Building Societies Association

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SOCIETY matters

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Hello and welcome to the Autumn edition of Society Matters

Everyone's doing it - making your purpose real

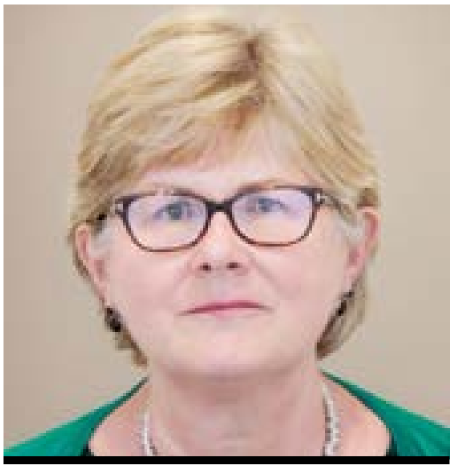
We are edging closer to the next new normal, when face to face collaboration with colleagues and others can happen more freely and we can become more social beings once again – in all three dimensions.

This time two years ago, you would probably have laughed if someone had suggested remote working for the majority of office based employees and a 'pingdemic', you might have thought of as the latest computer game. But here we are today, and the pandemic has shifted how we live, how we work and what we value as humans. I am fairly sure that 'hybrid working' in all its many forms is here to stay and Covid-19 has changed our businesses' operations in other ways too. It has also caused many to up-the-anti on the importance of their Purpose – be that social or corporate – which in some instances is one and the same.

It is this renewed focus on purpose that is the core of this edition of Society Matters, specifically; "the meaning and value of purpose 2021 and beyond".

The pandemic caused many people to reassess their priorities, to appreciate what they have and to take steps to look after the world and those in it that much more carefully. Head to page 5, where Skipton shares their 'rebuilt' approach to their Purpose with sustainability front and centre.

Our sector has adapted and thrived through many social changes in its 250 year history. Our largest member, Nationwide Building Society, articulates perfectly how we remain as relevant to wider society now as we were then on page 8, with its Mutual Good commitments.



Elsewhere in this edition, Deloitte share their thoughts on Better Banking (Page 11) and the Institute for Business Ethics (IBE) explores Purpose in and after a pandemic (page 7).

Finally, what does Purpose mean to those under 35? This fascinating question is explored with facts and figures from Ipsos MORI on pages 12-13.

This edition is jam packed with fresh insights and I sincerely hope it provides plenty of food for thought.

HILARY MCVITTY
Interim Society Matters Editor

Understanding purpose and the meaning of stewardship

One of the great joys of finally emerging from lockdown in early May was the opportunity to join our latest cohort of MSc students at Loughborough University, face to face in the classroom, and to spend a couple of hours with them exploring aspects of mutual governance. Some readers might think that is a pretty dry subject, but I have to tell you that the buzz in the room was palpable.

*By **ROBIN FIETH**, BSA Chief Executive*

I don't think I am alone in having found presenting webinar sessions immensely challenging. Consciously or sub-consciously, we all play off our audiences. We look for the small signs, the nodding or shaking of heads, the smiles or raised eyebrows, people reaching for their phones or listening with rapt attention. When you are talking to a screen, unable to see any of the audience, you really have very little idea about how you are doing – unless of course your audience start dropping off the call in significant numbers!

And on to the subject matter of the session, principally exploring the differences between delivering shareholder and member value; and with that seeking to develop a deeper understanding of purpose and the meaning of stewardship. I have written on both of these subjects in Society Matters before, largely because I believe they are crucially important for how we set mutual businesses apart and how we run our mutual businesses successfully over the very long term. So no apologies for covering some of the ground again. And also bringing those reflections up to date with what we have learnt and experienced over the last unprecedented eighteen months.

"The social responsibility of business is to increase its profits…for a company to pursue anything other than profit would be pure and unadulterated socialism" wrote Milton Friedman in his famous 1970 article for the New York Times. In these days where everyone seems to be talking about corporate purpose, it's more important than ever to read on a

bit through the article, where we find the responsibility of corporate executives defined as generally being "*to make as much money as possible [for the owners of the business] while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom*" (my emphasis added).

I have suggested in the recent past that the current wave of interest in corporate purpose, stakeholder and responsible capitalism might not be a rejection of the Friedman doctrine; rather a recognition of a shift in the basic rules of society. This may not be universal. There have always been both public and private companies that have espoused a clear and deeply seated commitment to wider stakeholder principles. But it does seem clear that many corporates are sensing a change in their operating environments, and are responding with wider stakeholder commitment as a route to maximising medium to long term returns for shareholders. Various commentators have also pointed to the number of public companies being taken private, in some cases apparently to avoid scrutiny of their environmental and social credentials.

Criticisms of the Friedman Doctrine are not new. As Joseph Bower and Lynn Paine put it: shareholders in a corporation are the owners of shares, not the company. They do not have the traditional incentives of owners to exercise care in managing the business; nor are they accountable as owners for the company's activities. In short, outside wholly owned and owner-managed businesses, the concept of shareholders owning the business rather than shares in the business is rife with moral hazard. Bower and Paine go on to propose a better model which "*would have at its core the health of the enterprise rather than the near-term returns for its shareholders. Such a model would start by recognising that corporations are independent entities endowed by law with the potential for indefinite life. With the right leadership they can be managed to serve markets and society over long periods of time*".

This of course pretty much encapsulates the essence of the mutual model of businesses founded for the purpose of serving their communities and delivering value to their customer-members. And it explains why we talk so much about the stewardship responsibility of boards, executive teams and all who work in building societies and credit unions to pass on their organisation to the next generation in a better state than they inherited it.

> ***"The current wave of interest in corporate purpose may be a recognition of a shift in the basic rules of society."***

Many board members coming into the mutual world from careers outside rapidly come to realise that there are often different answers to the questions they are used to asking around strategy, performance and growth. And there are different questions as well. One of the questions I often ask chairs and non-executive directors is how they know that their executive team is executing the strategy with all the energy and vigour they would want and expect? Superficially, the Friedman Doctrine makes this relatively straightforward in the corporate world. In seeking to maximise profits for the benefit of shareholders, you do have a relatively simple concept. Although, maximising profits over what timescale? And do you have a single body of shareholders with a common interest? Or are their conflicts of interests, for example between long term investors and short term activist shareholders?

In our world of building societies and financial mutuals, growing the business sustainably means striking a sometimes delicate balance between profitability, asset growth, building capital and investing in the future (including systems, branches, people, communities and perhaps also the wider movement). There are potential conflicts to manage, too, between the interests of savers and borrowers, and perhaps less obviously between current and future generations of members.

Which brings us to one of my other favourite questions for boards – about how you reconcile the challenges of running an intergenerational business with the normal three to five year business planning cycle. In other words, what are the steps that you as a board need to be taking now to have the best chance of achieving the version of the future that you want to pass on to the next generation?

At a recent credit union strategy day, we examined this very question. The session facilitator asked the assembled directors and senior managers how they would like the credit union to be remembered in fifty years' time. After some discussion, the conclusion was that this was not quite the right question. It sounded too much like writing an epitaph. The much better question – for all of us – is how we would like our organisations to be celebrated in fifty years' time.

Next steps:

Follow Robin on Twitter ***@bsaceo***

Putting sustainability centre stage

*By **STACEY STOTHARD**, Head of Corporate Communications & Sustainability, Skipton Building Society*

Skipton's Head of Sustainability talks candidly about how giving something back to the community goes far beyond fundraising and charitable donations.

By literal definition, purpose means having focus. And while building societies share a common founding purpose – enabling ordinary people to buy homes and save money – the different ways we go about this is what makes our sector remarkable.

Established in 1853, Skipton is among the oldest UK building societies. The major employer of the North Yorkshire market town whose name we share, Skipton has developed from humble beginnings to grow tenfold and become the nation's fourth largest building society.

As Skipton has grown, so too has the responsibility we place upon ourselves to others. And this is no less evident when it comes to the one thing we all have in common, society.

All mutuals, Skipton included, have always given back to their communities. From fundraising to volunteering, charitable donations to community partnerships, it's a treasured part of our DNA. But in early 2020 we reflected and challenged ourselves to look holistically at Skipton's contribution beyond this. We stripped everything down from our Corporate Social Responsibility (CSR) activities, our environmental commitments, our colleague and our customer pledges, and much more. We considered in depth the social issues of today and tomorrow, and we sat down to more clearly understand where we can and where we do contribute positive social value, for everyone.

Put simply, we asked ourselves how we could help build a better society, purposefully and sustainably.

Pandemic notwithstanding, this has not been a quick or easy process. It's involved extensive analysis of our external operating environment, in-depth customer and colleague research, we've opened our doors to industry experts, and we've considered sustainability through our own ESG standards (Environmental, Social, Governance) as a central thread to Skipton's values, purpose and strategy.

> ***"We asked ourselves how we could help build a better society, purposefully and sustainably."***

At every stage we've been positively challenged by our board and executive, asking where can we add more value, where can we innovate, where can we be more ambitious. And in doing so, we've all recognised that far from being the accountability of a small team, purposeful sustainability touches every single role at the Society.

We also know it requires a great deal of investment and can never lose pace with our own and others expectations of us. But reinvesting our members money in sustainability efforts is something our customers not only support, they now expect. Above all else, it's a powerful reminder of mutuality in practice.

In deconstructing and scrutinising our social contribution we've rebuilt an ESG approach laden with determination and collaboration. But having a living strategy and ambitious roadmap is arguably the easy bit. What lies ahead will be our real test.

Purpose is about focus. And purposeful contribution is about authenticity. To succeed and deliver on our sustainability endeavours, to contribute tangible positive value to society, our attention now sees us developing the transparent governance of our efforts. We're gradually making improvements across the business to ensure we can make decisions, monitor and capture our progress, and communicate clearly with all our stakeholders. In doing so we hope we can further build sustainability engagement and dialogue inside Skipton and beyond.

And as the UK embarks on the long road to recovery following the pandemic – together with Glasgow hosting the most significant climate change conference in recent memory, with COP26 taking place in November – purposeful sustainability has never been so important to us all.

Next steps:

*You can read Skipton's latest sustainability report at: **skipton.co.uk/about-us/our-environment***

Purpose-washers beware! Stating a purpose and being purposeful, are not the same thing

*By **CLAIRE SOUTHEARD**, Head of Marketing Communications, Lansons*

"Purpose" was already a 21st century buzzword but the pandemic has accelerated demand for organisations to show how their actions help the world. It has also sharpened focus on those who say they do, but don't...

Purpose is a cornerstone of reputation.

Done right, Purpose is a powerful asset linking strategy, governance, culture, and performance, while creating opportunities to stand out, have impact and drive success. Done half-heartedly, or without any heart, it can be a liability.

In the last 18 months, Google Trends shows use of the term "purpose-washing" has grown and, whilst not in the same league as 'green-washing', this highlights the risk of putting Purpose out there without proper thought.

Add to that the media cynicism about "Purpose" (and its bedfellow, "ESG"), and one might question the value of Purpose, if it's only going to create problems.

"ESG has always been blighted by hype and wooliness, with too many of its adherents content to sign non-committal pledges and scatter pictures of sunflowers through reports about elusive concepts such as "purpose"."
Andrew Edgecliffe-Johnson, FT

As an advocate, I believe Purpose-done-well creates massive, positive, and long-running impact. It's a critical way in which organisations can be held to account.

Take LEGO, who "Inspire and develop the builders of tomorrow".

Yes. They. Do. Their product is the epitome of their Purpose, so why they're here and what they do are totally in synch. There are cheaper, not-bad-quality, 'knock offs' available but the LEGO brand prevails, despite the premium. As Simon Sinek might ask... why?!

Because LEGO lives its Purpose, founded on its values of creativity, imagination, fun, learning, quality, and care. Everyone who buys LEGO, or works at LEGO, understands (and believes in) the LEGO difference.

Closer to home, TSB have also nailed the link between Purpose and action.

Their Do What Matters plan is all about "helping people and doing everything we can to make a positive difference".

As with LEGO, TSB's plan is more than words. It is an active (and public) framework for behaviour – towards clients and customers; colleagues and communities; and, of course, the environment.

It's impressive and links to both strategy and purpose.

"By aligning the [Do What Matters] plan with the business strategy, it allows us to grow the business and our social and environmental contribution in tandem"
Richard Meddings, Chairman TSB

TSB have built a platform from which to make a positive difference while offering transparency about how they run their business. It's a masterclass in building trust.

But purpose is not just about reputation...

... although LEGO has appeared in Forbes top 10 most powerful brands for years, and I think getting their Purpose right is partly why they are such a successful, and profitable business.

That's important because some struggle to accept that Profit belongs in the same room as Purpose. But, as the World Economic Forum said last year, profit from SOLVING problems is how positive change happens. It's profit from CAUSING problems that creates issues.

This is where Purpose and ESG come together.

If Purpose is the 'why', then ESG is the 'how'. Action + words. It's the difference between having a purpose and being purposeful, and reputationally – and commercially – it makes all the difference.

Three tips for having a purposeful purpose

1. You have the Why, now nail the HOW (Purpose + ESG)
2. There are three Ps in Purpose (People, Planet and Profit)
3. Report, often. And remember, it's a journey!

Next steps:

To carry on the conversation, or for more information, please contact Claire at: ***claires@lansons.com***

Purpose in and after a pandemic

Purpose was a hot word even before the pandemic. The widespread frustration that a too narrow focus on short term shareholder interests was producing outcomes that were not always good for society or the planet had finally found momentum. Distilling a company's reason for being into a purpose statement was a helpful response to the challenge of better demonstrating its wider role in society.

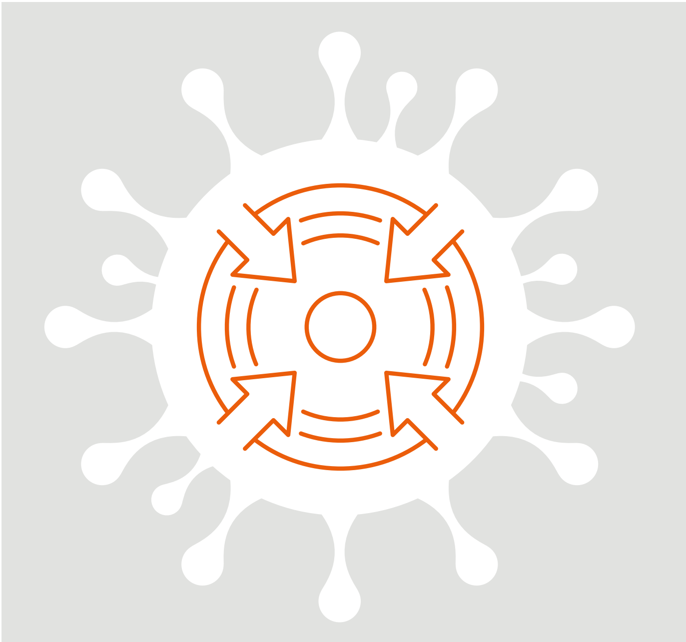
*By **MARK CHAMBERS**, Associate Director, Institute of Business Ethics (IBE)*

The push back on established notions of shareholder primacy also helped draw attention to the advantages of other business models where the distinctions between the interests of owners, customers and employees are less stark.

The pandemic has only accelerated these trends.

Many companies cited their newly drafted purpose statements as being a vital 'North Star' through the crisis. There is no doubt that having a clearer answer to the question of why they are in business helped generate inspiration and focus internally, but exactly how much did those catchy few sentences on the inside front cover of the annual report really influence what was happening on the front line?

The past 18 months saw a period of unprecedented empowerment, with local decisions being taken by local teams under extraordinary pressure and faced with unprecedented levels of ambiguity and uncertainty. From the first days of the crisis, rules went out of the window. Confidence that the right decisions were being made was entirely dependent on how well those noble statements of purpose had been translated into target behaviours and culture throughout the organisation.



"Many companies offer cultural disclosures which are limited, selective and hard to benchmark."

All of the major corporate governance codes reinforce the vital role of the board in establishing culture and values. Strong and consistent corporate cultures don't come into being by accident but require purposeful shaping. Whether designed on purpose or not, every business has its own culture and local micro-cultures will grow in the absence of a top-down programme to influence it.

Culture is a vital enabler and a key differentiator in business. The right corporate culture is key to delivering on a company's purpose. It helps build trust with customers, suppliers, regulators and other external stakeholders. Internally, it ensures consistent decision making, helps unlock discretionary effort and is key to building a loyal workforce.

At the IBE, we help businesses deliver on their purpose by embedding their ethical values. Most organisations have a mix of business values (like 'reliability' or 'innovation') and ethical values (like 'responsibility' or 'integrity').

A strong, consistent culture can only be achieved when those values are embedded and reflected in the day to day behaviours experienced throughout the organisation. This requires committed leadership and a comprehensive programme of training and engagement, including mechanisms that encourage colleagues to speak up when things don't feel right.

But culture is hard to assess. It is not measured consistently or comprehensively, nor do many companies report in a truly transparent fashion on their culture, its effectiveness and how it is aligned to, and supports, their strategy. Many companies offer cultural disclosures which are limited, selective and are hard to benchmark. The success of services like Glassdoor shows the demand for more objective insights.

In a post-pandemic world, with some element of hybrid working the norm for many employers, talent will have a choice. Increasingly, people want to work for organisations with a clear social purpose and whose values they recognise and share.

Embedding those values requires a sense of purpose.

Next steps:

*For more information please contact Mark at **m.chambers@ibe.org.uk** or visit **ibe.org.uk/knowledge-hub/business-ethics-blog.html***

Nationwide Building Society's Mutual Good Commitments

By **CLAIRE TRACEY**, *Chief Strategy and Sustainability Officer, Nationwide Building Society*

Nationwide was founded with a strong social purpose – to help people to save for a home of their own. Today, we are a mutual Society, owned by our 16 million members, and we remain driven by that same purpose – *building society nationwide*. We express this through Five Mutual Good commitments, embedded in everything we do.

1. Helping to achieve safe and secure homes for all

We believe everyone should have a place fit to call home. We are particularly focused on helping first time buyers, through market-leading initiatives such as our Helping Hand and 95% loan-to-value mortgages. We also help our members use the equity in their homes to live better in retirement, addressing a growing societal need as the first high street provider to offer a comprehensive range of later life mortgages.

We want to create a private rented sector that works for the mutual good of tenants and landlords, including through our buy-to-let arm TMW and our landlord educational website, Landlord Lifeguard.

2. Leading the greening of UK homes

We all need to work towards a low carbon future. Nationwide is a pioneer here. We already will not lend to businesses with a negative environmental impact, like fossil fuels. Our business operations have been carbon neutral since 2020, and we aim for our suppliers and commuting to be carbon neutral by 2030 too.

Housing creates around 15% of UK carbon emissions , so we have a vital role in creating more sustainable homes. We have set aside £1 billion to help our members improve the energy efficiency of their homes. We are members of the Net Zero Banking Alliance and we campaign for positive government policies on Green Homes.

3. Supporting our members' financial wellbeing

Our ambition is to support our members to become financially secure. We help financially squeezed members to become regular savers, including through our PayDay SaveDay campaign and Start to Save accounts. Together with Fair By Design, we are also investing in business start-ups that tackle the poverty premium (where those on lower incomes are forced to pay more for essential goods and services).

4. Championing thriving communities

We know that many of our members continue to value our branches. That's why, whilst competitors are making wholesale branch closures, we have committed to local communities, making a Branch Promise: to remain in every town or city we are in today until at least 2023.

In addition, as voted for by our members, we give at least 1% of our pre-tax profits to local community good causes every year, focused on housing.

5. Internally reflecting the diversity of our society

We want to build an inclusive culture at Nationwide where everyone can thrive, and we aspire to reflect the diversity of the communities we serve. This will help us better support our members: by increasing innovation, driving better decision making and boosting performance.

For Nationwide, our social purpose is therefore fundamental. And to make sure that we focus on these five Mutual Good Commitments in everything we do, we track our performance against them and publish the results, so our members can see if we are delivering.

We hope this will drive meaningful change for our millions of members – and continue to fulfil the purpose of our founders: building society – nationwide.

Next steps:

Find out more about Nationwide's approach to responsible business at: ***nationwide.co.uk/about-us/responsible-business/our-approach-to-responsible-business***

Forward thinking for customer needs is more vital than ever

The original purpose for the building Society formed by Richard Ketley in 1775 was clear. It responded to an urgent need for affordable housing that was lacking at the time. Societies were founded to help ordinary people help others in their local communities to attain safe housing.

By ***COLIN FIELD****,*
Chief Executive,
Saffron Building Society

Even today, "A home for people's money and money for a home" is an excellent place to start to define a core purpose. House prices vary from region to region, but increasingly they are too high to be affordable for a young person starting out in their adult life.

To rise to this challenge, Saffron, like many societies has adapted to help customers attain home ownership, through their ability to deliver specialist lending that meets these more complicated situations. Societies also continue to provide a safe place for individuals to save their money and have adapted to provide accounts designed to encourage and develop a good regular savings habit that will provide security at times of financial shock.

Prior to the Covid crisis biting, the lives of individuals and as a consequence, future planning was already becoming more complex. Rapid advancement of technology combined with improvements in life expectancy had meant that a traditional view of a predictable working career and happy retirement was changing.

For many, the direct impact of the Covid crisis has been to surface the importance of both physical and mental health to be able to enjoy a fulfilled life. The crisis experience has also raised awareness of the importance of financial health. For those fortunate individuals able to work productively from home, they have realised cost savings in addition to the time saved from the lack of a commute. Others have been less fortunate, where despite the unprecedented interventions from the government by means of furlough and business support loans, the financial frailty of their situation has been exposed.

Whilst our communities are now emerging from the Covid-19 crisis, it will have left a lasting mark. Some individuals will be embracing the future with optimism, but others will be facing the uncertainty and worry of unemployment. Whatever the impact, it is likely that most people and families will be more aware of their financial health and will have reconsidered their priorities and goals for the future.

As we fast forward nearly 250 years from the founding of the first Building Society, at Saffron, we have taken the time to reconsider our broader purpose. We have considered both the fundamental needs of Members and customers and also the challenges facing our wider heartland communities. Saffron has redefined its vision and purpose as "Money Happiness", recognising that for individuals and families, their ability to thrive is based upon two aspects, health (both physical and mental) and financial security and flexibility.

For Saffron, "Money Happiness" is central to our strategic goals. We have also recognised that our vision, purpose and impact has to extend beyond our current Membership and that we must strive to play an active part to positively impact our communities. We now lead this activity through a dedicated community partner who spearheads and co-ordinates our initiatives. In common with other societies we have supported the delivery of financial education to primary and secondary school students but we are looking to build this out to provide education to the parents of students. Building on this, we have added money management advice to our website and partnered with Citizens Advice to prepare our front line staff to be able to support Members facing financial difficulties. We encourage all of our colleagues to get out into the community to engage in volunteering and in September we are taking this support one step further, when we make our new 'Community Hub' available for community use.

A clear vision and purpose focusses the effort of the Society, directing both energy and resources. It can also form a strong motivation for colleagues, who attracted to the mutual ethos can see their Society strive to improve the financial wellbeing of Members and their wider communities.

Next steps:

To follow our progress visit: ***saffronbs.co.uk***

““Money Happiness” is central to our strategic goals.”

Why is everyone talking about purpose?

By **FRANCES MCCANN**, CEO
Scotwest Credit Union

You may have noticed that everywhere you look these days, someone is talking about purpose. So why is this and why is it so important? This is a question we've been asking ourselves in Scotwest Credit Union over a number of years and even more so recently, as we emerge from the greatest financial shock of our lifetimes and our minds turn to the climate emergency. The enormity of the task ahead is daunting. Where do we fit in and how do we make an impact?

We've come a long way on our journey to discovering our purpose. I'll never forget the day we presented a list of words to the staff and told them they were our values or the day spent debating our vision and time wasted deciding on which order to write it in. It's not that any of this was wrong for us. In fact, it was right for us and it has brought us to where we are today; "Delivering better financial lives through caring about individual members and their happiness".

However, life is never simple and things don't stand still. As we find ourselves navigating through a post Brexit, post pandemic landscape with a climate disaster on the horizon, we have been questioning ourselves more and more about our purpose and the impact we have on our members and the communities we serve.

The dictionary definition of purpose is "the reason for which something is done or created or for which something exists". Why does Scotwest Credit Union exist? On a superficial level, that's easy – we provide, savings, loans and mortgages. But of course, lots of firms do the same. Let's try again, Credit Union legislation prescribes our objectives as: the promotion of thrift by the accumulation of members' savings, the creation of credit at fair and reasonable rates of interest, the use and control of members' savings for their mutual benefit and education on management of financial affairs. This is definitely better but does this truly portray Scotwest's purpose and what about our impact?

> *"We have been questioning ourselves more and more about our purpose."*

I've never been a great believer in fate, but we were lucky to be introduced to kirstyinnes.com and the timing could not have been more perfect. Since meeting Kirsty, we have been on a journey to discover the very core of our existence and we've learned a lot about ourselves, our people and our culture along the way.

This brings me back to the question; 'Why is everyone talking about purpose and why is it so important?'. Purpose is more than a list of products and services, it's more than a legal definition, it's more than empty words written on a piece of paper. Purpose tells the world about who you are at your very core, and why you are different. It's about your people and your culture, it's about how you do things and the impact that you have whilst you're doing it.

Credit unions, like building societies, have always had people at the heart of everything they do. We are built on the premise "people helping people". The future may look daunting, but by leading the way through purpose, you can harness emotional connections with people which can lead to sustainable growth and the ongoing loyalty of your membership.

At Scotwest, we are now embracing our future with confidence, optimism, and a new found sense of purpose.

Next steps:

Follow our journey or find out more information ***www.Scotwest.co.uk***
contact: ***f.mccann@scotwst.co.uk***

Purpose: Embed it to succeed

What does "purpose" mean? We define purpose as "an organisation's explicit drive to create value beyond profit, specifically for our planet and the people on it".

By **LUCY TRAYNOR**, Director, Deloitte

To break this definition down, we believe it is important for every organisation to have a clear articulation of its purpose, one that is easy to understand, not generic or fluffy, and that is clearly linked to the business itself – this is the "explicit drive". We also believe that purpose should drive "value beyond profit" – meaning that purpose should drive value for the business – such as increased market share or improved attraction and retention of diverse talent but also drive value for our planet and society, such as reduction in waste and carbon emissions, and greater inclusivity of products and services. Therefore, we expect there to be a strong link between an organisation's purpose and specific sustainability goals.

Is purpose just a fad?

When it comes to social and environmental impact, customers, employees and investors all expect more than they did 10 years ago, and this is a trend we expect to see continue. Increasingly, people choose to buy from, work for, and invest in organisations that fit with their personal values. Employees and customers increasingly use the power of social media to call out organisations that fail to meet their expectations.

Are purpose and profit mutually exclusive?

When embedded holistically across the core business, purpose can drive financial value as well as social and environmental value. However, many organisations still think about purpose as separate from the core business, similar to the way many approached "corporate social responsibility" (CSR) in the late 1990s and early 2000s. Tackling this misconception about purpose often requires a significant mindset shift.

Is our purpose under-leveraged?

Most organisations these days have a purpose statement; but fewer than half have actually embedded that purpose into their core business, meaning for many organisations, purpose has been reduced to a 'tick box' activity that isn't driving value, and may risk a negative response from stakeholders and brand-damaging allegations of "purpose-washing".

What are the challenges of embedding purpose?

From interviewing organisations across different sectors, we learned that many struggle with embedding purpose. Key challenges we heard included: that the purpose itself was not tangible enough to be embedded; that the business was not sure how to measure purpose; and that senior leaders saw purpose as something separate from, rather than fundamental to, the core business.

How can we unlock the value of purpose?

We have learned that purpose only delivers value when it is embedded into the core business, with both an internal and external perspective. Having developed an approach to support organisations with this challenge, we've learned that there are six dimensions of a business in which it is crucial to embed purpose:

1. Organisation (e.g. structures, networks, decision-making and accountability)
2. Role models and leadership
3. Culture
4. Brand
5. Products and services
6. Stakeholder relationships

The optimal approach to embedding purpose involves first assessing the extent to which purpose is found in these six areas today, to establish a baseline and identify the business areas which need the greatest attention. The organisation then needs to develop an action plan and define how it will measure the impact of purpose activation in terms of value creation for the business, the planet and society.

Next steps:

For more information, please contact Lucy at ***ltraynor@deloitte.co.uk***

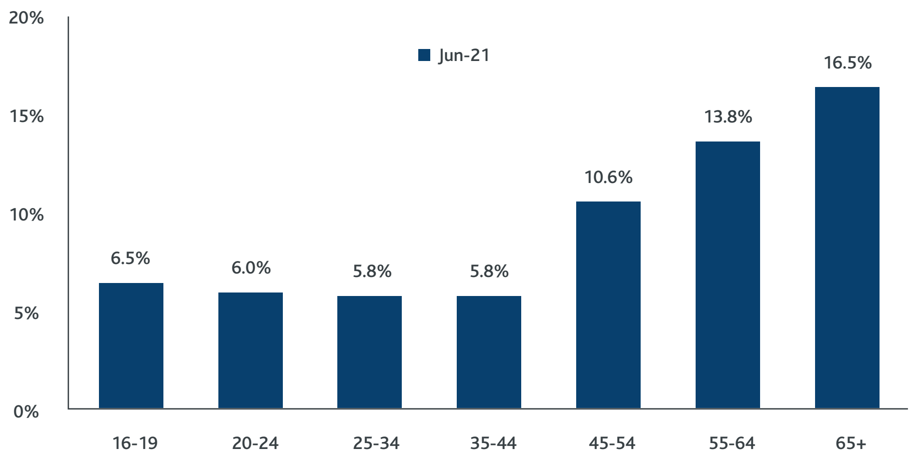
Purpose: A roadmap for engaging the under 35s

By *ALPA SHAH*, *Associate Director, Financial Services, Ipsos Mori*

The customer base for building societies is concentrated among those aged over 45, as younger customers drift away from their building society relationships because their lives and financial needs become more complex, or perhaps they don't consider building societies at all, if their first ever savings account was set up at a bank. Research from Ipsos MORI conducted for the BSA reveals opportunities for the sector – drawing an ambitious roadmap for long term growth through the acquisition and retention of younger customers.

Young customers tend to drift away from their Building Society relationships or don't consider Building Society providers

Building Society sector share of savings accounts held, by age group



Source: Ipsos MORI Financial Research Survey (FRS). 35,129 adults with cash savings accounts aged 16+ in Great Britain, interviewed July 2020 to June 2021

Leverage the building society ethos

Adults aged under 35 tend to view both the banking and building society sectors similarly in terms of expertise, but building societies have the advantage of being viewed as more personable, more community focussed and more ethical than banks, which can be seen as remote and inaccessible.

Given that ethical and environmental considerations are being driven strongly by under 35's in a period characterised by consumer activism around these issues, this is the perfect time to bring back the meaning to "building a society" which draws on the ethos of what building societies stand for and chimes with the core values of this audience.

Break down the barriers – product range and digital access

Under 35's can be sceptical about the ability of building societies to meet all of their banking needs in a way that fits with their lives. Our research shows key concerns surround product range and accessibility: "Can a building society offer me a current account?" "Will they provide competitive products?" "Can I bank via mobile app seamlessly in conjunction with a range of other channels?"

Although not a selling point on its own, this last point is a crucial one for the sector – young customers are more likely to be comfortable using mobile apps and the success of FinTechs like Moneybox, Monzo and Starling reflects the appeal of superior banking apps that can assist with money management through budgeting tools and savings pots. While some of these firms have yet to turn a profit, it is the customer experience and frictionless ability to transact on accounts that proves appealing. While the set-up costs of apps like these may be prohibitive, it's something worth considering.

Be a reassuring presence – the branch network and targeted guidance

Under 35's value advice and guidance, especially for complex financial products like mortgages, often consulting a wide range of sources before making a product choice. They are likely to use price comparison sites, read product review websites, access relevant TV and radio programming and they are also influenced by friends and family, and parental choices. That said, from Ipsos MORI FRS data, talking to someone in branch is also of critical importance, and this is where building societies have a natural advantage over the FinTech sector.

With the UK's departure from the EU, the FCA, Bank of England and the Treasury are joining industry calls for less stringent UK-based principles around advice and guidance, meaning that guidance services could become more prevalent in the UK in the years to come. Increasingly, financial services providers are competing with unregulated sources of information targeted towards young adults including Tik Tok, online adverts, social influencers on social media.

To reach younger adults, the building society sector needs to ensure that it capitalises at key life-stage events, such as taking out a mortgage or opening a savings account and

not solely through the branch relationships but looking more broadly at other channels to promote the messages that resonate.

Increase relevance of values – reframe mutual status as 'community'

Our research for the BSA shows under 35's generally don't understand the concept of mutual status, so talking to them in a language they understand and can relate to their own personal values is vital in leveraging the longstanding sustainability, community and social interest aspects of the building society sector.

For example, young consumers want to hear about the tangible impact of building societies' community and sustainability initiatives, and, as many find it hard to think about broad nationwide initiatives, hearing about local initiatives will resonate more strongly.

Again, looking at the FinTechs there are some valuable lessons on generating a community feel in a digital world: they have achieved this through co creation, blogs, tweets using informal language, and community forums. Some building societies are already active online but maintaining this, finding sites that younger consumer use and finding digital ways to "talk" to them will aid engagement and longevity of active relationships.

> *"Young people want to hear about the tangible impact of building societies' community and sustainability initiatives."*

Build your roadmap to overcome the challenges

There is a path to sustained growth through the acquisition and ongoing retention of younger consumers, without alienating existing older customers. But to make it more traversable, the building society sector needs to leverage its existing assets in highly visible and sustained, yet cost efficient campaigns, through channels that are relevant to the audience, such as social media.

- Leverage local branch networks, which can help younger consumers feel safe in case an issue needs resolving, for product guidance and for easy access to their money.
- Showcase tangible results and reiterate the values of the building society sector through its local and societal initiatives.
- Combine expertise with approachability, clarity and ethicality.
- In conjunction with this, the sector needs to further develop in specific areas.
- Digital capabilities, such as app-based account management facilities are preferred by younger audiences. Specialist banking technology providers like Fidor or Banxy can spread the cost of platform development and provision, enabling the sector to catch up with FinTechs and banks. If a syndicated solution can be devised, in principle, multiple building societies could benefit from one over-arching agreement. If that's not possible, due to budget constraints, then the use of online budgeting tools and mortgage calculators are a cost-effective way to provide support.
- Reframing and refreshing the product portfolio to make it more relevant to younger customers. Where viable, consider new products, for example a Lifetime ISA or save-to-borrow products.
- Guidance and money mentoring services to help younger customers feel comfortable navigating increasingly complex needs as they grow older. Building these into both branch and digital provision as an easy to access service is essential.

Next steps:

For more information contact: Alpa Shah, Associate Director, Financial Services
alpa.shah@ipsos.com

You can access details about the Ipsos MORI Financial Research Survey (FRS) here
https://www.ipsos.com/ipsos-mori/en-uk/financial-research-survey-frs

Consumer Duty & Vulnerable Customers

By ***SELENA TYE***,
Associate Director of Interim Regulatory Support, Kind Consultancy

In 2021, vulnerable customers have been a key regulatory theme. The most recent FCA Business Plan suggests 14.2 million adults in the UK have "low financial resilience" and states that as part of their consultation on Consumer Duty, the FCA will be "monitoring how firms support customers in financial difficulty and take action where needed" and they will "carry out an in-depth assessment of whether consumers are getting fair and appropriate outcomes and use these findings to shape next steps".

What does this mean for building societies? How should they react?

The FCA definition breaks down into multiple categories of customer vulnerability: Customers in emotional distress who may struggle to make sensible decisions. Customers experiencing dramatic changes in financial circumstances beyond their control. Customers lacking the understanding needed to make informed choices. Finally, customers who don't have internet access, or the tech literacy to use online banking.

Many customers will be experiencing more than one of these simultaneously and may not be aware of their own vulnerability. The FCA recommends a risk-based approach, with customers continually assessed for all these categories. It can't be a simple box ticking exercise of dividing customers into vulnerable and non-vulnerable and giving customer-facing staff scripts for each.

The current proposals set expectations for four customer outcomes. Communications must "equip consumers to make effective ... properly informed decisions", products and services must be "specifically designed to meet the needs of consumers", customer service must "enable [customers] to realise the benefits of products and act in their interest", and the "prices of products... must represent a fair value". It's important to build and embed a culture of understanding vulnerability, with staff who know how to respond appropriately and care for customers – not just based on a yes/no status but considering the specific circumstances they're going through, ensuring all four outcomes are achieved for each customer.

> *"It is important to build and embed a culture of understanding vulnerability."*

Building societies will have a head start – it's always been key to the success of a building society to make sure customers are being listened to and are receiving a personalised service. Industry commentators have suggested that the Consumer Duty will have less of an impact on organisations who are already focussed on these areas, but it may still require a greater focus, a period of upskilling and retraining and changes to policies and procedures. With a regulatory obligation to ensure customers make good decisions based on their needs and characteristics, a thorough understanding of the different vulnerability factors will be crucial at every point of customer contact. I am sure all staff already "avoid causing foreseeable harm", but the proposed "cross-cutting rules" will require organisations to prove they are taking "all reasonable steps" towards these outcomes.

To meet these requirements, organisations are going to need to look at how they're documenting vulnerable customers, what MI is being generated, and what's being done with that data. I think there is a danger of businesses appointing vulnerability champions or a specialist team and treating that as the solution. This change in the FCA approach requires a re-examination of strategy – can all four of those crucial outcomes be provided to every vulnerable customer? Are vulnerable customers consistently receiving the level of service the FCA is looking for – and how can you prove it?

What will that change look like for your society? With months to go before any rules come into effect, it's important to begin thinking about vulnerability at every stage of the customer journey. I am confident building societies will lead the way in setting standards of Consumer Duty – as they always have.

Next steps:

Find out more about Kind Consultancy at ***kindconsultancy.com*** *or by calling* ***01216432100***

Are you ready for a green recovery?

As member expectations continue to rise and regulatory pressures around green practices burgeon, sustainability could prove a key differentiator for building societies seeking to attract and retain new members and respect the values of existing ones. But how do institutions now have a distinct opportunity to lead the way on green finance?

By ***DANIEL HARDEN****, Financial Services Transformation Director, Paragon Customer Communications*

Organisations are under increasing pressure to play a more active and visible role in helping combat climate change, arguably none more so than a financial services industry rife with 'greenwashing'[1] and overshadowed by inconsistent measurement of emissions.

Keen to be viewed more positively than some of the large global banks – with the amount of CO2 production financed by Britain's banks and asset managers nearly double the UK's annual carbon emissions[2] – building societies are making a concerted effort to drive better sustainability strategies.

However, given the scale of the mountain to climb, understanding how to improve their sustainability performance remains a universal challenge. So how can institutions get ready for a green recovery?

Measuring emissions

The European Union's Sustainable Finance Disclosure Regulation, which came into effect earlier in 2021, marked a major milestone for the industry. While not adopted in the UK post-Brexit, it was the catalyst for the UK Government to vow to establish its own domestic green taxonomy and ESG disclosure regime, central to which would be ensuring firms are accurate about their commitments to sustainability pledges.

Faced with the prospect of having to provide members with ESG-related information on the provision of their services and financial products, monitoring carbon emissions has become an integral pillar of sustainability.

If building societies are able to monitor all aspects of their businesses' carbon footprint, including Scope 1, 2, and arguably most importantly Scope 3 'financed emissions', they have a clear opportunity to stay relevant, make a major ethical play and leverage sustainability to attract new members.

Particularly as global banks come under fire for their continued financial support of fossil fuel companies[3], building societies can differentiate themselves and effectively communicate how they are doing so to potential members.

> *"Monitoring carbon emissions has become an integral pillar of sustainability."*

Lessening the financial risk

Of course, monitoring their carbon footprint is not simply about differentiating themselves from the competition, and doing the right thing for the environment. Rather, it is about mitigating the risk of doing nothing and the associated reputational and financial implications, as regulators become more intense in their approach to addressing pollution.

The lack of an industry standard for measuring carbon emissions on everything from communications to scope 1, 2 and 3 financed emissions has proven somewhat of a stumbling block for many financial institutions. While a lack of ownership of sustainability strategies has proven a difficult hurdle to overcome for a number of building societies, especially when competing with large financial institutions who have the luxury of dedicated heads of sustainability.

However both remain central themes of sustainability, and ones which building societies must get a handle on in order to differentiate themselves.

A valued partner

In an era when sustainability is critical to building societies, having the support of an expert partner committed to assessing and improving the sustainability footprint throughout the lifecycle of business operations, can be fundamental to success. This should touch every part of the business from sound due diligence in the supply chain, ethical business practices, staff satisfaction and retention, efficient production, facilities management and effective relationships with all stakeholders.

Next steps:

For more information please visit:
paragon-cc.com/en-gb/environment

1. https://www.cityam.com/over-half-of-financial-services-professionals-claim-greenwashing-is-rife-in-the-industry-study-says/
2. https://www.theguardian.com/environment/2021/may/25/british-banks-finance-805m-tonnes-of-co2-production-a-year
3. https://www.bigissue.com/latest/environment/is-your-bank-funding-fossil-fuels-find-out-with-this-free-tool/#:~:text=How%20much%20do%20banks%20invest,campaigners%20Urgewald%20and%20Reclaim%20Finance.

Dates for your diary

BSA events are now online. View the latest listings and register at **www.bsa.org.uk/events**

Risk, regulatory, audit & accounting update

6 & 7 October 2021

This annual event, to be held online across two half-days, addresses key current topics across risk, regulation, audit and accounting. It will include a penetrating analysis of the economic and markets landscape from KPMG's Simon Walker; an experienced practitioner will cover conduct risk issues and critically assess FCA's current stance and positioning under their new CEO; KPMG colleagues will cover both technical accounting updates and a stocktake on the progress of the audit and governance bandwagon; and we have the reassuring presence of Richard Mason from the PRA to bring us their latest insights or concerns.

Cost: *£295 (VAT exempt) per delegate*
www.bsa.org.uk/audit-acct2021

Conversations with vulnerable people

20 & 21 October 2021

Following requests from members to provide training on recognising and responding to vulnerable customers the BSA has linked up with the Samaritans to launch a vulnerability training course for BSA members who don't have in-house capability to deliver this.

The course will be led by an expert Samaritans facilitator and is aimed at anyone who has contact with vulnerable customers, service users – or colleagues – on a daily basis; and will help them to manage those conversations effectively with confidence and sensitivity.

Cost: *BSA members only: £350 (VAT exempt)*
www.bsa.org.uk/samaritans

Mortgage underwriting online course

1 & 2 November 2021

In recent years the recognised career path to mortgage underwriter has changed substantially, partly due to the changing nature of mortgage advice. This virtual course is delivered over two half-days and has been designed to equip underwriters with the knowledge required to carry out their role effectively. The course will be interactive with several group discussions and case studies for attendees to consider, discuss and apply the knowledge and skills gained from the course.

Cost: *BSA members and associates only: £595 (VAT exempt)*
www.bsa.org.uk/underwriting

Treasury management courses

The introductory course (on 17th & 18th November) provides an overview of treasury operations within financial services, more specifically within building societies and within the regulatory environment. Following this there is an in-depth study of treasury operations, focussing on liquidity, wholesale funding, credit risk and financial risk. It has been designed for those with no treasury experience.

The treasury risk course (on 24th & 25th November) provides participants with an overview of the financial and balance sheet risks a building society faces as a consequence of being a mortgage lender and how these risks are managed by the treasury department. It will help those with some treasury experience, who need to improve their grasp of treasury risk – including NEDs and senior management.

Cost: *BSA members and associates: £350 (VAT exempt)*
Non-members: £495 (VAT exempt)
www.bsa.org.uk/treasuryintro
www.bsa.org.uk/treasuryrisk

Annual update for Chairs and NEDs

30 November 2021

Our annual update for Chairs and Non-Executive Directors is designed to ensure your Board is up to speed on current PRA and FCA thinking on a range of key issues for the sector. With a focus on the wider issues facing the sector, this year's online event will also cover areas such as the proposed new consumer duty, diversity and inclusion and sound governance.

Cost: *BSA members only: £250 (VAT exempt)*
www.bsa.org.uk/NEDs