN PRBs initial impact analysis report.

Connells Group

- Established an ESG Committee to drive delivery of sustainability across the Connells Group.
- Launched their climate change risk framework.

Jade

- Committed to becoming a B-Corp business.
- Commenced surveying their suppliers to understand their sustainability ambitions.

SBF

- Launched Charitable Giving 'Communities Matter' framework and Operational Risk and Process Improvement Executive Committee.

Group Performance Against Governance Targets

Here's how we've performed against our Governance Targets as a Group

The Society

2022 Targets	Progress
Implement the UN Principles for Responsible Banking Framework	Achieved – we've undertaken our self-assessment and identified the area where we can deliver the most impact. Next steps: set robust targets aligned to UN PRBs for 2023
Issue our first Group Responsible Business Report including our reporting for the Task Force on Climate-Related Financial Disclosures (TCFD)	Achieved – we're now issuing our second Group Responsible Business Report
Rollout of climate risk requirements into our risk framework	Achieved – we've updated our climate risk stress testing analysis and reviewed our Climate Change Risk Management Framework and climate risks facing the Group for 2022
Develop and implement Group ESG and audit plans	Achieved – we've integrated group ESG activities within a Group governance framework and have engaged internal and plan to engage external auditors for limited assurance over 2023 reporting
Deliver annual Board and colleague ESG training	In progress – in 2022, we delivered a wide range of training on vulnerable customers and diversity and inclusion topics. We also delivered internal events such as our ESG Awareness Day in November to colleagues at branches and Head Office

2022 Targets	Progress
Explore opportunities for a Skipton Group ESG rating	Achieved – the Society continues to engage with a credit rating agency to look into the benefits of acquiring additional ESG ratings
Build further ESG components into the Executive Remuneration Scheme	Achieved – a review of the Executive Remuneration Scheme included seven new measures linked to organisational ESG targets for 2023
Develop a treasury social and green funding strategy and framework	In progress – whilst the Society will continue to explore the opportunities of developing a sustainable finance framework, this has taken a lower priority. Instead we've chosen to focus on our existing social and environmental credentials and plans outlined elsewhere in this report

Group Performance Against Governance Targets

(continued)

SBF

2022 Targets	Progress
Launch charitable giving framework	Achieved – the framework was launched during 2022
Launch an Operational Risk and Process Improvement Executive Committee to streamline system efficiencies and reduce paper use	Achieved – SBF have set new digitisation targets for 2023 from this

Jade

2022 Targets	Progress
Apply to become a B-Corp business	Achieved – submitted their application in December 2022. This required Jade to look at the B-Corp framework, finding areas for changes and initiatives across five themes: Governance, Workers, Community, Environment and Customers

SIL

2022 Targets	Progress
Maintain Feefo Platinum Trusted Service Provider status	Achieved – this was maintained for 2022

Connells

2022 Targets	Progress
Enhance governance of ESG	Achieved – Connells established an ESG Committee to drive delivery of our vision to build a better and more sustainable organisation. They maintained appropriate standards of corporate governance arrangements in order to conduct the business in a prudent and well organised manner
Launch their Climate Change Risk Framework	Achieved – we introduced this framework which provides a basis for the Connells Group to control and manage the financial risks from climate change
Review of ESG policies	Achieved – Connells confirmed that they have policies in place for environmental and social considerations and meet all legal and statutory requirements
Prepare to publish their first TCFD disclosures	Achieved – Connells' first TCFD reporting will be included in their annual reporting for the year ending December 2022

Group Governance Targets 2023

What we aim to achieve in 2023

In order to continue delivering on our corporate governance ambitions, we've set ourselves the following Group targets for 2023 and beyond.

The Society

- Continue to embed the UN Principles for Responsible Banking.
- 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.

Jade

- Become an official B-Corp certified business, and to continue embedding the B-Corp framework across Jade's operational areas, including Governance, Workers, Community, Environment and Customers.

SBF

- Deliver ESG training to all SBF colleagues by FYE 2023.
- 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.

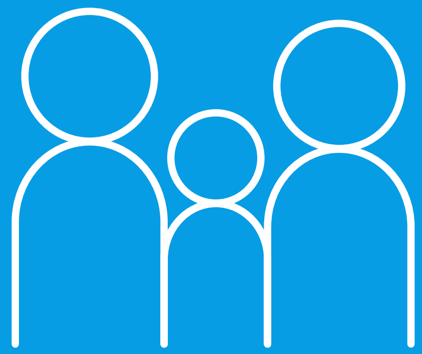
Connells

- Develop quantitative climate change risk stress testing approach.
- Benchmark TCFD disclosures against others and enhance disclosures where appropriate.

SIL

- Retain Feefo Platinum Trusted Service Provider by year end 2023.
- Complete UN Principles for Responsible Business impact analysis and identify two targets to address any areas for improvement.

Governance



Effective and transparent governance remains critical to us. We achieve this through oversight of our climate and ESG-related risks and opportunities across the Society and the wider Group. In 2022, we continued to build on our strong governance foundations, refining our journey further.

UN Principles for Responsible Banking update

We evaluated the Society's alignment with the Principles throughout 2022

In October 2021 we became a signatory for the United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Banking, joining more than 300 financial services organisations who are committed to delivering responsible and sustainable finance.

Through the six principles, all signatories take action to align their core strategy, decision-making, lending and investment with the UN Sustainable Development Goals and the Paris Climate Agreement, shown opposite.

In Appendix 3, you can see our first report using the self-assessment template provided by the UNEP FI. This self-assessment report shows our progress against the six principles, including our impact analysis which helped us to identify our most significant impacts.

SIL intend to complete their initial impact analysis report in Q1 2023. Along with the Society, they will then look to set two targets during 2023.

1. Alignment

We'll 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

2. Impact & Target Setting

We'll 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'll set and publish targets where we can have the most significant impacts

3. Clients & Customers

We'll 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

4. Stakeholders

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

5. Governance & Culture

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

6. Transparency & Accountability

We'll 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

Governance Structure

Board oversight of climate change-related risks and opportunities continues to be embedded within the Society's governance framework. We've also refined attendance at the Sustainability Governance Group and the Climate Change Risk Forum to include relevant attendees from across Group senior management. This supports our vision of a more joined up approach to governance

Formal Board Committees

The SBS Board

Responsible for the long-term strategy of SBS and the Group, and oversight of major risks and opportunities (in part through the work of respective Board Committees)

SBS Remuneration Committee

Responsible for the design of long-term incentive arrangements and setting targets for performance-related schemes. This includes setting ESG goals for the executives

SBS Board Risk Committee

Responsible for ensuring that the SBS and the Group maintains an effective risk governance structure, including the review of the financial and operational risks arising from climate change and management strategy to mitigate these

ESG Special Interest Group

Supports the SBS Board in considering environmental and social governance matters from a business-wide perspective

Chief Commercial and Strategy Officer

Accountability for ESG activities and Chair of the Society's Sustainability Governance Group

Chief Risk Officer (CRO)

SMF Accountability for identifying and managing financial risks from climate change and Chair of the Climate Change Risk Forum

SBS Sustainability Governance Group

The SGG provides formal governance over the following areas: agreeing strategy, signing off ESG-linked policies, signing off the ESG targets and signing off the Group Responsible Business Report

SBS Climate Change Risk Forum (CCRF)

The CCRF supports the CRO in their responsibilities for identifying and managing financial risks from climate change. It also provides central oversight and coordination for climate risk activities

Further details on the senior management responsibilities and activities are set out in the Corporate Governance Report of the Society's 2022 Annual Report and Accounts

Board Oversight

Board Risk Committee

The Board has delegated oversight of climate risk management to the Board Risk Committee, although ultimate responsibility continues to reside with the Board.

The Board Risk Committee receives regular updates on climate-related risk.

Recent areas of focus of the Board Risk Committee include assessment of:

- Our Climate Risk Management Framework.
- Climate change stress and scenario analysis (reviewed in January 2023).
- Mortgage Credit Risk Climate Risk Management Information.

Remuneration Committee

For 2022, the Remuneration Committee had oversight of the review of senior management's remuneration for the 2022 financial year. ESG performance remains intrinsically linked to some of the targets and measures linked to remuneration.

Further information on the responsibilities and oversight of the Remuneration Committee can be found in the Group's 2022 Annual Report and Accounts.

ESG Special Interest Group

While not a formally required committee, the ESG Special Interest Group was set up in 2021 with representation from Non-Executive Directors and members of the Society's Executive Committee.

Throughout 2022 at quarterly meetings, the ESG Special Interest Group has continued to support the Society's ESG strategy across the business and provided steer and challenge for group-wide ESG performance.

Executive & Management Responsibilities

Climate Change Risk Forum

To support the Chief Risk Officer with climate-related risk responsibilities, we established the Climate Change Risk Forum in 2020.

This group meets quarterly and is chaired by the Chief Risk Officer. The Forum includes senior representation from around the business to coordinate activity associated with the identification, assessment, management and monitoring of climate risk.

During 2022, the Climate Change Risk Forum has:

- Overseen progress to further embed compliance with climate risk-related regulatory expectations.
- Reviewed the key physical and transition risks to which the Society and the Group are exposed.
- Reviewed and updated the Climate Risk Management Framework.
- Provided input and review of the climate risk scenario analysis activity, including review of the stress scenarios and assumptions.

Sustainability Governance Group

Formerly the Sustainability Steering Group, this group was refocused in 2022 to drive governance and oversight of strategic, commercial and policy-based sustainable decision making within the business.

Bi-monthly meetings, chaired by the Chief Commercial & Strategy Officer, continued throughout 2022, attended by senior leaders from across the business. In 2022, key representatives from Group subsidiaries also attended these sessions as needed.

Key outputs in 2022 for the SGG:

- Approval of Mental Health UK Partnership extension.
- Discussion on supply chain review approach and approval of partnership with EcoVadis.
- Approval of the Net Zero and ESG Strategies.
- Oversight of the planning and production of the Group Responsible Business Report 2022.

Being Transparent and Accountable

Running our operations and services with high standards of transparency and accountability are critical to us at the Society

Tax Transparency

Our commitment is to be a responsible taxpayer, paying the right amount of tax at the right time and maintaining an open and constructive working relationship with the tax authorities. Our Tax strategy is publicly available on the Society's website.

Our tax strategy is at Group level and is owned by the Board.

We report on our tax in our Annual Report and Accounts, detailing the principal entities included, business activities and tax paid.

Our Regulators

As a large financial services firm, we've two key regulators who we work with and hold ourselves accountable to, as well as our members and customers:

The Financial Conduct Authority (FCA)

The FCA principally focus on achieving the right outcomes for customers via our conduct and provision of services. They've supervisory and enforcement powers, so could issue fines if we're actively in breach of any of the conduct rules. As a business we've dedicated teams to review our alignment with regulatory expectations and to protect us from risk of delivering poor customer outcomes and regulatory non-compliance.

Prudential Regulation Authority (PRA)

The Bank of England prudentially regulates and supervises financial services firms through the Prudential Regulation Authority (PRA). The PRA create policy for regulated firms to follow, with focus on controls to mitigate financial risks and the maintenance of adequate levels of capital resources.

Our executives and senior management have regular meetings with both key regulators to keep the regulatory relationship strong and up-to-date.

Supply Chain Governance

Seeking to be a responsible business includes the relationship we've with our suppliers. We've a Supplier Code of Conduct which suppliers are expected to adhere to. This Supplier Code of Conduct includes information on checks made of suppliers prior to onboarding, and expectations of suppliers to support the United Nations' Sustainable Development Goals.

Our tender process includes questions for suppliers on their social and environmental commitments. These answers and evidence submitted is reviewed in conjunction with the business proposal for a new tender.

To further develop this and improve our visibility of ESG risks across the supply chain, in September, we launched an initial three year partnership with EcoVadis, a global ESG ratings company. EcoVadis will review our supply chain based on 21 criteria grouped into Environment, Labour & Human Rights, Ethics and Sustainable Procurement categories. We've asked an initial group of our suppliers to complete a questionnaire provided by EcoVadis which is assessed by their ESG analysts and provides us with an overview of strong points and areas of improvement across our supply chain. As at year end 2022, 37 of the initial 50 managed suppliers surveyed have responded.

We've been pleased to note that of our suppliers rated so far, the average score has been 57.8*, well above the average score of 44.8 for all suppliers rated by EcoVadis.

We'll continue to mature the ESG profile of our supply chain, and will continue reporting on our findings and improvements in future reports.

*correct as on 31st December 2022.

Being transparent and accountable

(continued)

Making our products and services more sustainable

In 2022, we made enhancements to our range of products and services.

Updating Lending Restrictions

As of this year, we've updated our lending requirements by removing restrictions on lending to customers who have already made green adjustments to their homes. The Society now lends on properties that have leased solar panels, biomass boilers, wind turbines and flat roofs used as a grass/garden area.

Affordable Housing

In 2022, we joined the government's First Homes Scheme, lending on first homes at 30-50% less than the market value for customers in England. We also made it easier to purchase New Build flats with a 10% deposit and enhanced our Buy to Let proposition to support lending up to 75% LTV on New Build flats.

Financial Advice

We've redesigned our sustainable investing proposition to include a range of sustainable passive funds offered by abrdn and Vanguard Asset Management Ltd. The fund range is similar to our current core proposition, using the same diverse spread of asset classes and the same risk and reward targets, however, they also have sustainable principles. The funds will limit holdings in specific industries such as production of arms, tobacco or thermal coal as well as engaging with companies that work to enhance ESG initiatives, such as companies with low carbon emissions or ones that follow UN Global Compact rules.

Connecting with external parties

We've worked with many parties to achieve our ESG ambitions

Throughout 2022, we've been working with a number of different organisations, initiatives and non-governmental organisations (NGOs) to help us better understand the scale of social and environmental challenges and ways that we can use the knowledge and insight of external parties to help measurably improve our own impact on the society and the environment. The following list indicates which parties we've worked with to understand wider needs in 2022.

Third Party	How we've worked together
envantage	Calculated our Greenhouse Gas emissions for Scopes 1, 2 and 3
Electrify Heat	Supporting initiatives and political activity to champion 'clean heat' in domestic residences
ecovadis	Screen our third party suppliers to promote transparency of ESG credentials
Climate Action Ilkley	We've supported local climate mitigation activity, from the Ilkley Car Free day to biodiversity regeneration at the Ilkley South Bank site
Community Land Trust Network	Engaged in conversations to understand alternative models for affordable homes across the UK
UK Cohousing	Engaged in conversations to understand alternative models for affordable homes across the UK
PCAF	Engaged with the PCAF carbon accounting methodology and attended regular residential property working group meetings
Green Finance Institute	Members of the GFI's Consumer Finance Group, adding our voice to conversations relating to the government's Green Finance Strategy
S&P Global	Financial ratings agency providing ESG ratings scores derived from company data

Third Party	How we've worked together
UNEP Finance Initiative Principles for Responsible Banking	Since 2021, we've been signatories of the UN PRBs, performing an impact assessment and embedding the principles within business practices and governance
onHand	We worked with OnHand to provide free access to the volunteering app for all of our colleagues at SBS and Skipton Business Finance
Business Disability Forum	We've worked with the Business Disability Forum to achieve high standards of service when supporting colleagues and customers who have a disability. We spoke at the Business Disability Forum Customer and Service Taskforce in July 2022
AccessAble	AccessAble continue to audit new locations and refurbished branches, to ensure that up to date and accurate accessibility information about our branches is consistently available online
SignVideo	We use SignVideo to provide British Sign Language remote interpretation facilities for our customers
	The Communication Access UK training continues to be an invaluable resource for customer facing colleagues, providing insight and guidance about how to communicate with disabled or older people in an accessible and inclusive manner
Ambiental Environmental Assessment	Provide portfolio climate risk data (including flood, coastal erosion and subsidence data)
rightmove	Provide portfolio climate risk data (including EPCs)
Yorkshire Dales Millennium Trust	Partnered to support ongoing commitment to planting trees and boosting biodiversity across the Yorkshire Dales
TBL	TBL Services provided ESG consulting support services to help the Society's ESG team in delivering their projects through 2022 and ongoing into 2023

Risk Management

Many of the fundamental risks posed by climate change and wider ESG issues remain the same. However, as global temperatures continue to rise and the crystallisation of risks across the world become ever more frequent, we continue to identify, assess and review these risks, and any emerging ones, with regularity.

Overview

Our key achievements in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations are summarised below, along with areas of focus for 2023 and beyond

	Governance	Strategy	Risk Management	Metrics and Targets
Key progress to date	• Senior Management Function responsibility for the identification and management of the financial risks from climate change allocated to the Chief Risk Officer (previously the Chief Financial Risk & Data Officer) • Senior Management remain engaged with ESG and climate change risk via periodic updates and management reporting • Further embedded the Climate Change Risk Management Framework	• Updated our ESG strategy to capture our trajectory towards new and stretching initiatives to deliver on our environmental, social and corporate governance ambitions • Set out our Net Zero Strategy to play a more impactful role in helping the UK to achieve Net Zero greenhouse gas emissions • Updated our overall Society strategy to include playing a leading role in greening UK homes • Launched our Green Additional Borrowing range in January 2022, to support Society customers in making their homes more energy efficient and reducing their carbon footprint • We've teamed up with Vibrant Energy to offer all Society customers a free comprehensive home energy efficiency report (EPC Plus) for their property • Completed S&P Global Ratings ESG questionnaire for the first time in 2022 to support our assessment of ESG standards • Increased oversight of our suppliers' ESG impact through partnership with EcoVadis • Improved our sustainable investing passive fund for our financial advice customers	• Evolved our climate change scenario analysis to assess the impact of climate-related risks on the Group's risk management practices and strategic planning • Mortgage new lending risk controls have been enhanced and strengthened for flood and coastal erosion informed by portfolio physical risk data	• Through partnership with expert third parties, the Society continues to produce regular monitoring and management information, including hazard maps demonstrating geographical, physical and transition risk concentrations on the residential mortgage book • The Society maintained carbon neutrality for our Scope 1, 2 and grey fleet (personal vehicles used for business purposes), air and rail journeys in 2022 through our carbon neutral offsetting programme throughout the year • We've continued to develop our capabilities to measure our carbon footprint across the Group. The Society and several subsidiaries have screened their Scope 3 emissions for the 2021 financial year

Overview

(continued)

	Governance	Strategy	Risk Management	Metrics and Targets
Future Focus	• Continue developing regular reporting of key climate-related risks and opportunities to Board and Senior Management	• Partnership with dedicated ESG platforms to capture, monitor and track progress against ESG targets and to inform future activity • Continue prioritising initiatives that support the greening of the UK housing market • Focus on supporting our customers and brokers in the transition to a greener future	• Further develop climate risk management capabilities, learning from ongoing internal stress testing, evolving industry practice and regulatory expectations • Develop quantitative risk assessments into lending risk management practices and risk appetite optimisation • Continue to monitor EPC transition risk to track mortgage portfolio property retrofitting, including exposure to the risk from increasing minimum EPC standards for Buy to Let mortgages	• Seek to utilise insights from climate risk stress testing to inform strategic goals with respect to climate risk management, supporting sustainable growth and resiliency • Continue evolving our climate risk management information to monitor our key climate risks and track performance against our targets • By the end of 2023, reduce Scope 1 and 2 emissions by 5% from 2022 levels • By 2030, reduce Scope 1, 2 and operational Scope 3 emissions by 50% from 2021's reporting figures • Establish targets to achieve Net Zero Scope 1, 2 and 3 operational and financed carbon emissions by 2045 at the latest • Offset all remaining Scope 1, 2 and limited Scope 3 operational emissions • Support Group subsidiaries to develop their own environmental and Net Zero strategy • Sign the commitment letter to the Science Based Targets initiative (SBTI) and set science-based emission reduction targets for the Group

Identifying and Assessing Risks in 2022

Risk and Strategy

Risk and strategy are two sides of the same coin. Whilst we've identified the strategies linked to climate change and ESG within the Strategy section of this report, this section will focus on how we've identified and assessed the associated risks throughout 2022.

Identification of climate-related risks

This year, we completed a review of the climate-related risks we identified in 2021 and updated for any new or evolving risks. The assessment involved relevant subject matter experts from across the Group and considered the likelihood of risk crystallisation and potential risk impact to the Group and our customers. This cross-functional qualitative exercise was overseen by the Climate Change Risk Forum.

Risk	Expected Time Horizon*	Potential Impact on the Group, Strategy, and Financial Planning
Credit Risk		
Transition	Short – medium term	Risk of customer default on mortgages and loss to the Society. This could be driven by a transition towards a Net Zero economy such as: • Disruption to some employment sectors due to changing technology, government policy, consumer and investor sentiment • Government policy impacts on property valuation and/or increases in cost of home ownership for less energy efficient properties
Physical	Medium – long term	Potential for damage to mortgage assets caused by increased severity and frequency of physical risk perils such as flooding, subsidence or coastal erosion, leading to a decrease in property values

Risk	Expected Time Horizon	Potential Impact on the Group, Strategy, and Financial Planning
Operational Risk		
Transition	Short – medium term	Higher supply chain costs as suppliers pass on the impacts of the transition to a greener economy. Switching costs and potential for disruption to the provision of goods and services if there's a requirement to transition to a supplier with a lower carbon footprint
Physical	Medium – long term	Damage to branches, offices or systems caused by physical risk peril events, such as flooding, leading to operational disruption with: • Customers unable to interact with us • Colleagues prevented from accessing the office or branches • Colleagues unable to work remotely due to infrastructure damage impacting system access Physical risk peril events causing disruptions to our suppliers and delays in the provision of goods and services

*Short term (1-5 years),
Medium term (6-20 years)
Long term (21+ years)

Climate Risks and Opportunities

Risk	Expected Time Horizon*	Potential Impact on the Group, Strategy, and Financial Planning
Reputational Risk		
Transition	Short – medium term	If we're unable to keep pace with changing societal and consumer sentiment with respect to climate change, this presents the following potential risks: • Our proposition may become less attractive to existing and potential customers • Our ability to attract and retain colleagues may suffer • Investor sentiment may be negatively impacted, leading to a reduced ability to attract wholesale funding
Market, Liquidity & Wholesale Funding Risk		
Transition	Medium – long term	The risk of a reduction in financial asset values, a breakdown in correlation between assets and/or a change in market liquidity for certain assets Inability to access wholesale funding should investor sentiments change
Transition and Physical	Long term	Transition and physical risk events could lead to adverse movements in market interest rates and risks to economic growth therefore negatively impacting our proposition and financial sustainability

*Short term (1-5 years),
Medium term (6-20 years)
Long term (21+ years)

Risk	Expected Time Horizon	Potential Impact on the Group, Strategy, and Financial Planning
Business Risk		
Transition	Short – medium term	Potential increase in business costs as regulatory expectations change and green policies and possible tax/levies are introduced for businesses Increased competition from new entrants or existing financial service organisations offering green product innovations
Physical	Medium – long term	Increased costs and decrease in revenue due to physical impacts on the business, for example, increased insurance premiums and repair costs
Legal and Conduct Risk		
Transition	Medium term	Potential for climate-related litigation due to, for example, perceived mis-selling of green retail products and green wholesale funding instruments
Pension Obligation Risk		
Transition and Physical	Long term	Transition and physical risk events could impact pension asset valuations
Model Risk		
Transition	Short – medium term	As we model climate risks over longer time horizons and the models become more complex, there's a potential risk of weaknesses or failure in the design or use of the climate risk models leading to financial losses or poor business decisions

Climate Related Risk Management

Our approach to managing risks from climate change

In 2021, we developed a Climate Risk Management Framework to support the effective identification, management and monitoring of climate risk.

This framework sets out the roles and responsibilities for managing climate risk across the Group and is integrated within our wider governance processes and the three lines of defence approach to risk management.

First Line of Defence

The first line of defence in the context of climate risk management have primary responsibility for the identification, assessment, management and monitoring of climate change risks within their business area. Consideration of climate risk is incorporated into relevant first line processes, risk appetites and control frameworks. With respect to mortgage credit risk, identified as our key climate-related risk, our current controls for managing new lending include conducting a physical inspection of the property for higher loan to values, where any known flood risk or risk of coastal erosion will be reflected in the valuation. 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. The Society's loan conditions require insurance at the point of completion which provides assurance that the property is insurable at that point in time.

As the Society's distribution strategy via intermediaries is UK-wide, this significantly mitigates geographical loan concentration risk. Our concentration risk rules have also been enhanced to consider flood risk.

Our ongoing approach to credit risk management is carefully considered, based on experience from our stress scenario analysis. Regular monitoring provides oversight of any emerging concentration risks on the mortgage portfolio. Climate risk is a known and foreseeable risk where best practice and new information is emerging. The Society continues to be careful and proportionate in our approach; balancing the risks with any adverse impacts on our members and the wider UK housing market.

Climate risk is managed in other risk areas through various mechanisms including consideration as part of the Internal Capital & Liquidity Adequacy Assessment Processes and the inclusion of climate-related risks within our Operational Risk Framework.

Second Line of Defence

The Prudential Risk Oversight team is the second line of defence with respect to the management of climate risk. This team provides oversight, coordination, and challenge to the first line to ensure that regulatory expectations continue to be met, and that we remain alive to emerging risks and the rapidly evolving external environment.

Third Line of Defence

Group Internal Audit, as the third line of defence, provides independent assurance on the effectiveness of climate risk management in accordance with risk-based assurance plans.

Climate Risk Management in 2022

The Society's approach to climate risk management remains proportionate, aligned to regulatory expectations set out in 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'. The Society continues to balance managing our financial risks in an emerging and uncertain area while avoiding unintended consequences. It's important that we focus on taking action, including implementing additional monitoring and early warning indicators, to further prove the Society's management of, and resiliency towards, climate risk while protecting our members. In 2022, the Society has continued to embed the management of climate risk, with key activities as follows:

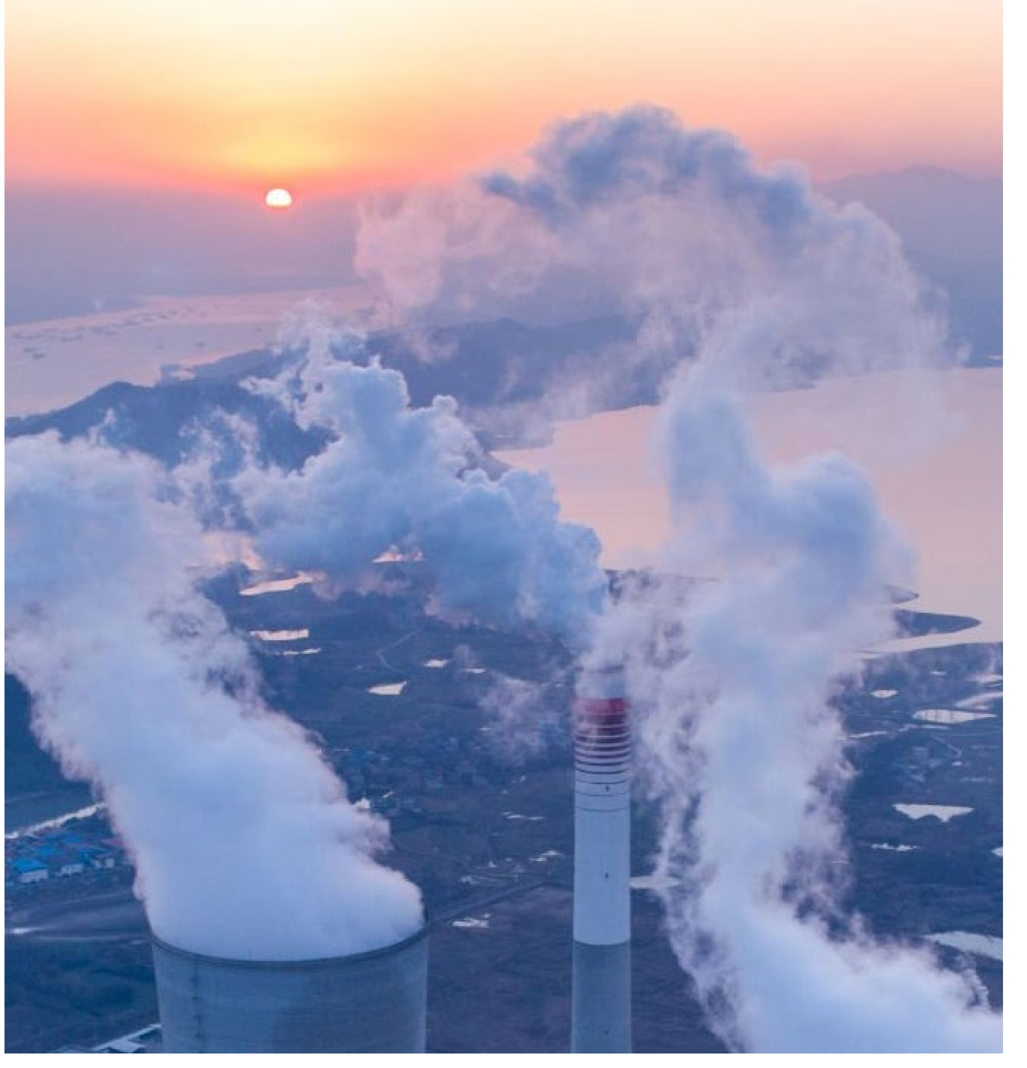
- The ESG Strategy has been further developed to combine both risks and opportunities, taking account of our new and stretching initiatives to deliver on our ESG ambitions.
- Management Information has been further developed to provide regular monitoring of climate risk exposures for Credit Risk, Market & Liquidity Risk and Operational Risk.
- Mortgage new lending risk controls have been enhanced for flood and coastal erosion informed by portfolio physical risk data.
- Engagement with Rating Agencies has been undertaken to incorporate climate risk assessments into counterparty wholesale credit risk due diligence and ongoing monitoring.
- Regular climate risk updates have been provided to the Board Risk Committee during the year.

2022 Climate Change Scenario Analysis

We continue to consider how the Society would be impacted by different climate change scenarios

To help inform our strategic planning and determine the impact of the financial risks from climate change on our overall risk profile and business strategy, we performed dedicated climate risk stress and scenario testing using the three scenarios published by the Bank of England in the Climate Biennial Exploratory Scenario (CBES). The scenarios were used as a starting point for analysing climate-related risks for the Group. The macroeconomics in the first five years were adjusted to reflect the latest current position where required. In addition, a fourth scenario has been designed with more severe macroeconomics in the physical risk scenario to capture a more extreme, but plausible outcome. Details of the four scenarios are below.

Climate Risk Scenario	Description
Early Policy Action	Early and decisive government policy intervention reduces emissions in a measured way, leading to a relatively orderly transition to a Net Zero carbon economy by 2050 and global warming below 2°C
Late Policy Action	Late and more punitive government intervention is applied to achieve the 2050 Net Zero target. Greenhouse gas emissions are limited to keep global warming below 2°C, but due to government policy intervention being delayed until 2030, the transition is disorderly leading to greater transition risks for households and businesses and a macroeconomic shock occurring in 2031 to 2035
No Additional Policy Action	Global governments take no targeted actions to reduce greenhouse gas emissions, resulting in rising global temperatures over 3°C and severe physical risks
No Additional Policy Action (Severe)	This scenario has the same physical risk as the No Additional Policy Action scenario. The macroeconomics are more severe to determine the potential effects from: mass migration from climate displacement, 'cost of living' pressures from escalating fossil fuel prices and scarcity of resources, with rising interest rates to combat inflation all creating prolonged lower economic growth



2022 Climate Change Scenario Analysis

(continued)

The severity of the physical risks used in Skipton's scenarios is defined by Representative Concentration Pathways (RCPs). RCPs are four greenhouse gas concentration trajectories adopted by the Intergovernmental Panel on Climate Change (IPCC) for its Fifth Assessment Report (AR5) in 2013. The RCP scenarios are described in the table below.

Transition risk in the early policy action and late policy action scenarios were assessed, with higher transition risk being observed in the late policy action scenario as the transition to a Net Zero carbon economy is delayed and disorderly. There are assumed to be no transition risks in the no additional policy action scenario. The CBES sets out that this is primarily a physical risk scenario where no new climate policies are introduced beyond those already implemented. Since Skipton's scenario analysis only considers one transition risk, property retrofitting, for simplicity it's assumed that no transition occurs.

RCP	Scenario Emissions	RCP Description	Skipton scenario(s) which use it
2.6	Low	Emissions (carbon dioxide) start declining from 2020 and go to zero by 2100 (estimated global average temperature rise of 1.6°C by 2100)	Early Policy Action
4.5	Low – Medium	Emissions (carbon dioxide) start declining from 2020 and go to zero by 2100 (estimated global average temperature rise of 1.6°C by 2100)	N/A – Not attributed to any of Skipton's climate scenarios
6.0	Medium	Emissions (carbon dioxide) start declining from 2020 and go to zero by 2100 (estimated global average temperature rise of 1.6°C by 2100)	Late Policy Action
8.5	High	Emissions (carbon dioxide) start declining from 2020 and go to zero by 2100 (estimated global average temperature rise of 1.6°C by 2100)	No Additional Policy Action No Additional Policy Action (Severe)

The Society's climate change scenario analysis covered detailed quantitative analysis on the credit risk impacting the Society's residential mortgages and high-level qualitative analysis where appropriate for less material exposures and the wider Group. Skipton's scenario analysis methodology continues to evolve as our knowledge and experience of climate change risk increases.

The approach to assessing the physical risks on the Society's residential mortgage portfolio involved using forecast data from Ambiental Technical Solutions Limited (Ambiental).

The damage to Skipton's mortgage assets is the key physical risk from climate change considered in the scenario analysis. The physical risk perils included are flood risk, subsidence risk and coastal erosion. Physical risk peril data at specific property level has been sourced from Ambiental.

Climate change, and the policies to mitigate it, will occur over many decades. To ensure both short and long-term impacts are considered, credit risk scenario analysis impacts have been assessed at 2030 and 2050.

In the no additional policy action scenario, global warming relative to pre-industrial times reaches 3.3°C by 2050. Climate scientists' projections conditioned on no further policy action suggest, however, that temperature increases as significant as these would only be likely to occur later in the century. As such, the no additional policy action scenario has been calibrated so that the physical risks which might be expected to materialise in the period from 2050 to 2080 are considered in the period from 2020 to 2050. This is consistent with regulatory guidance provided in the CBES.

Flood risk is assessed by forecasting the impact of each climate change scenario on the combination of fluvial (river), pluvial (surface water) and tidal (coastal) flooding using the Met Office's UK Climate Projections (UK CP18). Advanced hydrological modelling techniques and flood defence information are applied to project the flood depths and damage based on different return periods which are combined into a flood risk rating per property, based on each climate scenario and forecast time period. These outputs, provided by Ambiental, are applied as an impact on property values using stressed assumptions, informed by historical impacts on house prices from flood events.

Subsidence risk focuses on the hazard of shrink-swell, which is the impact of absorption and loss of water from clay minerals in soil which creates expansion and

2022 Climate Change Scenario Analysis
(continued)

contraction in the ground. This shrink-swell variation can cause ground movement which can impact building foundations causing the most common form of subsidence. Climate change in the UK is expected to create wetter winters and drier summers increasing the likelihood of shrink-swell. Ambiental create a subsidence risk score based on GeoClimate data from the British Geological Survey which identifies the potential for clay shrink-swell to occur at a given location, during a given future time period, based on a combination of geological, hydrological and climate projection data. Subsidence risk has been applied to the property valuation based on the likelihood of the event occurring to uninsured properties combined with an assumed cost of remediation works.

The risk from coastal erosion is modelled by Ambiental based on identifying the current distance to the coast and calculating the annual erosion rate based on the climate scenario and shoreline management plan. The Society has taken the conservative view that if any coastal erosion risk exists in the forecast outcome year, then the valuation depreciates to zero and default occurs, incurring a loss at a minimum equal to the current balance. It's assumed that home insurance will lapse due to increasing premiums or no cover being offered, and as the event becomes inevitable over time, the property price will be impacted well in advance of the event.

The data and expertise provided by Ambiental enables Skipton to develop a greater understanding of our current and future physical risks from climate change. Climate risk forecasting for physical risk perils is complex due to many uncertainties. The data provides a best view of the impact on individual properties from different climate change emissions scenarios, based on the information available today. Forecasting the impact of each climate emission scenario over multiple decades is multifaceted. The forecasts are based on the current information available, current topography, infrastructure and government policies, such as flood and coastal defences. These considerations, among many others, will inevitably change over time impacting the climate forecasts.

The key transition risk considered at this point is from retrofitting UK properties to improve energy efficiency. EPCs are currently the best source of information to assess the energy efficiency of UK properties, however they've several limitations, including properties without an EPC, and information not being updated unless another survey is carried out.

The Society are supporting improving this by offering all Society customers a free EPC Plus. A high proportion of our residential properties have an actual EPC, while the remainder have been modelled. In line with regulatory guidance, the Society has modelled this transition risk as an impact on property value. Assumptions such as transition costs and the government subsidy follow the key principles and methodologies set out by the CBES.

2022 Climate Change Scenario Analysis

(continued)

The Society's close collaboration with Rightmove and Ambiental will enhance our understanding of the climate data available and will allow future enhancements to the scenario analysis methodology and approach to risk management.

For example, Skipton International Limited, part of the Skipton Group, have collaborated with Ambiental to commission an aerial survey of the Channel Islands using Light Detection and Ranging (LiDAR) technology to facilitate the development of enhanced flood risk model data to use for future scenario analysis.

Scenario analysis outcomes

The Society has combined detailed quantitative analysis with qualitative assessments where appropriate for exposures regarded as less material. This is aligned to PRA expectations which note that a firm’s approach to managing the financial risks from climate change should mature over time and be proportionate to the nature, scale and complexity of the business.

The credit risk outputs are detailed and provide indicative quantitative results to help us understand our climate risk over the short and long-term.

The Society's scenario analysis outputs for the residential mortgage portfolio show that by including more severe macroeconomics, the physical risks have a greater financial impact than the transitional risks over the longer term. The impact of more severe macroeconomics inflating account level default risk combined with climate discounted property valuations has a larger effect on modelled expected credit losses (ECL) than the transition risk scenarios.

Based on our scenario analysis results, the more material effects from climate change occur towards 2050, particularly in the no additional action (severe) scenario. This is mainly as a result of the macroeconomic stress from climate displacement causing mass migration, 'cost of living' pressures from escalating fossil fuel prices and scarcity of resources. These outputs are uncertain when noting the infancy of scenario analysis approach and sizeable unknowns involved, such as the numerous potential carbon emission pathways, the climate modelling assumptions and change in mortgage portfolio over several decades.

In the near term, by 2030, scenario analysis outputs show a modest increase in ECL. The increase is most noticeable in the late policy action scenario as a result of macroeconomic effects due to the

2022 Climate Change Scenario Analysis

(continued)

disorderly transition, rather than the discounts applied to house prices as a result of physical or transitional risks. The date and magnitude of this macroeconomic impact is uncertain, but increasingly appears more likely to be later rather than sooner due to competing government priorities and limited resources.

Sensitivities have been performed to understand the impact of larger property discounts due to flood risk, different subsidence risk parameters and alternative default risk assumptions.

Informing our strategy

We've used the results of our quantitative and qualitative scenario analysis assessment to help inform our strategy and management of climate-related risks. Credit risk climate scenario analysis results have been considered as part of capital and impairment assessments. The Society's ICAAP document includes detail on the scenario analysis methodology and outputs as well as an assessment on whether to hold additional capital for the credit risks from climate change.

Considering the immaturity of scenario analysis approach and sizeable uncertainties involved, assessing both capital and impairment requirements based on outputs considerably beyond current planning horizons is not appropriate at this time.

The short-term climate risk scenario outputs do not present a material risk to the Society, with transition risk effects yet to be fully embedded, and the worst effects of physical risks more likely to occur in the second half of this century. The assessment of the residential lending portfolio at property level to determine the potential impact of key climate-related physical and transition risks did not lead to a change in carrying amounts as at 31 December 2022 or 31 December 2021.

The Society continues to learn ways to improve our approach to climate scenario analysis and continues to improve methodology, assumptions and data each year, aligned to emerging regulatory expectations and industry practice. Climate scenario analysis remains in a developmental phase. We've made material progress during our initial scenario planning exercise and continue to believe that climate scenarios, while assumptive, can helpfully inform the Society's strategic and risk-management decision-making. However, we also recognise that climate scenario modelling remains a rapidly developing practice with significant challenges and limitations remaining, and there's a need to be cautious in the use of the data involved. Areas for improvement are being identified for the next iteration of scenario analysis as this remains a key tool for understanding and managing our climate-related risks.

The Society will continue to explore data sources and ESG ratings, embedding this into monitoring and assessing the impact of ESG risks on wholesale counterparty creditworthiness. Our ability to understand the operational risks from climate change will continue to improve as we capture more data relevant to this area.

Insights from scenario analysis and climate risk management information will continue to shape the Society's risk appetite and risk management approach. Proportionate controls to manage the climate risks from mortgage origination were implemented during 2022 and further enhancements will be considered if appropriate.

Climate risk is a known and important concern for the business over the medium to long term, but not one which is expected to create material financial risks for the Society in the short-term.

Appendices

Appendix 1 – Note on Basis of Preparation

The reader should be aware that this report, and the information contained within it, is prepared on the following basis:

This report and any information contained or otherwise accessible through the websites mentioned in this report are historical and only speak as of their respective date. The Society is under no obligation to update these materials, absent a legal duty to do so. This report has been prepared for information and reference purposes only; it does not provide any form of legal, tax, investment, accounting, financial or other advice.

The preparation of this report requires the application of several key judgements and requires assumptions and estimates to be made. The key areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to this report, include sustainable financing, carbon emissions and measurement of climate risk. There's a risk that the judgement exercised, or the estimates or assumptions used, may subsequently turn out to be incorrect.

Forward-looking statements, particularly those regarding ambitions, metrics, targets, goals, strategy, scenario analysis and estimated climate projections and emissions, are generally not based on historical facts, but instead represent management's beliefs at the date prepared regarding future events, current plans, expectations and projections, and are subject to significant inherent risks, uncertainties and other factors which may result in the Society being unable to achieve the current ambitions implied by such forward-looking statements.

Reported numbers and projections reflect the best estimates and judgements made in good faith at the date of this report and forward-looking metrics will be inherently uncertain and subject to external factors.

This report uses models, external data and other sources/methodologies, each of which are subject to ongoing adjustment and modifications beyond our control. The outputs of these models, external data and other sources/methodologies can be materially affected by the quality of the underlying data used and a lack of high-quality historical and current data on emissions is currently a challenge. They may therefore be subject to uncertainties affecting the accuracy of their outputs.

There's a risk that the outputs may be misinterpreted or misused when dealing with concepts which are being developed and updated by regulators, governments and industry bodies, such as climate-related disclosures and other environmental, social and governance data points. This is due to the lack of established market standards, historical data/reference points and benchmark data as in the case of climate change and its evolution.

The quality of the data relied upon in ESG reporting is often not yet of the same standard as more traditional financial reporting and therefore presents an inherent limitation to the ESG performance reported in this report.

To the extent permitted by law, the Society makes no representation, warranty or assurance of any kind, express or implied, or takes no responsibility or liability as to the fairness, accuracy, reliability, reasonableness, correctness or completeness with respect to (1) third-party information found at any websites operated by third-parties; and (2) the opinions or conclusions expressed in this document. The Society hasn't and does not intend to independently verify third-party data.

ESG reporting is not yet subject to the same accounting rigour or globally accepted principles and rules as financial reporting. Accordingly, there's a lack of commonly accepted reporting practices to follow or align to. Regular review of the available data sources will be conducted to enhance our methodology and processes to improve the robustness of the performance disclosed over time.

This report and the information contained within it is unaudited (however it's our intention that this information will be audited in future).

Changes and the development of accounting and/or reporting standards could materially impact the performance metrics, data points and targets contained in this report.

Climate and sustainable funding and financing activities and their classification and reporting are still not subject to a single recognised or accepted, consistent and comparable set of definitions or standards in the UK or globally. There's little certainty that such activities and/or reporting of those activities will meet future expectations or requirements. We expect policies, regulatory requirements, standards and definitions to be developed and evolve over time.

As standards and practices evolve, it may mean subsequent reports do not allow a reader to compare performance metrics, data points or targets from one reporting period to another, on a direct like-by-like basis.

Appendix 2 – TCFD Requirements Index

Within the Group, the Society and our subsidiary, Connells Group, are mandated to disclose their response to climate-related risks and opportunities aligned with the requirements of the Taskforce for Climate-Related Financial Disclosures (TCFD). Here, we report only on the Society's TCFD disclosures. Connells Group disclosures will be filed at Companies House alongside their Annual Report and Accounts

TCFD Disclosure	Location of Disclosure Details
Governance: Disclose the organisation's governance around climate-related risks and opportunities	
a. Describe the board's oversight of climate-related risks and opportunities	Governance structure section pages 46-47
b. Describing management's role in assessing and managing climate-related risks and opportunities	Governance structure section pages 46-47
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material	
a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term	Climate Risks and Opportunities sections pages 12 and 54-55
b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning	Climate Risks and Opportunities section pages 54-55
c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	2022 Climate Change Scenario Analysis section pages 57-61
Risk Management: Disclose how the organisation identifies, assesses and manages climate-related risks	
a. Describe the organisation's processes for identifying and assessing climate-related risks	Identifying and Assessing Risks in 2022 section page 54
b. Describe the organisation's processes for managing climate-related risks	Climate Related Risk Management section page 56
c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Climate Related Risk Management section page 56
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Waste, Water and Plastics section page 17, Climate Risk Metrics section pages 27-29
b. Disclose Scope 1, 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Environmental Metrics section pages 18-26
c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Group ESG Metrics and Targets section pages 17-43

Appendix 3 – UN Principles for Responsible Banking Self Assessment

We recognise that our business can have both a positive and negative impact on the Unsustainable Development Goals. Whilst this is our first PRB self-assessment report, we anticipate further development and integration of the ability to measure and track progress including impact measurement and target-setting

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
Principle 1: Alignment We'll 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.		
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, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	We're the UK's fourth largest building society, with over one million customers, and a national presence represented by our network of branches. 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. Our vision is to build a better more sustainable society – for our customers, for our colleagues and for all the communities that we serve. As a customer-owned organisation, our business model centres on us providing a secure place for our members' savings which we then use to provide loans for our borrowers to enable them to buy their own homes. We also source funding from the wholesale markets, which diversifies our funding base and improves our financial stability. In addition, we support the rented housing sector by providing Buy to Let mortgages to landlords. Our business model is strengthened by the provision of high-quality financial advice, enabling us to offer guidance to our customers to support their long-term financial wellbeing.	2022 Skipton Annual Report and Accounts, Strategic Report Skipton
1.2 Describe how your bank has aligned and or is planning to align its strategy to be consistent with, and contribute to, society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.	Being a responsible business is part of our mutual heritage. It's also firmly part of our strategic ambition from our people, the environment and the communities we serve. We're working hard to build a better future for all. This year, we've updated our ESG strategy to transparently share our progress against our stretching Environmental, Social and corporate Governance ambitions (ESG). We've set ourselves challenging short and long-term targets that are aligned to our ongoing efforts as part of the United Nations Sustainable Development Goals (SDGs). Continued overleaf.	2022 GRBR, ESG Strategy GRBR ESG Metrics and Targets Corporate Governance and Policy - Skipton's Sustainability Policy

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
Principle 1: Alignment We'll 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.		
1.2 Describe how your bank has aligned and or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.	We've identified four SDG goals where we believe we can have the greatest positive impact, and where they support our strategy and vision to build a better, more sustainable society. **Goal 8 - Decent Work and Economic Growth** Our commitment: we'll be one of the best places to work. **Goal 11 - Sustainable Cities and Communities** Our commitment: we'll help more people into homes and support local communities. **Goal 12 - Responsible Consumption and Production** Our commitment: we'll give more back to the planet than we take. **Goal 16 - Peace, Justice and Strong Institutions** Our commitment: we'll always be owned by and responsible to our members, not shareholders. We'll continue to strengthen our commitments and strategic alignment with global and national frameworks as we evolve and continually review our progress throughout this process.	Being environmentally sustainable - Skipton Building Society
Principle 2: Impact and Target Setting We'll continuously and demonstrably 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 support this, we'll transparently set targets where we can have the most significant impacts and publish our progress against our efforts.		
2.1 Impact Analysis: Show that your bank 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:	Skipton Building Society is a retail financial services provider operating in the UK. As a financial services provider, while we work to reduce our operational impacts, we understand that our main impacts come from the products and services we offer. Our core products and services are savings accounts and mortgages.	2022 GRBR - Identifying and assessing risks in 2022, (page 54)

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
A. Scope: The bank's core business areas and products/services across the main geographies that the bank operates in (as described in 1.1) have been considered in the scope of the analysis. B. Scale of Exposure: In identifying its areas of most significant impact, the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. C. Context and Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. D. Scale and Intensity/Salience of Impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank'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.)	Skipton Building Society is a retail financial services provider operating in the UK. As a financial services provider, while we work to reduce our operational impacts, we understand that our main impacts come from the products and services we offer. Our core products and services are savings accounts and mortgages. Residential households are responsible for approximately 19% of greenhouse gas emissions in the UK in 2020. We firmly believe we can play a positive role in supporting our customers to improve the energy efficiency of their homes. We also see our role in providing finance and support to facilitate the change needed to green the country's housing stock as the UK transitions to achieving Net Zero by 2050. Using the UNEP FI context module tool, we're able to determine that the most relevant challenges and priorities in the UK include climate change and the availability, accessibility and affordability of housing, food and circularity. Through research carried out with our customers and our colleagues, including our Executive Committee, we've identified that supporting accessibility, inclusion of customers and vulnerable customers were the highest issues for customers and colleagues. Having ethical and responsible governance was very important for all, however, climate change was of medium importance.Throughout 2022, we've worked with a host of different organisations, initiatives and NGOs to better understand the scale of the climate challenge. Through this, we've identified ways we can use fresh knowledge and insights to help measurably improve our own impact on the environment. A full breakdown of this is on page 51. Using the UNEP FI Consumer Banking tool, we've identified the impact associations driven by our products and services. We've identified our positive impacts towards availability, accessibility and affordability to finance and housing – contributing to SDGs 1, 8, 9 and 11. We've also identified potential negative impacts of our products and services which include equality, justice and climate stability, with these aligning to SDGs 5, 8, 10, 11, 12 and 13.	2022 GRBR, Materiality Assessment (page 7)

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
Show that building on this analysis, the organisation has: A. Identified and disclosed its areas of most significant (potential) positive and negative impact. B. Identified strategic business opportunities in relation to the increase of positive impacts/ reduction of negative impacts.	Our impact analysis helps us understand the most relevant challenges and priorities related to sustainable development. Through it, we've identified that climate change and financial inclusion (ensuring we're accessible and inclusive for all) are our most significant impacts, presenting the areas where we can further make a real positive contribution.	
Conclusion/statement if it has fulfilled the requirements regarding Impact Analysis.		
Skipton Building Society has fulfilled the requirements regarding impact analysis. We've identified the significant impacts associated with our products and services and will continue to develop our impact analysis. We'll keep our significant impacts under continuous review for all our ongoing and future reporting.		
2.2 Target Setting **Show** that the bank 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 bank's activities and provision of products and services. 2.2 **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. Continued overleaf.	In 2018, prior to becoming a signatory of the PRBs, we first developed our ESG Strategy, aligning it to the UN Sustainable Development Goals. Each year, we review our strategy and the progress we've made, strengthening our ambitions and commitments. Our 2023 Environmental, Social and Governance (ESG) targets remain aligned to the SDGs, providing stretch and challenge over the short and longer-term. As we continue to increase our understanding and progress, our next ambition is to set ourselves science-based targets aligned to the objectives of the 2015 Paris Climate Agreement.	2022 GRBR - Group ESG Metrics and Targets

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
2.2 The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline. **Show** that the bank 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 maximise the net positive impact of the set targets.	As we continue implementing the principles, we'll look to set at least two targets which address the areas of most significant impact and drive a greater contribution to the SDGs. We'll develop an action plan with milestones which will be driven by the Head of Corporate Communications and Sustainability and our Sustainability Team. All our progress will follow strong governance, being reported through our Sustainability Governance Group.	2022 GRBR - Group ESG Metrics and Targets
Conclusion/statement if it has fulfilled the requirements regarding Target Setting		
Skipton Building Society hasn't fulfilled the requirements regarding target setting as we're still in our first year as a PRB signatory. In 2023, we'll develop targets, along with an action plan and milestones, and provide an update in our 2024 report.		
Principle 3: Clients and Customers We'll 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.		
3.1 Provide an overview of the policies and practices your bank 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.	As a mutual organisation, we've been owned by our members for 170 years. It's these mutual roots and our founding social purpose that keep us focussed. We don't answer to shareholders, instead we're accountable to our members, who vote for directors and hold our Board to account. This is what makes us different to banks. Our strategy to achieve this is to create outstanding experiences at the moments that matter. We monitor the tactical delivery of this through four strategic priorities: Absolute Customer Focus, Brilliant People, Powered by Digital Technology and Data, and Financial Strength.	Corporate governance and policy - Skipton Building Society 2022 Skipton Annual Report and Accounts

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
3.1 Provide an overview of the policies and practices your bank 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.	Our Absolute Customer Focus strategic priority centres on delivering an outstanding experience and compelling propositions for our customers. This is based on a deep understanding of our customers' needs gained through research, customer feedback and analysis. We use these insights to continually develop, refine and improve how we do things. Over one million members place their trust in us to help them manage their money, save for their future and secure homes of their own. We conduct regular large-scale market research with members to evaluate their experience of dealing with the Society and how satisfied they are with their relationship with us. This consists of both in the moment feedback following their interaction with the Society, and a more holistic view of how well the Society is meeting their evolving needs and expectations. We've a range of established policies and practices in place to promote responsible relationships with our customers. These include: • Sustainability Policy • Supplier Code of Conduct • Modern Slavery Act commitment • Women in Finance charter and commitments • Diversity and Inclusion report • Security Policy • Vulnerable Customer Policy. We're committed to deliver fair customer experience and outcomes, and taking account of individual circumstances is a key element of this. We ensure colleagues are fully aware of this and are appropriately trained to recognise signs of actual or potential vulnerability. Our Vulnerable Customer Policy and Guidance Document is in place to ensure that we provide good customer outcomes throughout the whole customer lifecycle, regardless of their circumstances or characteristics of vulnerability.	Our Customer Panel - Skipton Building Society Annual General Meeting AGM - Skipton Building Society

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
3.2 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. This should include information on actions planned/implemented, products and services developed and, where possible, the impacts achieved.	At Skipton, we're working with our customers in a range of ways to encourage sustainable practices. Our Green Homes Strategy, found on page 10, outlines the goals and priorities we've set so we can play a supporting role in greening the UK housing market. To play a more impactful role in helping to achieve Net Zero greenhouse gas emissions, our Net Zero strategy sets out how we plan to do this. Our top three priorities are: • To halve Scope 1, 2 and operational Scope 3 carbon emissions by 2030 and achieve Net Zero Scope 1, 2 and 3 (including financed emissions) by 2045 at the latest • To educate and incentivise our customers on steps to decarbonise their homes • To educate and incentivise our colleagues on steps to reduce their commuting and home-working emissions. Our financial advice division has developed an ESG proposition, offering customers a range of sustainable passive investment funds. While this excludes holding shares in specific industries, such as production of arms, tobacco or thermal coal, it does look to include companies that work to enhance sustainability, such as companies with low carbon emissions or follow UN Global Compact rules.	Additional Borrowing - Skipton Building Society EPC Plus Report
Principle 4: Stakeholders We'll proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.		
4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved. Continued overleaf.	Our main stakeholders are our customers, colleagues, suppliers and regulators. Our key stakeholders being our customers, also known as our members. All eligible members are encouraged to vote at our Annual General Meeting (AGM). In 2022, we carried out comprehensive ESG research, combining an online customer survey with in-depth telephone interviews. In total, 1,586 of our customers took part to help inform our ESG strategy. We also undertook a materiality assessment where we assessed numerous potential environmental, social and governance issues that could affect our business, and/or stakeholders.	2022 GRBR Materiality Assessment (page 7)

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
	Supporting accessibility, inclusion of customers and vulnerable customers were the highest issues for customers and colleagues. Helping first-time buyers own homes and promoting a diverse and inclusive workforce were the highest issues for our Executive Committee. The full materiality analysis can be found on page 7. Inviting and acting upon customer feedback continues to be essential in us meeting our customers evolving needs impacted by the developing world around them, and the pace of transformation displayed by other organisations they interact with. Examples of how their feedback has driven improvements to our service offering or impact strategy include: • We've enhanced our accessibility section on the website to include comprehensive information on all the support we offer to people with varying access needs. • We launched green additional borrowing mortgage products to support our customers in reducing their carbon footprint. • Information will be shared more widely on how we're planning to minimise our impact on the environment in the here and now. We closely monitor all our business relationships with suppliers on an ongoing basis. This sees us assessing any risk that has an adverse impact on our customers, our people and the environment in which we operate as a result of these relationships, or as a result of our policies. In 2022, we engaged with EcoVadis to assess the ESG credentials of our suppliers. This ongoing work will help us gain a deeper understanding of their ESG goals and progress, and efforts we can take to drive the highest standards of ESG throughout our supply chain.	Our Suppliers - Skipton Building Society

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
Principle 5: Governance and Culture We'll implement our commitment to these Principles through effective governance and a culture of responsible banking		
5.1 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 effective implementation of the Principles.	Ultimate accountability for how we move and respond to climate-related risk and opportunities resides with the Board. Since 2021, our Board has provided oversight of climate-related and ESG-related risks and opportunities across a range of committees. More information on the Society's governance structures can be found on page 46. Skipton's Group Internal Audit provide assurance for our Group Responsible Business Report. For future reporting, we'll explore external assurance opportunities to support our ESG reporting and disclosures. Our Sustainability Governance Group (SGG) provides a central point of governance for setting and monitoring delivery of our ESG strategy. The group drives governance and oversight of strategic, commercial and policy-based sustainable decision-making within the business. The SGG has responsibility over the implementation of our commitments to the Principles for Responsible Banking.	2022 GRBR Governance (page 44) 2022 Skipton Annual Report and Accounts - Governance
5.2 Describe the initiatives and measures your bank 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.	Our Board and Executive Committee drive, encourage and challenge our colleagues to deliver responsible and sustainable products and services. They regularly engage colleagues on the topic – from dedicated sessions at our annual leadership event through to our Non-Executive Directors participating in dedicated ESG special interest groups. ESG performance remains intrinsically linked to some of the targets and measures linked to senior management's remuneration. ESG weighting is 10% of Group Chief Executive, Executive Committee and Colleagues Single Variable Pay Arrangement (SVPA). This includes 5% colleague engagement, 3% environmental measure and 2% Women in Finance Charter. Our performance and development programmes include mandatory and voluntary training modules available to all colleagues. These include equality and diversity, vulnerable customer awareness and sustainability.	2022 Skipton Annual Report and Accounts, Directors' Remuneration Report

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
5.2 Describe the initiatives and measures your bank 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.	It's important to us that we've a strong understanding of our colleagues' views of their experience of working at the Society and we do this in a number of ways – through team meetings, surveys, employer review websites, listening sessions and independent assessments, such as Investors in People and Best Companies. We also run a colleague survey specifically around sustainability to gain their views on environmental, social and governance matters. Colleagues with more serious concerns have ready access to an established and internally well publicised whistleblowing process which protects their identity. We encourage all our colleagues to get out into their communities and make a difference through volunteering. Everyone can take two working days every year to volunteer for a cause of their choice. They can also take another day to support Skipton's charity partner – Mental Health UK. We've a number of working groups that colleagues get involved in – with many sponsored by executives. These range from a Green Team to the Accessibility Working Party and Social Mobility Taskforce and Pride Alliance.	
5.3 Governance Structure for Implementation of the Principles. Show that your bank 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.	Our governance structure as noted on page 46. The Head of Corporate Communications and Sustainability, along with the ESG team, are responsible for developing the targets and creating the action plan. Our SGG will review and approve the targets and continue to monitor progress made against them. The SGG will provide support and guidance should remedial action be required. The Remuneration Committee is responsible for approving remuneration policies, maintaining oversight of the remuneration which includes monitoring progress against SVPA ESG objectives.	2022 GRBR Governance (page 46)
Conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles		
Skipton Building Society has fulfilled the requirements regarding the governance structure and has established a strong governance structure for ensuring that the principles are implemented and monitored effectively		

Appendix 3 – UN Principles for Responsible Banking Self Assessment

Reporting and self-assessment requirements	High-level summary of bank's response	Links and references to full response relevant information
Principle 6: Transparency and Accountability **We'll 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 Progress on implementing the Principles Show that your bank 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). Show that your bank 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 bank 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.	Skipton Building Society became a signatory to the Principles for Responsible Banking in October 2021. Since then, we've made meaningful progress, strategically integrating and implementing the principles across the business. We've identified the significant impact areas and our next steps are to set a minimum of two targets. Our Group Responsible Business Report details our strategy and progress in becoming a more responsible and sustainable business. Our overarching ESG Strategy and linked sub-strategies show our stretching ambitions and targets. We aligned our reporting to national frameworks including the TCFD framework and have recently signed up to PCAF. We'll continue to participate in UNEP FI initiatives and collective progress survey. We'll look to join the dedicated working groups. And we'll further improve the transparency and accountability of implementing principles in future reporting.	2022 GRBR, Our ESG Strategy (page 9) 2022 GRBR, Group ESG Metrics and Targets (page 41)
Conclusion/statement if it has fulfilled the requirements regarding progress on implementing the Principles for Responsible Banking		
Skipton Building Society has fulfilled the requirements regarding progress on implementing the Principles for Responsible Banking. We've demonstrated commitment and provided our first report against the principles. We'll continue to advance our reporting to ensure we're transparent and accountable		

Glossary

Key Terms	Definition
Beyond value chain mitigation	Mitigation action or investments that fall outside of a company's value chain. This includes activities that avoid or reduce greenhouse gas emissions, and those that remove and store greenhouse gases from the atmosphere
Carbon neutral	A balance between the amount of CO_2 emitted into and removed from the atmosphere
Carbon offsets	Actions intended to compensate for CO_2 emissions by reducing emissions elsewhere, or by reducing the carbon in the atmosphere through carbon capture or similar technology
Climate-related risk	Climate-related risk refers to the potential negative impact that climate and environmental changes present to our business model
EPC	Stands for Energy Performance Certificate, evidence of an energy rating scheme which identifies a household's energy efficiency level and potential energy efficiency level if improvements were to be made. EPC scores range from least efficient (G) to most efficient (A) on a scale. These are a legal requirement across the UK
EPC Plus	Skipton's product for homeowners following partnership with Vibrant Energy. The EPC Plus report provides recommendations of energy-efficient improvements you could make to your home, the cost of carrying them out, and the potential savings that each one could generate
Financed emission	These are the GHG emissions associated with the loans, investments and supply chain expenditure of a financial organisation
Green bonds	Bonds where the funds raised are allocated to environmental uses or projects (including climate bonds). Although not mandatory, the Green Bond Principles provide guidance for issuers of green bonds to ensure consistency and avoid greenwashing
Green gas	Also known as 'biogas', green gas is a renewably generated, low carbon gas that can be used in place of natural gas. Unlike natural gas which is not renewable, biomethane is generated through processes such as anaerobic digestion of plants, like grass, which are more readily accessible than ancient natural gas deposits
Greenhouse Gas (GHG) emissions	Where we see a man-made increase in greenhouse gases in the Earth's atmosphere, which results in heat being trapped. Such emissions contribute to the greenhouse effect, a contributor to climate change

Glossary

Key Terms	Definition
Greenwashing	Making false, misleading or unsubstantiated claims about the positive environmental impact of a product, service or activity
Grey fleet	Grey fleet refers to vehicles owned and driven by employees for business purposes
Just transition	A 'just transition' is one which considers the needs of all stakeholders, including those who currently operate in emission-intensive industries, during the transition to a low carbon economy. This looks to support those working in industries (such as gas and oil energy) where companies need to divest from fossil fuels as part of the transition
Carbon Net Zero	Reducing CO_2 emissions to as low an amount as possible across operational and financed emissions, on the pathway to keeping global temperature rise increases to a minimum, and no greater than 1.5°C average
Operational emissions	These are the GHG emissions through the running of a company's direct operations and premises
Physical climate risks	Physical risk arises from the impact of extreme weather events (e.g. flooding) or longer-term shifts in the climate. It's widely accepted that climate change will accelerate these risks. The main physical transition risks facing Skipton's lending portfolio are flooding, subsidence and coastal erosion
Retrofit	To add new energy efficiency technology or features to a property where these might not have been available at the time it was built. This can include solar panels, cavity wall insulation, improved glazing etc.
Risk appetite	The articulation of the level of risk that the Group is willing to take in order to safeguard the interests of the Society's members whilst achieving business objectives
Scenario analysis	Scenario analysis is the process of identifying and assessing the potential impact of outcomes of future events
Science-Based Targets initiative (SBTi)	A collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Validate company emission reduction targets in line with scientific global warming models
Scope 1 emissions	Under the Greenhouse Gas Protocol methodology, Scope 1 includes all emissions generated by the sources under the direct control of an organisation (e.g. emissions from combustion of fuel or oil for heating offices)
Scope 2 emissions	Under the Greenhouse Gas Protocol methodology, Scope 2 includes an organisation's indirect emissions, such as the purchase of electricity or energy for heating and cooling buildings, produced on its behalf

Glossary

Key Terms	Definition
Scope 3 emissions	Under the Greenhouse Gas Protocol methodology, Scope 3 includes all 'value chain' emissions which the organisation is not directly responsible for itself, such as leased assets, suppliers and colleague commuting
Transition risks	Transition risk arises from the process of adjusting to a low carbon economy impacting, for example, financial asset values, policy, regulation and technology
tCO_2e	Shorthand for 'Carbon Dioxide metric tonne equivalent'. This is a useful measure as it also allows for inclusion of other Greenhouse Gases during emissions calculations, such as refrigerants from air conditioning units