



## **Social Financing Framework**

**September 2021**

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## Part A: Introduction

### 1. About Yorkshire Building Society

Yorkshire Building Society (“YBS”, “Yorkshire” or the “Society”) is a first lien UK residential mortgage lender and servicer. It is the third largest Building Society in the UK with total assets of £47.9bn (2020), in excess of 3 million members and employing ~3,000 full and part time employees.

With origins tracing back to 1864, YBS supports members and customers to achieve their financial goals by helping people into a home of their own and improving people’s financial wellbeing. Much has changed over the course of the 155 year history – the financial services sector is now a major part of the UK economy and technological advancements are transforming the ways in which members are served. The fundamental purpose however, remains the same as when YBS was founded, expressed today as providing Real Help with Real Life.

Based on the latest available industry data from UK Finance as at 2019, YBS was the 9<sup>th</sup> largest mortgage lender both in terms of gross lending for the year and also mortgage stock. With a natural market share of around 2.5%, YBS is in a unique position to be able to respond to demand in an agile way, whilst also maintaining a meaningful presence in the UK mortgage market. In 2020, YBS advanced £6.2bn and £0.7bn of new owner-occupied and buy-to-let loans respectively to retail customers.

	2019	2020
New owner-occupied	£6.9 bn	£6.2 bn
Buy-to-let	£0.8 bn	£0.7 bn

The majority of loans are originated through FCA authorised brokers via the intermediary mortgage market; however, customers also have the option to apply for a mortgage directly, either online or through the telephony channel. This widespread coverage ensures YBS is able to meet the requirements of a range of customers with differing personal circumstances. The majority of lending is in the residential property market, but YBS also provides loans to the buy-to-let, commercial and housing association sectors.

### 2. Real Help with Real Life

To help deliver on the core purpose of providing *Real Help with Real Life*, YBS is continuing to prioritise lending to customers who are currently poorly served by the market, in order to help them overcome the financial barriers they face. This includes targeted initiatives to support underserved segments of the market such as first-time-buyers, self-employed borrowers, early- and later-life lending, and individuals who require the help of shared ownership and social housing schemes.

Such initiatives are enabled through specific product offerings alongside a pragmatic approach to underwriting which uses an element of human involvement, rather than solely relying on automated decision-making models. Examples of these include, but are not limited to:

- Continuing to offer 90% LTV mortgages throughout most of 2020 unlike many other lenders;
- Extending the maximum term and maximum age at term end to 40 years and 80 years respectively;
- Continued participation in the government’s Help-to-Buy scheme; and
- Allowing up to a maximum of 4 borrowers per mortgage application.

Having such an established and well-defined purpose ensures YBS maintains its focus on product propositions with continuous review and improvements that will lead to the goal of 75% of lending to be genuinely purposeful by the end of 2024. This means ensuring the continued provision of lending to the aforementioned customers in an easy and efficient way that suits their needs.

Throughout the COVID-19 crisis, YBS supported borrowers to stay in their homes by approving more than 40,000 mortgage payment deferrals and supporting customers when they needed it most. The vast majority of these customers have now returned to normal repayments.

In response to the devastating impact Covid-19 was having across the country, the Yorkshire Building Society Charitable Foundation launched its Coronavirus Response Fund to support smaller charities across the UK. The £100,000 fund has donated to 61 charities with amounts ranging from £500 to £2,000.

### 3. What it means to be a Society Member

YBS' business strategy is built around its purpose, providing *Real Help with Real Life*. This means delivering on its central ambitions:

- Providing long-term value for members,
- Helping people to have a place to call home and
- Helping them towards greater financial wellbeing.

This encompasses people choosing YBS as their mortgage provider, people renting from customers who are buy-to-let landlords, people living in housing association accommodation we have funded, and people who have received support in 2020 through a partnership with End Youth Homelessness (EYH).

YBS also exists to help people towards greater financial wellbeing. This includes customers choosing to build up their savings, directly or through partners; people who have benefited from financial literacy and employability support through the Money Minds and Career Minds community programmes; or supporting those in later life, through a new partnership with Age UK.

The business model is simple: to provide a secure home for members' savings and use these to enable mortgage customers to buy a home of their own. Additional funds are raised through the wholesale markets and Government funding schemes, which helps to diversify the funding base and provide greater stability and flexibility.

As a mutual organisation, YBS has no external shareholders, so profitability targets are set to make sure that the Society continues to be financially sustainable and creating value for stakeholders in the future. In 2020, this enabled savings interest rates to be maintained at an



average of 0.17% higher than the average rate paid across the market. This equates to more than £51m of value returned to members.

It is important to ensure that the level of income generated covers the cost of running the organisation and delivering products and services for its members. Any additional profit is invested in:

- Protecting the financial position and supporting growth by building capital strength
- The future, through the delivery of better products and services, and
- People, local communities and other social or environmental responsibilities.

Despite the very difficult year which 2020 has been, YBS achieved an impressive Net Promoter Score (NPS) of +53, up from +51 in 2019. The NPS measures how willing customers are to recommend the Society to their friends and family based on their experience.

#### 4. Yorkshire Building Society's Funding Cycle

Yorkshire Building Society is both a regular issuer of Covered Bonds and unsecured notes, and an established and programmatic sponsor of Residential Mortgage Backed Securities ("RMBS") collateralised by UK mortgages. YBS has demonstrated a commitment to its core wholesale funding markets through continued issuance despite successive government funding schemes.

Covered Bonds and unsecured notes might be issued under this YBS' Social Financing Framework (the "Framework") as social notes ("Social Notes"); and an RMBS Issuer may finance the purchase of a relevant pool of loans through a term non-recourse securitisation of the underlying loan portfolio, involving the issuance of securitised social notes ("Social RMBS") to investors, as detailed below. Social Notes and Social RMBS will be defined as the "Social Debt Instruments" or "SDIs".

##### **Our covered and unsecured funding**

Unsecured issuance includes Senior Preferred, Senior Non-Preferred and Tier 2 issued under YBS's EMTN programme. Covered Bond issuance is issued by YBS and guaranteed by the cover pool held by Yorkshire Building Society Covered Bonds LLP. Issuance is available in all currencies; however, has principally been issued in EUR and GBP.

##### **Brass – Our RMBS programme**

The existing Brass platform of RMBS deals is backed by UK owner-occupied home loans only originated by Accord Mortgages Limited ("Accord"), which is a wholly owned subsidiary of Yorkshire Building Society. These loans are sold to a special purpose vehicle ("Brass SPV" or "RMBS Issuer"), a public limited company incorporated in England, established for the purpose of holding such loans and financing the purchase of the loans by issuing RMBS to investors.

Each RMBS issuance is backed by a segregated pool of home loans and is issued by a newly established RMBS Issuer. An amount equivalent to the net proceeds from a Social RMBS will be used for (re)financing new and/or existing Eligible Social Projects.

## 5. Yorkshire Building Society’s Corporate Sustainability Initiatives

YBS actively engages with a number of specialist rating agencies that assess the quality of its Environmental, Social and Governance (ESG), by reviewing its sustainability performance and reporting. YBS is continuing to enhance its disclosures, focusing on transparency and availability of information. Whilst there are currently some inconsistencies with how ESG is measured across different rating agencies, the trends show that YBS has made significant progress in recent years and ranks highly among peers.

### a. Environmental

YBS understands it has a duty of care to its members, the country and the world to reduce the environmental impact and help in the fight against climate change wherever it is viable for the Society to do so. Therefore in 2020, YBS embarked upon a new environmental plan to ‘Build a Greener Society’ to better support its purpose of providing *Real Help with Real Life*. In order to achieve this, YBS ensured high environmental standards became integrated into all relevant business operations to support its core purpose.

The organization has joined the Leeds Climate Commission, which plans to progress a commitment to greater investment in carbon neutrality in the years ahead. The Leeds Climate Commission was established in 2017 to assist Leeds in making a positive choice on issues relating to energy, carbon, weather and climate.

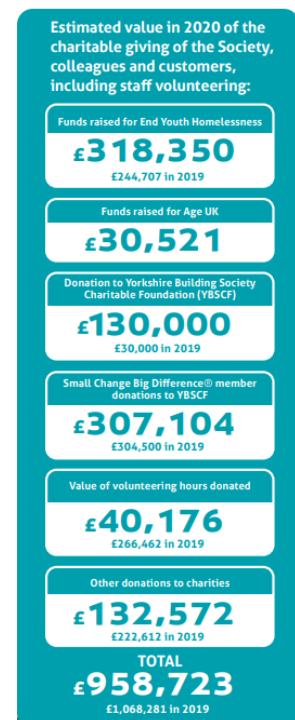
YBS is committed to conducting its business activities as ethically and sustainably as possible, highlighted by maintaining a certified Carbon Neutral status in line with the carbon neutral protocol for the 5<sup>th</sup> consecutive year. This, combined with the Paper Reduction Scheme, which has resulted in a 32% paper usage reduction on 2019, illustrates the commitment to the sustainability and preservation of the environment.

### b. Supporting communities

In 2020, YBS made a commitment to helping people, both in education and at working age, make progress toward their life goals. By the end of 2022, it hopes to have supported 2,000 people with employability, careers planning, work experience and digital skills. Part of these initiatives have been made through redesigning the Society’s recruitment processes and by reshaping our emerging talent strategy, removing any gender bias and reaching a wider range of talent in the local community.

YBS is really proud of the positive impact made thanks to our members and colleagues who are passionate about helping their communities thrive. In 2020, the estimated value of our charitable giving and volunteering programmes was £958,723. Despite the restrictions in place, 7% of colleagues still used some of their 31 volunteering hours allowance, donating a total of 2,200 volunteering hours. YBS continued to expand the flagship financial education programme Money Minds throughout the pandemic, creating six bitesize videos to be used online, covering school ages from Key Stage 1 through to 3.

In 2020, YBS raised £318,350, bringing the total raised during the partnership with End Youth Homelessness to £1,109,740, supporting 557 young people into their own home so far. This incredible achievement was acknowledged throughout the industry and resulted in YBS winning the





best Charity Partnership in the Financial Services award at the 2020 Third Sector Business Charity Awards.

More recently, to support those in the later stages of life, YBS launched a new charity partnership with Age UK in December 2020. The partnership will help to prevent more than 4,700 older people reaching financial crisis point, and support up to 100,000 more with crucial advice around planning for significant life changes.

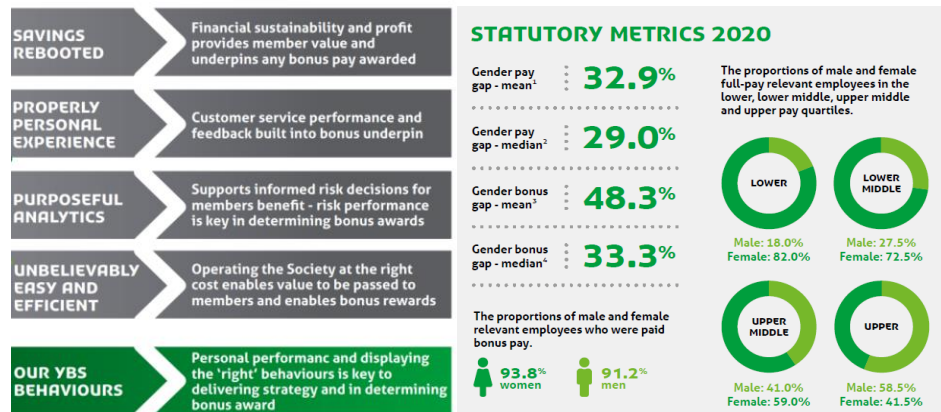
**c. Supporting employees**

The overall employee engagement score increased from 7.4 to 8.3 in 2020. A change of 0.2 is considered significant in an organisation of YBS' size, and it is now in the top quartile for engagement in the industry. The NPS score, which measures loyalty and advocacy, has improved by 34 points since November 2019, placing YBS in the top 25% of Finance, and just one point below the top 10%. The commitment to developing employees was further demonstrated in 2020, with £1.3m invested (2019: £1.48m) in the training of colleagues to help them develop their skills and competencies.

Inclusion has been important to YBS for some time, and its approach has resulted in external recognition. In 2020, the organisation made the leap to 35<sup>th</sup>, up from 47<sup>th</sup>, in the 50 Inclusive Employers List and we were also included in the charity Working Families Top 30 UK employers for the fourth consecutive year.

**d. Governance**

The approach to corporate governance is based on the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council, which



YBS complies with, where applicable. The commitment to operate to this standard helps to ensure the long-term success and a sustainable future for the Society, and for the benefit of our current and future members, customers, colleagues and all other stakeholders. It is recognised that for the business to grow and achieve its commercial aspirations, effective risk management is essential. The enterprise Risk Management Framework explains how a variety of processes fit together to create a consistent and effective way of managing risk across the Society. The key elements of risk management encompass the activities relating to the assessment, control, monitoring and reporting of risk. The Group Risk Committee oversees the Society's risk management framework and assists the Board by providing an enterprise-wide perspective on all risk matters.

## Part B: YBS Social Financing Framework

The Society has developed this Framework under which either an RMBS Issuer or YBS will be able to attract dedicated funding for loans that bring a positive social impact by issuing SDIs, that will contribute towards meeting the United Nations Sustainable Development Goals<sup>1</sup> (“SDG”), and will be aligned with the following five core components of the International Capital Market Association’s (“ICMA”) Social Bond Principles, June 2021 edition<sup>2</sup> (“SBP”):

1. Use of Proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting
5. External Review

This Framework may be subsequently updated as Yorkshire’s sustainable financing needs expand and/or the Sustainable Finance market evolves.

The core elements of the Framework are further defined in the following sections.

### 1. Type of SDI Issuance

The cornerstone of an SDI is the utilisation of an amount equivalent to its net proceeds to finance and/or refinance Eligible Social Projects, which should provide clear social benefits. Eligible Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes for a target population.

#### a. Covered Bonds and unsecured notes

Through this Framework, YBS will also be able to use an amount equivalent to the net proceeds from a Social Note to finance and/or refinance new and/or existing Eligible Social Projects, through Covered Bonds, which will be guaranteed by Yorkshire Building Society Covered Bonds LLP, as well as unsecured – both senior and subordinated – notes in the public and private placement markets.

#### b. RMBS

Likewise, an amount equivalent to the net proceeds received by the Society of each Social RMBS issued by an RMBS Issuer under this Framework, will be exclusively applied to finance and/or refinance new and/or existing Eligible Social Projects. An RMBS Issuer will raise finance for the purchase of the mortgage loans through term non-recourse securitisation from the Brass platform, where YBS will act as servicer of the loans on behalf of the relevant RMBS Issuer.

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<sup>1</sup> <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>


<sup>2</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>



## 2. Use of Proceeds

### a. Eligible Social Projects

The table below summarises the Eligible Social Projects and their alignment to the SDGs:

SBP Eligible Categories	Target population	Eligible Social Projects	SDGs Alignment and Contribution
Access to Essential Services (financing and financial services)	Underserved, owing to a lack of quality access to essential goods and services	Mortgages granted to borrowers that, at the time of the lending, are part of an underserved population. This includes – but is not limited to– those that, at the time of the lending, are: (i) first-time buyers that have a low to medium annual income (vs national level); (ii) self-employed; (iii) individual contractors; and/or (iv) Later life loans / Lending into retirement	 <p>Targets 1.4, 10.2, 10.3, 11.1 and 11.3<sup>3</sup></p>
	Social Housing	Lending to Registered Providers/Social Housing Companies	

<sup>3</sup> SDG 1 – Target 1.4: By 2030 ensure that all men and women, in particular the poor and the vulnerable have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance. SDG 10 – Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. Target 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. SDG 11 – Target 11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. Target 11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

## b. Rationale of Target Population

Target Population	YBS's Solution to overcome the barrier
<b>First-Time Buyers</b>	<ul style="list-style-type: none"> <li>To help people to overcome this barrier, YBS offered a Help-to-Buy ISA, prior to its withdrawal by the Government in November 2019. As part of the Government scheme, the ISA gave those saving for their first home a 25% Government bonus of up to £3,000, as well as tax-free returns on their money. This, combined, with low deposit mortgages and participation in the Help-to-Buy equity scheme, has enabled a cohort of customers to own their own home - something that previously wouldn't have been attainable.</li> <li>Independent from shared ownership schemes, YBS has a wide range of products designed to meet the needs of first-time buyers, including high LTV mortgages that include a range of special features such as free valuations and cashback. Indeed, YBS was one of the first lenders to re-enter the 90% LTV market following the end of the initial Covid-19 lockdown in 2020, and also re-entering the 95% LTV market in April 2021, once again meeting customer's needs and ensuring lending is genuinely purposeful.</li> </ul>
<b>Self-employed</b>	<ul style="list-style-type: none"> <li>YBS provides loans to self-employed borrowers and can look at cases with a 2-year trading history. Its manual underwriting process addresses the growing need to apply a more granular approach to these borrowers to assess their affordability and not decline high quality borrowers because of the application of a rigid, automated approach.</li> <li>Self-employed borrower assessment requires a manual underwriting approach, whereby a dedicated human underwriter assesses the affordability of the borrower and understands the ownership of the company, its earnings, the company's industry and its future prospects. The assessment of all these elements cannot be done via an automated system which often can prevent self-employed borrowers from securing finance from high street lenders.</li> </ul>
<b>Contractors</b>	<ul style="list-style-type: none"> <li>A further segment of the market supported by YBS that is often overlooked by the large High Street lenders are customers on a fixed term contract.</li> <li>Robust risk modelling has enabled underwriting policy to be developed over the years, meaning YBS will take into account 100% of contract income if the individual has at least 12 months of the current contract remaining and a 2 year track record of income from contract work. This common sense approach ensures customer's needs are met in a sensible and sustainable manner.</li> </ul>
<b>Later life loans / Lending into retirement</b>	<ul style="list-style-type: none"> <li>In addition to enabling borrowers to take a mortgage with for up to 40 years, YBS has also increased the maximum age for a borrower to have completed their mortgage term from 75 to 80.</li> <li>These changes allow homeowners to benefit from lower monthly payments by lengthening the term of their borrowing, being also able to enter into a mortgage at a later stage in their lives. The changes can also help older people to downsize or remortgage their property to release equity.</li> </ul>
<b>Social Housing</b>	<ul style="list-style-type: none"> <li>Social housing lending is a mean by which YBS can help some of society's most vulnerable people. Registered Providers of Social Housing help people with specific health needs, as well as those without the income to pay rent at full-market rates or buy a home of their own.</li> <li>Registered Providers offer affordable properties to tenants, by renting at below-market rates or offering options for shared ownership, and reinvest or retain the profits made It is expected that Registered Providers will make a significant contribution to the Government targets to build more homes in order to address housing shortages.</li> <li>The sector will also be reinvesting in its existing stock to improve standards and help address fire safety concerns, following the fire at Grenfell Tower in North Kensington, London. This will require substantial investment and YBS will be one of the financial organisations supporting this.</li> <li>Since establishing itself as a social housing lender 10 years ago, YBS has built a portfolio through working with 35 Registered Providers with total facilities of over £950m (2019) and a current drawn balance of £315m (2019), with all lending secured on property.</li> </ul>

### c. Look-back and -forward periods

A look-back period of up to 24 months prior to the time of the respective SDI issuance will be applied. YBS expects to allocate an amount less than or equivalent to the net proceeds raised by each SDI to Eligible Social Projects within 12 months of issuance.

### d. Exclusions

Yorkshire Building Society's strategy and products are targeted towards home loan borrowers and therefore commits YBS to not knowingly being involved in financing any of the following activities through the proceeds of any SDI: weapons, gambling, tobacco, predatory lending, or fossil fuel production.

We have a number of measures to prevent and detect illegal and unethical business practices which are covered in our Financial Crime Policy which is fundamental to our core value of trust. This is supported by a dedicated learning programme, which all colleagues undertake annually to ensure they are aware of their responsibilities and the 'red flags' they should identify.

## 3. Process for project evaluation and selection

The evaluation and selection process will ensure that the proceeds of the SDIs issued under this Framework will ultimately be used to finance and/or refinance Eligible Social Projects aimed at the populations described above as part of YBS's funding cycle. This is to ensure the use of proceeds will fulfil the social objectives of improving access to mortgage products of YBS' members

YBS will form a Social Financing Working Group to carry out the evaluation and selection process of the Eligible Social Projects, and the allocation of an amount equivalent to the SDI's net proceeds.

The Social Financing Working Group may be supported by other members of the sustainability, operations, investment and finance teams as appropriate and will meet bi-annually.

The Social Financing Working Group will include:

- Director of Treasury
- Director of Balance Sheet Management
- Director of Mortgages
- Director of Savings
- Director of Business Performance
- Director of Conduct and Credit Risk
- Senior Manager – Social Purpose and Sustainability
- Group Lead – Prudential Risk

In the case of loans originated by YBS, but held and guaranteed by the Yorkshire Building Society Covered Bonds LLP, YBS is responsible for assessing applications, originating and underwriting these loans and for servicing the single asset pool consisting of residential mortgage loans (and liquid assets) on behalf of the Yorkshire Building Society Covered Bonds LLP.

If any Eligible Social Projects are subject to an ESG controversy, the Social Financing Working Group will decide to exclude the asset from the respective asset pool (the "Eligible Social Asset Portfolio"), underlying the SDIs, which have been identified for Social Notes.

In the case of the term non-recourse securitisation of loans originated by Accord –secured on a pool of loans purchased by an RMBS Issuer with proceeds raised from issuance of the Social

RMBS—, YBS is responsible for assessing applications, originating and underwriting the loans, and for servicing the loan portfolio on behalf of the relevant RMBS Issuer.

YBS, in all its activities, complies with applicable regulation. It has robust governance controls in place to manage perceived social and environmental risks that could arise with respect to the Eligible Social Projects, and more generally from all transactions or interactions with clients and suppliers. Such policies and processes reflect the ESG minimum standards that YBS expects from its customers and business partners which ensures YBS maintains the high standards it sets out to achieve.

These internal policies and procedures define the monitoring structures in place and are designed to mitigate environmental and social risks. Such policies include, but are not limited to:

- Ethics Policy;
- Collections and Recoveries Policy;
- Environment Policy;
- Financials Promotions Policy;
- Product and Distribution Governance Policy;
- Sales Policy;
- Training & Competence Policy; and
- Vulnerable Customer Policy

All of these policies are published in the public domain and can be accessed here:

<https://www.ybs.co.uk/your-society/inside-your-society/corporate-governance/policies/index.html>

## 4. Management of proceeds

### a. Overview

YBS is an established and programmatic issuer of covered, unsecured and UK prime RMBS. Its in-house servicing/origination capabilities are designed to sort, analyse and extract reporting on the unique pool of home loan receivables sold to the Issuer.

The organisation's internal accounting and financial management and information systems will contain relevant information including:

- Key information relating to the SDIs including relevant issuer, transaction date, principal amount of proceeds, settlement date, maturity date, and interest margin or coupon, ISIN number, etc.
- Details of Use of Proceeds, including:
  - Aggregate amount of SDIs' net proceeds associated with the covered and unsecured funding of Eligible Social Projects
  - Specific loans sold to the relevant RMBS Issuer (for Social RMBS)
  - Estimated social impact as described in paragraph 4.b below (where available)
  - Other necessary information

YBS –through their Treasury department– has implemented internal accounting and financial management and information systems to track and report on the Eligible Social Projects and verify whether the net proceeds of each SDI have been fully allocated, in order to maintain a full and direct link between qualified assets and liabilities on a portfolio basis across the different SDIs. Only Eligible Social Projects can be allocated to YBS's SDIs.

### b. Covered Bonds and unsecured notes

YBS intend to maintain a portfolio of Eligible Social Projects such that it always exceeds the net proceeds of outstanding Social Debt Instruments.

As a result, amortized, prepaid or redeemed Eligible Social Projects will be replaced by new Eligible Social Projects. Similarly, if a loan or investment no longer meets the Eligible Social Project criteria (as described in the Use of Proceeds section), the asset will be removed from the Eligible Social Asset Portfolio and replaced by another eligible loan or investment, as soon as reasonably practical.

### **c. Social RMBS**

On the issuance date of the Social RMBS, the relevant RMBS Issuer will use the Social RMBS proceeds to purchase a specific pool of loans originated by Accord Mortgages which has been identified ahead of the issue date (“Initial Loan Pool”).

Depending on the structure of the specific Social RMBS issuance, the relevant RMBS Issuer may also be permitted to purchase further pools of loans from YBS during an initial period as specified separately for each Social RMBS by reinvesting part of principal collections received by the relevant RMBS Issuer from the mortgage borrowers (“Further Sale Period”).

Any additional loan purchases through a Further Sale period (as applicable) will be subject to the same eligibility criteria as the loans which formed part of the Initial Loan Pool.

YBS has committed to ensuring that an amount equal to the net proceeds of each Social RMBS are used to finance and/or refinance new and/or existing Eligible Social Projects, and to maintain a portfolio of Eligible Social Projects such that it always exceeds the net proceeds of outstanding Social RMBS.

The portfolio of loans sold to an RMBS Issuer will be administered and serviced by Yorkshire. YBS will monitor the performance of the underlying portfolio of loans through its internal management information systems and provide monthly reporting to the cash manager; the cash manager will provide quarterly reporting to all investors as part of the regular RMBS reporting, including details such as performance of underlying loan portfolio, repayment of principal and interest and outstanding note balances in accordance with the principal and interest and issuance documentation.

Where a Social RMBS takes the form of less than all of the tranches of an issuance, the Social RMBS tranche(s) will be clearly designated, with proceeds of the Social RMBS tranche(s) clearly earmarked and tracked against the Eligible Social Projects.

### **d. Unallocated amounts**

Unallocated amounts equivalent to the net proceeds raised under the Framework will be held as cash deposits or in money market funds in line with our treasury management policy before allocation to Eligible Social Projects, with a preference for Green, Social and Sustainability Bonds to the extent possible.

## **5. Reporting**

On an annual basis while the SDIs are outstanding or in the case of material changes, Yorkshire Building Society will prepare and publish a Social Financing Annual Report which will be made available on the Yorkshire Building Society website ([www.ybs.co.uk](http://www.ybs.co.uk)). The report will consider the respective reporting for the Social Notes and Social RMBS on a separated basis and will contain at least the following information:

### **a. Allocation Reporting**

- Details of SDI(s) issued during the reporting period and outstanding at the reporting date, plus summary terms of the SDIs
- Aggregated reporting of loans (re)financed by SDIs' net proceeds at the issuance date and at the annual reporting date
- Amount of allocated and unallocated proceeds, if any
- Gross lending to each borrower segment as outlined by the defined target population, broken down by respective Eligible Social Project
- Proportions of proceeds used for financing or refinancing, respectively

## b. Impact Reporting

- Where possible, qualitative and/or quantitative reporting of the social impacts resulting from loans (re)financed by the SDIs' net proceeds, including the following potential impact indicators:
  - # of loans included in the Eligible Social Asset Portfolios and/or (re)financed
  - # of beneficiaries
  - Aggregate principal balance of loans included in the Eligible Social Asset Portfolios and/or (re)financed
  - Average principal balance of loans included in the Eligible Social Asset Portfolios and/or (re)financed
  - Largest loan balance in the Eligible Social Asset Portfolios and/or (re)financed
  - Average property value securing loans included in the Eligible Social Asset Portfolios and/or (re)financed
  - Weighted average loan to value ratio in the Eligible Social Asset Portfolios and/or (re)financed
  - Weighted average interest rate in the Eligible Social Asset Portfolios and/or (re)financed
  - Average gross income of borrowers under loans included in the Eligible Social Asset Portfolios and/or (re)financed
  - Breakdown –at a reasonable aggregate level– of loans and gross lending in the Eligible Social Asset Portfolios by (i) annual income of borrowers, (ii) age of borrowers, (iii) location of property, (iv) loan to value ratio, and (v) principal outstanding at the reporting date

Whenever possible, YBS will provide in the reports examples of projects financed under this Framework.

Subject to the availability of information, the Society will look to utilise the impact reporting guidelines as detailed within the ICMA Green, Social and Sustainability Bonds Principles Resource Centre<sup>4</sup>.

The information below will be produced and published on the YBS's website as shown below:

Item	Frequency
Social Financing Framework	At issuance of the first SDI, then for any subsequent Framework updates.
Second Party Opinion	At issuance of first SDI issued under the Framework.
Social Financing Annual Report	Annually, for all outstanding SDIs

## 6. External Review

S&P Global has been engaged to provide an external review in the form of a Second Party Opinion on this Framework, and to confirm alignment with the SBP and the UN SDGs.

The Second Party Opinion will be made publicly available on the Yorkshire Building Society's website.

YBS intends to request a limited assurance report regarding the allocation of an amount equal to the net proceeds from any SDI issued under this Framework.

<sup>4</sup> <https://www.icmagroup.org/sustainable-finance/resource-centre/>



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