

SOCIETIES IN SOCIETY

An independent report on corporate social responsibility activity in the building society sector by The SMART Company

The Building Societies Association

is the trade association for the UK's building societies. There are 63 building societies in the UK with total assets of over £270 billion. About 15 million adults have building society saving accounts and over two and a half million adults are currently buying their own homes with the help of building society loans.

The SMART Company is a leading consultancy focused on corporate responsibility, community involvement and related public policy issues. They provide tailored solutions for their clients in all aspects of CR practice.

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INTRODUCTION

In 2002, the Building Societies Association commissioned The SMART Company to undertake a survey of member societies, to measure corporate social responsibility (CSR) activity within the sector. For many, social responsibility is considered to be intrinsic to mutuality, and building societies have long been known for their involvement with and support for communities, both through charitable work and through providing local jobs and services. With the growth of CSR across all sectors, the BSA has been keen to support building societies in developing and communicating their unique approach. The 2002 survey provided a baseline for this work – an opportunity to find out what activity was taking place and where priorities lay.

CSR since 2002

Since 2002, the most significant development in CSR generally has been the prevalence of reporting. Virtually all of the FTSE100 companies produce either a separate report with information on social and environmental performance or cover this ground in their main financial reports and accounts. While reports vary quite significantly in quality and approach, there is a clear expectation that all significant companies will have something to say about their management of social, environmental and ethical issues.

Despite the extent of CSR reporting, the last four years have not seen the widespread adoption of a specific definition of corporate social responsibility. There has, however, been a noticeable trend towards the use of the term “corporate responsibility” or “CR”, which is thought to reflect a wider interpretation of the issues at stake¹. Corporate responsibility suggests a consideration of all aspects of corporate behaviour, and reflects a move towards the integration of such concerns into day to day business practice. The emphasis on philanthropic and charitable support has been replaced by a focus on managing all aspects of the business effectively, responsibly and transparently.

This development is also reflected in the growing emphasis on addressing “material issues” and evaluating impact. Leading corporate responsibility practitioners and reporters are considered to be those who can demonstrate the business rationale for their CSR activity, the amount invested in terms of time and money, and the benefits such investments are delivering to the business and its stakeholders.

This move towards measurement and quantification of corporate responsibility is reflected in the growth of initiatives such as Business in the Community’s corporate responsibility index, which seeks to rank participants on all aspects of CSR practice.

Although CSR has been publicly supported by the government, most noticeably through the continued role of the “Minister for CSR”, there has been little specific regulation. The most significant anticipated legislation was that of the Operating & Financial Review, which would have required listed companies to report on the social, ethical and environmental impacts and risks engendered by their activities. The OFR, however, has been dispensed with, and a consultation is currently underway to debate whether the legislation should be reinstated, or whether different legislation is needed. The Accounts Modernisation requirements do still apply, however, so listed companies are still under an obligation to report on their social, ethical and environmental risks, although unlike the OFR, there is no obligation for this to be forward-looking.

Other legislation has been introduced which, while not directly linked to CSR, does impact on activities which are often considered under the CSR banner. On 6th April 2003, the Employment Act 2002 came into force. One of the main elements of the new law is the right for employees with a child under six, or a disabled child under 18, to apply to work flexibly and their employers will have a duty to consider these requests seriously. At the same time, the government is increasing and extending maternity leave and pay and introducing rights to paid adoption and paternity leave.

¹ Throughout this report we will continue to use the term corporate social responsibility or CSR, which at present most building societies continue to use.

The European Union's Equal Treatment Framework Directive requires the UK to implement national legislation preventing age discrimination by December 2006. The government will do so ahead of schedule, with legislation due to take effect from 1 October 2006. The regulations will give more rights to the employee around retirement and encompass recruitment, promotion and other employment terms.

There is growing evidence that UK employers are taking voluntary action to regulate their own working practices but legal experts have warned that the new regulations will necessitate significant changes in corporate culture and recruitment practice.

The 2005 survey

Since 2002, the CSR agenda has evolved to become an essential part of mainstream business practice. With ever increasing attention from the media, pressure groups and consumers, organisations have had no choice but to become more transparent and more accountable for their activities. For some, CSR has been used as a real differentiator, but for all organisations in the public eye, it has become an issue that is impossible to ignore. In this context it was therefore timely to repeat the survey of building societies, to discover how the sector has responded to these changes.

The aim of the 2005 survey was to discover how CSR activity has developed in the building society sector since 2002, and also to understand better how societies interpret CSR and its link with mutuality.

Feedback from 2002 led to a change in design of the survey and a simplification of the questions. This means that though comparisons can be made between 2002 and 2005, these are not always based on exactly the same questions. Rather than focusing purely on quantitative results, one of the objectives of the 2005 survey was to uncover more detail of how building societies are addressing CSR, to provide case studies and examples for others to learn from.

The 2005 survey was designed by The SMART Company in close consultation with the BSA. It was piloted with a number of societies, and the format discussed at the October 2005 meeting of the sector's CSR Forum². The survey was distributed to all societies for self-completion. In total 42 societies completed and returned the survey. The survey results were complemented by in depth interviews with eight societies to explore particular areas of practice in more depth.

To provide some feedback on the differences in approach between societies of different sizes, we have divided the responding societies into three broad groups by assets, as follows:

Classification	Assets	Number participating in survey
Small	Up to £500m	16
Medium	£500m - £5 billion	16
Large	Over £5 billion	10

² The CSR forum is a biannual event to which all societies are invited, and provides an opportunity to learn about new developments in CSR and discuss and share experiences

SUMMARY OF MAIN FINDINGS AND DEVELOPMENTS

In the 2002 survey, it was clear that due to their mutual status and historical place in local communities, CSR was already an important part of building societies' overall strategies. Areas that particularly stood out were approaches to flexible working and employee development, and investment in local communities. The majority of societies did not, however, have a formalised approach to CSR, and it was noticeable that reporting and communicating CSR activity was fairly limited.

In the last three years, CSR has become more important to all types of organisation and building societies are no exception. Most areas covered by the survey have seen some increase in activity, but areas of particular note are:

■ Environment

24% of societies now have a written policy on their approach to managing environmental impacts, compared with 2% in 2002. Environmental action has increased, with greater percentages of societies now taking steps to reduce energy use and promote recycling. A number of societies have taken steps to investigate the possibility of becoming "carbon neutral".

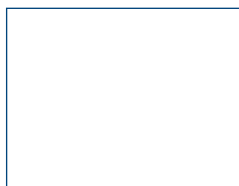
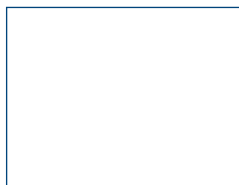
■ Supporting employees in charitable work

Supporting local communities has always been an important part of building societies' activity. Increasingly societies are recognising the importance of this activity to employees, and the benefits that can be realised from supporting employees in fundraising and volunteering opportunities. The majority of societies – 66% - take action to support employees' charitable commitments, compared with 30% who did so in 2002.

■ Involving members

Members play a vital role in building societies and it is unsurprising that almost 100% of societies see members as key stakeholders. While societies have always recognised the importance of providing a good service to members, over the last three years great steps have been taken to involve members more in the operation of the society, encouraging feedback and AGM attendance. In 2002, 70% of societies took steps to enable members to share their views, while 20% took steps to encourage AGM attendance. In 2005, 93% are supporting members in sharing their views, and 63% are taking specific actions to encourage attendance at AGMs. In the 2005 survey, we also explored how the size of building societies affects their approach to CSR. A number of societies commented in the 2002 survey that as smaller organisations, it was less appropriate for them to have formalised policies and structures in place, and that some CSR activities were not realistic for organisations with limited resources.

All types of organisations will interpret CSR differently, and will have different priorities for action.



This difference in approach is reflected in the results from 2005. Areas where levels of activity are noticeably different in societies of different sizes include:

■ **Written policies**

Most societies have written policies on corporate governance, health and safety and employee development. Larger societies are much more likely than smaller ones to have policies on community investment, environmental management and diversity.

■ **Charitable foundations**

All building societies are involved in some way with local communities, but larger societies are much more likely to formalise their giving through a charitable trust or foundation.

■ **Green travel**

This is an area where there has been an increase in activity since 2002. Larger societies, however, are more likely to have the resources available to provide facilities like bike racks and showers to promote alternative forms of transport for employees. This is reflected in the percentage of larger societies taking some action in this area (90%).

■ **Supply chain**

As well as managing direct impacts on communities and the environment, it is becoming increasingly common for organisations to consider the impact of activities within their supply chains. This can be a complex area to address, but almost two-thirds of societies are taking some form of action, such as only buying fair trade and recycled products. Amongst larger societies, 90% are taking action which again may be a reflection of greater resources.

All types of organisations will interpret CSR differently, and will have different priorities for action. With more resources and greater public presence, it is unsurprising that larger societies are taking more specific actions in some areas. This may also be a reflection of the greater expectations that are attached to larger companies – while 61% of societies agree that CSR has become more important over the last three years, amongst larger societies this rises to 80%. What is clear is that since 2002, societies of all sizes continued to recognise the importance of addressing their social, environmental and ethical impacts, and made good progress in doing so.

MANAGING CSR

Although there is no single definition of CSR, there is general agreement as to what the term covers. This is encapsulated in the following definition given in the survey:

“How an organisation’s behaviour impacts on society and the environment; how it acts towards customers, employees, suppliers, communities and the natural environment.”

This definition does, on the whole, correlate with building societies’ own interpretations and understandings. No society offered a different definition, although one commented that ‘we do not have a different interpretation in theme but believe that the expression “Responsible Business Practices”, which incorporates elements of corporate governance, fairness and acknowledgement of various impacts, sits better with a mutual, than CSR’.

Analysis of CSR activity usually focuses on four main areas – workplace, community, marketplace and environment. For responding societies, the first three elements are significantly more important, with 98% of respondents agreeing that employees and members are key stakeholders, and 83% regarding the local community as such.

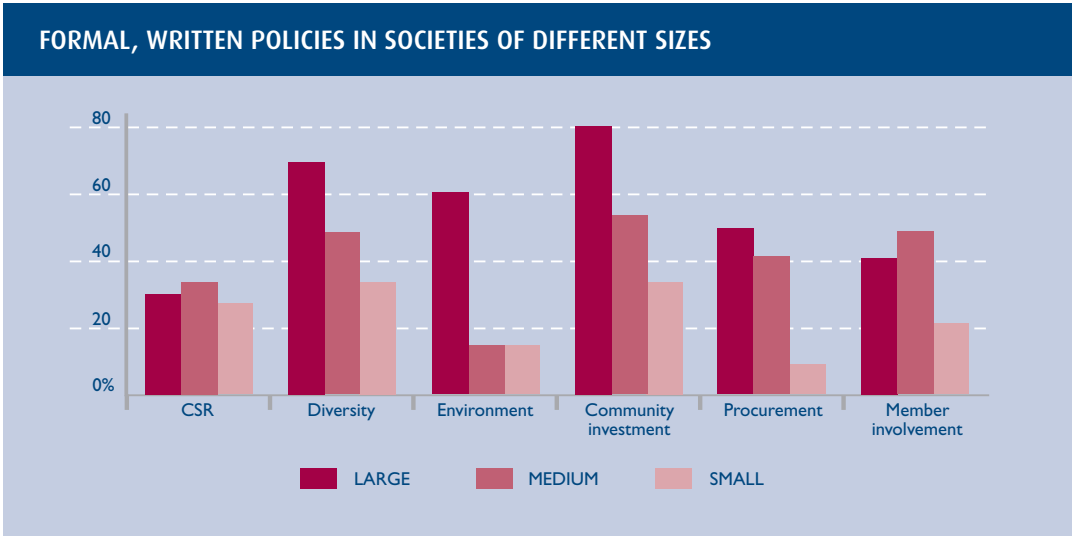
The majority of respondents agree that CSR has become more important to their organisation in the last three years, although this change has clearly been felt more by larger societies than smaller ones. While overall 61% of respondents agreed that CSR had become more important, amongst large societies this figure rose to 80%, with only 20% feeling that its importance had remained the same. For small societies, 53% thought CSR was more important while 47% felt it had stayed the same. No respondents felt that CSR had become less important. Employees have been a strong influence in promoting CSR, with 34% of respondents considering them to be most influential, followed by members (26%).

How CSR is managed

In 2002, many societies commented that formal written policies were not always appropriate for their organisations, whether because of the size or the culture. In 2005, it appears that while written policies are still not overwhelmingly prevalent, there have been some changes. Larger societies are much more likely to have written policies than smaller societies.

The great majority of respondents have written policies for corporate governance (90%), health and safety (95%), employee training and development (85%) and customer care (76%). The most noticeable changes since 2002 are in environmental management, where 24% of respondents now have a written policy (2% in 2002), and diversity (46% as opposed to 28%).





CSR is starting to be included in societies’ corporate plans – with over half of respondents (51%) currently doing this and nearly a quarter more (24%) intending to do so in the next 12 months. Where it is not included as a specific topic, many societies comment that CSR will be included in its constituent parts.

The majority of respondents do not have dedicated CSR or environmental managers, but a number of societies have taken the “working group” approach. This is a valuable method particularly where resources are limited or where CSR does not fit within an individual’s specific remit.

A more common approach is for CSR to be allocated between different departments, individuals or indeed the society as a whole. The chief executive and executive committees take an important role in driving CSR for many societies.

For small and medium societies, the primary responsibility for CSR falls to the marketing team. Larger societies are more likely to use corporate communications as the focus, although several societies split responsibilities between these departments as well as human resources.

Until November 2005 we had three Sustainability Improvement Groups (SIGS) working to improve performance in our key environmental impact areas which are Energy, Transport and Waste, Paper and Consumables. We have recently merged these into one SIG which will deal with the same issues and be encouraged to consider the wider sustainability position. The departments represented on the SIG include Community and Environmental Affairs, Retail, Group Purchasing, Group Staff Union, Marketing, Personnel & Development, Property Services, Internal Communications, Technology and Logistics (Print & Distribution) **Nationwide BS**

WORKPLACE

As CSR has developed and become more integral to daily business practice, the overlaps with previously distinct departments have become apparent. Workplace issues have come to the fore, fuelled by media focus on working hours and stress levels, and legislation has been introduced to support flexible working and guard against discrimination. The ageing population and pensions debate all contribute to a re-evaluation of our working lives and our expectations of employers.

In 2002, it was clear that building societies were already supporting employees in flexible working and personal development. The sector traditionally has a significant female workforce, and the need to be open to different patterns of working is well recognised.

Flexibility and professional development

Almost all responding societies (90%) have taken action to support and promote flexible working, although practices may not be enshrined in written policies. Smaller societies respond to demands as they arise and take an informal approach. Many societies allow flexible hours and job shares, with an increasing number allowing home working for particular tasks or roles. Some larger societies have introduced more comprehensive policies to meet employee needs.

A number of societies (37%) have either signed up to the childcare vouchers scheme or put in other measures to support employees with childcare, with a further 15% planning to address this in the next 12 months. Alternative approaches to the voucher scheme include:

“We give an allowance of £100 per month to parents with children under 16 who are paying to a registered child-minder” **Britannia BS**

“We have a special childcare scheme with a local nursery” **Furness BS**

“We currently offer a childcare allowance of £20 per week and provide access to a childcare information line. This year we will be launching a range of voluntary benefits which will include additional childcare support including discounts on nursery places” **Coventry BS**

Almost all societies (95%) have in place a programme to support employees’ personal and professional development. These vary in terms of formality, but are based around systems of training and appraisal. A number of societies are Investors in People accredited.

This is an area of full employment, we’ve got the best secondary schools in the country so we don’t get that many job applications. In order to attract people across the age range, we have to offer flexible working. Some of our managers are part time, for example a senior head office manager works four days a week. There are some who work just Saturday mornings in the branches, although this practice is coming to an end. There is a move to working part time. We sometimes advertise roles as being flexible, sometimes we just leave it open, we would never turn someone down because they wanted flexible working time. We have a “family friendly” policy. One person has just returned from a five year career break, which she had in order to start a family. **Skipton BS**

We require flexibility in our operations, so we go beyond regulation and recruit on a flexible basis. It’s one way to attract and retain staff. People can have short career-breaks such as three months off to go travelling or a long career break such as two years of “extended maternity leave”. We also have paid paternity leave. 15% of staff buy/sell holidays – the standard holiday is 22 days but goes up depending on length of service/role – they can buy/sell up to 5 days but can’t take fewer than 20 days off. We also recruit people for term-time working only. **Norwich & Peterborough BS**

As part of the Society’s diversity programme the ‘Women at West Brom’ group was set up. One of the objectives of this group was to look at work life balance and flexible working. The Society has since implanted a flexible working policy for all staff which includes; flexitime; career breaks; job share; condensed hours; flexible hours; term time working. **West Bromwich BS**

Personal development at Chelsea Building Society acknowledges and endorses the principle that sound staff development results in improved business performance. This is cemented into our Corporate Plan and behavioural expectations are set and measured against our stated core values.

Initially, we provide a structured approach to achieving basic competence in role throughout the Society. We then encourage a shift towards individual responsibility and self-selection through a range of relevant and appropriate provisions.

We require all employees to maintain a personal development folder to log progress from generic induction, through specialist workplace induction, end of probation sign-off, coaching reports, training completed, etc. This fulfils typical training and competence principles across all areas.

We have a 3 tiered Leadership Development Programme for managers, team leader/supervisors and potential team leaders to support performance, and develop potential. The programme is highly successful and totally supported across all areas of the business.

We have an extensive Further Education policy that provides sponsorship and rewards for studies leading to relevant/appropriate qualifications and to encourage continuous professional development. The Institute of Financial Services qualification "Customer Service Professional" is widely subscribed to at all levels whilst "Professional Diploma in Financial Services Management" is used to develop wider awareness and knowledge of our business for more senior staff. Both are useful vehicles to support succession planning strategy. Membership and other qualifications via professional institutes are widely encouraged and subscribed to.

Open learning facilities are available to all and a menu of options for further development is co-ordinated through our involvement in other community based programmes (eg Young Enterprise/Academy of Finance/Working with community projects/Work Experience/school support for interview and presentation skills etc) [Chelsea BS](#)

"Our programme, Quest, focuses on personal and professional aspirations and how employees can fulfil them through work. It encompasses the entire work experience. The appraisal system has now changed, and the responsibility to decide objectives now works on what the business plan means to the individual. The individual decides what the objectives should be, with support from their line manager, rather than them coming down from on high. Appraisals have been replaced with "Vantage meetings" with managers which focus on these behavioural and business objectives in order for employees to get the most out of their work experience and to facilitate ongoing development in all kinds of ways, and not just tactical skills.

We have a staff well-being programme and a full no-smoking policy from March 2006. Staff can have a quitting treatment and follow an NHS course which is free and in work time; from 2006 other staff can also go for subsidised treatments such as acupuncture and hypnotherapy during



Diversity

Societies take quite widely differing approaches to addressing diversity in the workforce as some societies are located in areas of high ethnic diversity, while others are based in areas with little ethnic representation. Many societies comment on the desire to avoid “positive discrimination”, and instead highlight equal opportunities policies and the approach of employing the best person for the job. Geographical location and size have a big impact on approach. On average, 32% of respondents take action to promote a diverse workforce, but amongst the large societies this rises to 80%.

“We have well deployed indicators and processes for employee diversity including: targeted recruitment via specialist press, radio and agencies. We monitor our workforce profile for gender, age and ethnicity monthly. This includes monitoring promotions, participation in management development and satisfaction levels.” **West Bromwich BS**

“The Society’s core focus is on 1 of the 3 pilot Government initiatives around Fair Cities – Bradford. The Chief Executive chairs the steering group and the objective is to pledge and produce “proper” jobs for residents in the 5 most deprived wards in the city. By definition this will engage all communities and all social groups” **Yorkshire BS**

“We have a diversity policy which aims to ensure we reflect the communities we serve. We monitor our success and target under-represented groups. The Society is above average in its proportion of ethnic employees. We support Race for Opportunity and
Coventry BS

COMMUNITY

As mutuals, many building societies are still based in the communities which founded them, and which still collectively own them. Therefore it is hardly surprising that community investment and support is one of the most visible aspects of CSR activity, as it is an area where building societies have traditionally been strong. The importance of local community involvement is reflected by societies' responses to the question of which CSR initiative has made them most proud. Many commented on community or charitable initiatives, and overall 88% of respondents have in place an established community programme.

Larger societies are more likely to manage their charitable support through a foundation or trust – 70% of large societies have such arrangements, compared to 47% of small societies. Foundations are often focused on supporting charities or groups operating in the society's traditional heartland. Some societies involve members in making decisions about which causes or organisations to support, but this tends to take the form of inviting feedback rather than active involvement.

"As part of the Active Volunteering Scheme, all Newbury BS staff are given two working days specifically for volunteering activities. We have a strong partnership with Volunteer Centre West Berkshire, who we liaise with to pick the right sort of activities for staff. We have at least one team activity a year and also ensure our sponsorships have some kind of staff involvement in addition to financial assistance.

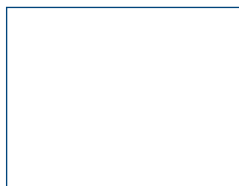
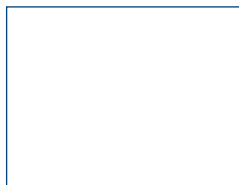
We are involved with Champions of Enterprise - an educational programme for sixth form students in the area designed to develop business planning, marketing and finance skills as part of the students' preparation for working life. We work with West Berkshire Education Business Partnership to deliver the programme and in the last two years around 1600 students have participated along with 40 members of Newbury BS staff as mentors, judges and advisers. The programme ends with a West Berkshire final to determine a winning team and school." **Newbury BS**

Employee involvement has become more important to societies, with 66% supporting employees' charitable commitments, compared with 30% who did so in 2002. The most usual forms of support are enabling payroll giving and providing time off for charitable work. Fewer societies (27%) run a formalised volunteering programme.

"Our staff have been encouraged to get involved with the community for many years and have successfully demonstrated a commitment to this every year – in 2003 it was made formal policy that all staff would have the opportunity to partake in community initiatives – and although we currently have no statistical data to validate this we believe staff are giving on average 30 hours per month to external groups/clubs etc.

We have operated a sponsorship committee for over 10 years and up to 25% of our marketing budget has in the past been devoted to funding community based activities. We have pledged over £30,000 to specialist school initiatives which have benefited both the high school students and the community who have greater access to the facilities being developed.

We have supported a local school safety scheme 'Crucial Crew' which takes place in Ipswich twice a year and attracts 900 primary school students who receive important guidance & advice through 10/12 safety scenarios. The Society has in recent years worked with Suffolk Police to provide a 'personal safety' set illustrating how youngsters can look after their money and personal belongings." **Ipswich BS**



The majority of building societies (68%) undertake some measurement of support given to charities, and most often use measurements of financial support and gifts in kind. There is little evidence of a widespread approach to more detailed evaluation or measurement, but some societies are using different indicators to assess impact.

“Feedback is collected from those offered assistance. The value of the assistance is assessed using a range of criteria, including the audience Chelsea are exposed to, the amount raised for the cause, number of people attending, editorial achieved, skills acquired, or monetary value of support (whether in cash or in kind).” **Chelsea BS**

“Currently, we measure in terms of cash donations made. We also monitor and evaluate the success of such activities in terms of other factors such as positive media mentions and public perceptions (as part of our regular customer/brand research). Over the next 12 months we plan to expand our forms of measurement, however, to include an evaluation of criteria such as volunteering hours spent and match funding sourced by charitable organisations as a result of Scarborough BS support” **Scarborough BS**

Many societies already collaborate with other organisations on community initiatives, and those that do not are open to doing so. Much of this activity reflects mutual building societies’ traditional role at the heart of local communities, and involves working with groups such as the police, local media and councils. Others work in partnership with other businesses to maximise charitable work and community involvement.

“For the last eight years we have worked very closely with South Yorkshire Police on a large number of issues. One in particular, which has now expanded into a three emergency service event is targeted towards the local public and achieves attendance in the region of 18,000 people. This is very much an interactive, hands on day and which now includes South Yorkshire Fire and Rescue and the Ambulance service.

Through this link we have expanded our Make a Difference (MAD) programme to include member education, which allows us to bring to our members’ attention areas that could affect them. These range from anti-crime initiatives into development issues through the ‘Lifestyles’ project and ‘Crucial Crew’, which develops awareness in the 7 to 16 year olds living within the county.

We do similar things with Fire and Rescue to raise awareness of safety issues and ‘Make a plan’. We also work with the High Sheriff of South Yorkshire to develop the individual award for community which involves other businesses.

We are currently discussing ways in which we can work with new partners Sheffield Hallam University and the South Yorkshire Councils on community initiatives. We have recently taken the main sponsorship of our local football team and will be working with them and other sponsors on community issues.” **Barnsley BS**

“We work with Peterborough Environment City Trust (PECT) and Anglia Energy Services (AES) to promote to our customers energy supplies through AES, which in turn creates funds to support the Seeding Sustainable Communities scheme (an initiative to provide new home owners with environmental information to minimise their impact on the environment). We also work with other employers on the Peterborough Business Park to promote car sharing and public transport.” **Norwich & Peterborough BS**

ENVIRONMENT

Environmental issues, particularly climate change, have recently come to the forefront of public debate. The measurement and management of environmental impact is one of the most tangible aspects of CSR, allowing for quantitative measurement and demonstration of year-on-year improvement. It is also, however, an area where many companies struggle to see how they can make a difference and indeed whether they need to. Aside from activities like manufacturing, mining and chemical production, it can be hard for businesses to grasp concepts of CO2 emissions and waste reduction. Nonetheless, all businesses have some environmental impact and increasingly organisations of all types have started to address this. Environmental responsibility is an area that chimes particularly with employees, who are often the driving force behind initiatives like introducing paper recycling.

In common with other service-based sectors, building societies have taken a number of steps to improve environmental impacts. The vast majority of respondents (85%) are taking steps to reduce energy use, while 96% encourage the reduction of waste and promote recycling and almost two-thirds try to reduce paper use.

Initiatives range from informal approaches such as posters and emails encouraging staff to switch off lights and computers, to more comprehensive programmes.

“The Society is working towards becoming Carbon Neutral. The first steps have included offsetting travel to the Society’s AGM, encouraging use of public transport amongst employees, and switching to a green energy supply.” **Universal BS**

“The Carbon Trust monitoring agency visited us to highlight areas where we could reduce our energy usage. In response to their feedback, we take steps including controlling water supplies to WCs and computer controlling our heating and cooling systems. Our new Head Office building, in Scarborough, is designed with energy efficiency in mind.” **Scarborough BS**

“We run education initiatives with the members and staff, discussing CO2 emissions and on World Environment day we challenged staff to find a ‘CO2 free’ way to work so we could work out how much we could save in one day. This involved staff walking, cycling, car sharing, catching public transport etc. We were able to work out the amount of CO2 saved and translate it into language that could easily be understood for both staff and members!” **Barnsley BS**



“We have done a lot of work in 2005 raising awareness and changing behaviour across the business in terms of Britannia’s environmental impact. This has included work with Global Action Plan, the setting up of a Green Team across the Group and a well used intranet site and e-forum within the corporate intranet. Before we started this initiative, we already did the following

- 98% of plastic cups at Customer Support Centre (CSC) are recycled - we recycle in excess of 1 million vending cups a year
- IT equipment is refurbished and given to local charities and schools. Over 1000 machines have been donated over the past 5 years
- All non-contaminated paper waste is recycled - the caretakers hand sort the bins to make sure there is only paper in them
- Printer toner cartridges and fluorescent tubes are sent for recycling
- All used cooking oil is recycled and used in the manufacture of animal feed products
- Aluminium cans are recycled, raising funds for charity
- Wooden pallets are given to a supplier for re-use
- Spare furniture is given to local schools and charities
- Branches have the most energy efficient lighting available and furniture is reused where possible
- Paper used in the production of marketing material is environmentally friendly, made from trees grown on totally sustainable forests
- There are petrol interceptors at CSC which filter all car park and road surface drainage to remove petrol/oil residue before the water goes in to the main water systems
- Old oil, e.g. from the generators is sent for specialist environmental disposal
- There is a building management system at CSC, which controls lighting, heating, fire detection etc. This gives us added energy controls and savings
- No non-biodegradable products e.g. weed killers etc are used on CSC grounds”

Britannia BS

Just under half of respondents take steps to promote and encourage environmentally friendly travel for employees. Amongst large societies, this figure rises to 90%. Car sharing is not always a popular option, but many societies provide bicycle racks, showers and promote the use of public transport.

“At our Head Office we have an agreed travel plan. This plan is based on a survey of our staff members’ travel into work arrangements and has led to the introduction of a car-sharing scheme, dedicated parking areas for car-sharers, cycling initiatives and improved cycling sheds and showers. We have also negotiated favourable discounts with a mail order cycling retailer.”

Norwich & Peterborough BS

MARKETPLACE

Customer relations is another area where CSR becomes indistinguishable from good business practice. With an ever increasing amount of choice and information, customers are able to make decisions using a wide range of factors, including ethical and responsibility issues.

The integration of CSR into good customer services is recognised by building societies, 83% of whom consider Treating Customers Fairly (TCF) to be part of their organisation's approach to CSR.

“There is some synergy as both practices aim to deliver fairness in the best interests of all stakeholders. We believe it must be part of our culture.”

“Being corporately responsible includes treating customers fairly – they are the key stakeholders to the business.”

“The two issues are, in our view closely connected and we have recently set up a project team to consider TCF implications.”

The majority of building societies take steps to ensure that their services are inclusive to all – 98% provide facilities such as disabled access and hearing loops, while 61% take steps to address financial exclusion. With the introduction of the Disability Discrimination Act, it is unsurprising that societies ensure that branches are accessible and that literature is available in Braille and spoken versions. Some societies have taken a step beyond this to ensure customer needs are being met.

“The Society has a disability forum who are responsible for ensuring that all our premises and customer resources are accessible.”

West Bromwich BS

“We also consider details like making large pens available for people to hold if they have arthritis.”

Skipton BS

“In one branch near the deaf school the branch staff have learnt signing.”

Bath BS

To help address financial exclusion, many societies offer basic savings accounts which can be opened with a minimum deposit of £1. A number of societies refer to the siting and maintenance of branch networks and ATMs as ways of supporting otherwise excluded or disadvantaged communities. Others point to support for shared ownership mortgages to support first time buyers.

“We introduced shared ownership mortgages to address the problems of housing affordability for first time buyers. They rent half the house and get a mortgage on the other half, and in time they can buy more. It gives access to first time buyers as prices are very high in the area.

Recently we have encouraged financial inclusion through the 'Bank It' scheme in Andover and produced a leaflet for school children and others giving basic information on finance to help financial understanding. Through the 'Bank it' scheme, we work with the local council to encourage council tenants to open simple accounts, and we hold surgeries to talk to tenants. We have procedures to ensure those who do not have traditional forms of identification are not excluded from opening an account. The simple nature of our passbook accounts means they are accessible to all." **Newbury BS**



The integration of CSR into good customer services is recognised by building societies...

Some societies are involved in specific initiatives to help with exclusion. The Barnsley supports older people through an arrangement with two old people’s homes in Barnsley and Wakefield, whereby staff actually go into the homes to provide society members with their cash. The Principality is heavily involved with driving the social housing agenda in Wales:

Building societies are taking steps towards addressing ethical issues through their supply chains, with 59% citing some level of action. Amongst large societies this rises to 90%. The most common actions include using fair trade tea and coffee, and recycled or sustainable paper supplies. Others aim to use local suppliers wherever possible.

“We’re passionate about housing. There is a crisis in housing, a lack of social housing for people on low incomes and nor can they afford to buy homes because it’s a popular area for holiday homes. We commissioned research with the Institute of Welsh Affairs which is due to be published in February on the state of housing in Wales, and we’re active in pushing the agenda; we attend meetings in the Assembly and get involved in public debate. We have also hosted seminars in partnership with the Institute of Welsh Affairs and others.” **Principality BS**

“Only fair trade commodities are purchased for the kitchen areas of Head Office and external catering at marketing events. Branch offices were also directed to purchase the same type of goods. We use ‘environmentally friendly’ paper for printed leaflets, brochures etc.” **Newbury BS**

“We only use paper products from sustainable forests.” **Stroud & Swindon BS**

“Fair trade tea and coffee is used for all meetings, and recycled paper used for Society literature wherever possible.” **Universal BS**

Very few responding societies offer specialist products such as “green” mortgages – the amount of investment required does not at present seem to match with customer demand.

MEMBERS

Member relationships are obviously key to building societies, and an area that clearly distinguishes the sector from plcs. Member involvement is an area where building societies have actively sought to improve practice, with several citing these initiatives as those of which they are most proud.

The differences in products and services offered to new and existing customers is an issue which had received much attention in recent months. Of those societies responding, 68% ensure that products offered to new members are also made available to existing members. Those that do not do this point out that existing members may well be offered other preferential rates or offers.

Almost all societies (93%) take steps to enable members to share their views, a significant increase since 2002 (70%). Many societies (76%) also feed back to members any changes that have resulted from their involvement. Small and medium sized societies can sometimes enable closer relationships with members through the branch network, while others have introduced approaches such as member panels.

“Our Member Involvement Programme aims to involve our members and encourage feedback to senior managers and directors, we hold an annual members event at a local theatre (includes a reception and production), five Directors Question Time events (including lunch) in five different locations within our branch network and in 2006 will begin an annual customer feedback questionnaire (we already get feedback via customer care calls to new customers and this will capture the longer standing members).”
Newbury BS

“The Society believes it has one of the most active member involvement programmes in the sector which includes:

- Member panel (6,500)
- Member forum (small group of members for in depth discussions / feedback)
- Member Question Times (usually 6-8 meetings per year held across the country where members meet Chief Executive and other senior team members)
- Monthly surveys of at least 1000 members
- Dedicated email contact line titled “Have Your Say” under which questions can be directed (and answered) on any aspect of Society business
- Group Management sessions listening in on customer calls via Member Contact Centre to identify positives and negatives of customer experience
- Online chats with Chief Executive (one or two a year)” **Yorkshire BS**

“We hold member talkbacks, send out customer questionnaires, have suggestion forms available in our branches and members are encouraged to contact the Chief Executive direct.” **Furness BS**

“The close relationships with branch visitors mean that we do receive valuable feedback regularly via forms submitted by our branch network. We hope to establish a more formal arrangement in the future to ensure we are collecting a representative range of opinions on a wider array of topics. The Executive are always keen to hear from members about the issues good or bad.” **Ipswich BS**

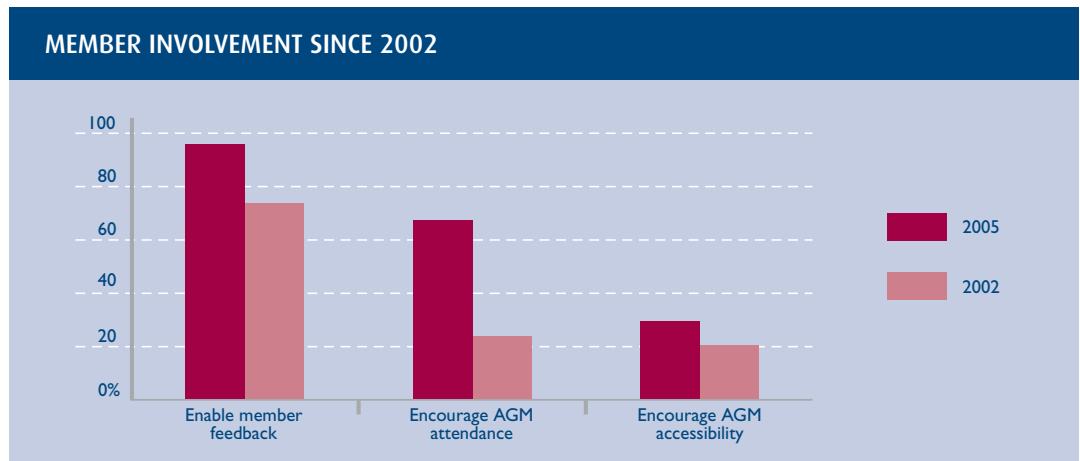
Most significantly, 63% of societies now take steps to encourage AGM attendance and voting, contrasted with 20% in 2002. The most common approach is to make a charitable donation (average 10p) for every valid vote cast, although some societies have taken steps to make AGMs more engaging through using different venues and inviting guest speakers.

A proportion of societies do take steps to make the AGM more accessible, for example by holding it in the evening or at an accessible venue. Many do not see the need for providing services like webcasts, although results and reports are made available on websites.

“We encourage by personal invitation and host the event in interesting surroundings eg: historical house, museum, football ground etc.” **Chorley BS**

“We have encouraged and successfully improved member attendance at our AGM by providing a well known guest speaker at our last 5 AGMs. Last year we also incentivised members to respond by offering a charitable donation for all votes submitted. This means that we have one of the best member turnout ratios.” **Ipswich BS**

“In the past we have held the AGM at Newcastle United’s ground and offered free tours to members. We have provided videos showing members how the society has performed. We offer free transport help to members who may otherwise not be able to attend.” **Newcastle BS**

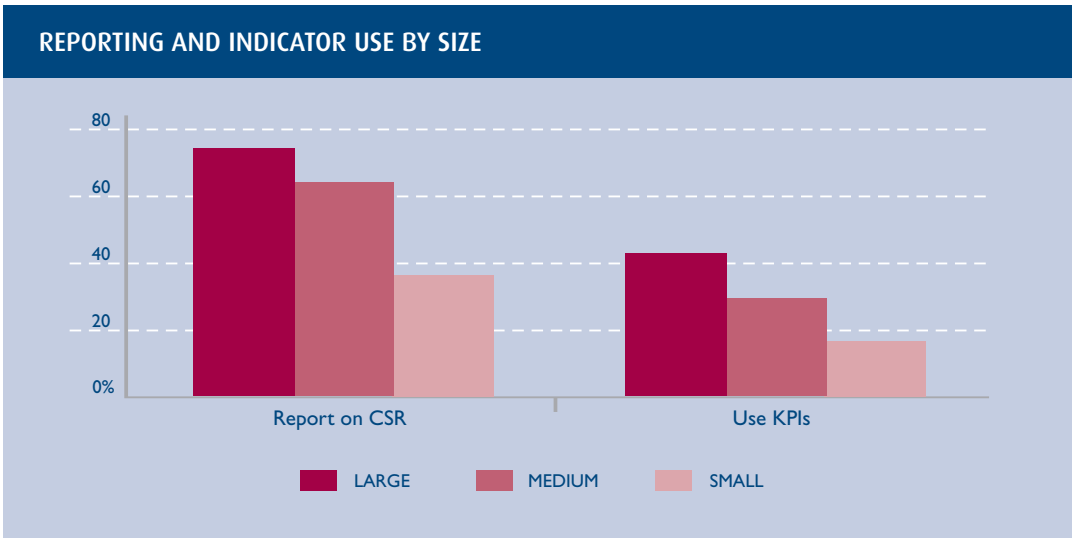


PERFORMANCE MANAGEMENT AND COMMUNICATION

Public reporting has become one of the most visible manifestations of the CSR movement, with virtually all the FTSE100 and a large proportion of the FTSE250 reporting on their activities. With the growth of reporting have come more public scrutiny of corporate practice, and the development of reporting awards. These moves have contributed to a demand for clearer indicators and targets around CSR performance, and the growing expectation that reports will be externally verified or audited.

At present, 51% of building societies undertake some kind of reporting on social, environmental and ethical issues. The level of activity ranges from the inclusion of community activity news in staff and member newsletters to separate CSR reports. A small proportion of societies (12%) seek external verification for their reports. The use of performance indicators is limited, with 24% following this practice. Societies do produce a wide range of other communications including newsletters, bulletins, updates, intranet and internet postings. Larger societies are much more likely to report on performance and use indicators than smaller societies.

A common way for companies to assess their CSR practice is to participate in Business in the Community's Corporate Responsibility Index, an annual exercise which reviews the level of practice and integration across all dimensions of CSR. Only one building society has fully participated in the index, with another planning to take part in 2006. Others have taken part in regional indices or in the Business in the Environment index. Most societies are not convinced that the resources involved in participation are worth the outputs, although some recognise the value of benchmarking and profile building.



CONCLUSION

The results of the 2005 survey show that building societies have continued to consolidate their CSR activities. There has been a noticeable increase in activity across the board, but particularly in managing environmental responsibilities and in improving interactions with members.

This growth in activity, and the recognition by many societies that CSR has become more important in the last three years, is reflective of wider changes in public expectation and corporate behaviour. The increase in CSR reporting among the FTSE 100 and 250 shows that CSR is no longer a “nice to have”, but an essential part of business practice.

So what does this mean for building societies? These developments offer both a challenge and an opportunity. Because of their links with communities, and their mutual structure, building societies have traditionally been able to differentiate themselves from competitors. With the growth of CSR, however, the differences may seem less clear. Banks and other financial services providers are equally likely to provide support to local communities, offer employees flexible working opportunities and undertake customer engagement exercises. In addition, these companies may have more resources than many building societies to develop more formal, strategic approaches to CSR. This can help with communication, impact, and profile with certain audiences, particularly opinion formers.

Where there is still a difference, however, is in their mutual structure. Most building societies see mutuality and CSR as closely interlinked – not interchangeable – but one informing the other.

For many, mutuality provides a foundation for CSR. It offers a different starting point from that of profit-making organisations – one grounded in community commitments and relationships rather than shareholder return.

As such, building societies have a distinct advantage over profit-making companies in terms of their interpretation and communication of CSR. Many companies are now struggling to rationalise their CSR activities and demonstrate how these fit with overall business strategy, and how such commitments can be balanced with obligations to shareholders. This struggle is to some extent responsible for the growth in evaluation, Key Performance Indicators and ranking exercises, which are all designed to show why CSR is a sensible business investment.

Building societies already have a rationale for the foundations of their CSR programme – their inbuilt mutuality and therefore commitment to their community and members. This provides a perfect foundation for extending those responsibilities to wider issues such as the environment, offering building societies a far stronger, more powerful message.

The challenge for building societies now is therefore to grasp this message, and use the “mutual difference” to inform a sectoral approach to CSR. This does require a focus on many of the same elements that all companies must address – clear strategies, transparent goals and objectives, an embedding of CSR principles into business practice, and communication of activities and results. Where building societies can differentiate themselves, however, is in their rationale for doing this and in the undisputed fact that the core of CSR is inextricably linked with mutuality. The results of the survey show that many building societies are already taking these steps, and seeing the benefits that accrue. If all societies continue to move forward as a sector, even more benefits can be realised.

"I think CSR goes hand-in-hand with mutuality – 'mutual' values fit perfectly with CSR." **Medium society**

"We believe CSR is an issue which should dovetail with the aims and objectives of a mutual organisation." **Small society**

"We see the two as inextricably linked. A mutual should be mindful of the communities in which it operates, and seek to leave a positive footprint." **Medium society**

"As a mutual we take our responsibilities towards our membership very seriously and as we wish to continue doing business in the areas within which they live, we see that it makes sound business sense to also play a strong role within their communities. We see our role as one which should, where possible, assist in strengthening communities and foster a sensible approach to finance from the youth through to the older members of those areas. The recent environmental focus has seen us expand those theories, in that we now appreciate that we all have a responsibility towards the world environment. As such we are trying to reduce our output and educate the staff also to the types of things that can do as individuals." **Small society**

"We believe that all organisations have responsibilities that go beyond purely their financial interests. Being a mutual, we have always understood that, but we also recognise that there are growing expectations. Members expect continued excellence from our products and services. Our employees expect to work in a fulfilling and safe environment. Members, employees and partners expect us to understand and manage our impact on the community and the environment. We consider that there are very strong links between the values of mutuality and sustainability." **Large society**

"We have always considered our local communities in our policies and when deciding upon financial support. We test our members' understanding and approval of these policies at members' meetings and through other communications. Our initiatives on environmental policy, work-life balance for staff and local community support are made possible, to some extent, by the longer term views which can be taken as a mutual." **Medium society**

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