



Charity
bank

Your bank for good.

Environmental, Social & Governance Report

May 2024

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Charity Bank's Environmental, Social and Governance Report

1. Introduction and Commitment

At Charity Bank, we recognise our responsibility to operate as a force for positive change, both within our organisation and in the communities we serve. Our commitment to Environmental, Social and Governance (ESG) is deeply ingrained in our ethos. Charity Bank is not just a financial institution; we are a catalyst for societal transformation. We believe that our success is measured not only by financial performance but also by the tangible impact we make on people's lives, communities, and the environment. Through this ESG report, we reaffirm our dedication to ethical conduct, environmental stewardship, and social responsibility. We aspire to set a standard of excellence in corporate citizenship, fostering a culture of integrity, accountability, and compassion in all that we do.

2. Charity Bank

Charity Bank is the bank for people driven to create positive social and environmental change. We bring together passionate UK savers, who want their savings to make a difference, with UK charities and social enterprises seeking loans to create real change in the lives of people, communities, and the planet – both now and for the long term.

Charity Bank is more than just an ethical bank – we're fuelled by a dedication to foster positive change in everything we do. We provide loans to organisations actively working to improve the world around them, and all our shareholders are charities and social purpose organisations.

Vision

A society that fosters vibrant communities and a healthy planet, giving every individual the opportunity to thrive.

Mission

To support and strengthen impact-driven organisations that improve people's lives, while empowering savers and investors to put their money to work for positive social change.

3. Values and Culture

Our values guide our decisions, actions, and interactions with stakeholders. We believe in fostering a culture that reflects these values, driving us to make a positive impact in the world around us.

1. Working in Harmony: We recognise that we are all interconnected and part of a larger community. Collaboration and cooperation are at the heart of everything we do. By working together in harmony, we leverage the collective strength of our team, customers and the wider Charity Bank community to achieve our shared mission and vision.

2. Mutual Respect: Diversity is not just welcomed; it is celebrated and embraced. We value and respect the unique perspectives, ideas, and beliefs of our customers, colleagues, and other stakeholders. By fostering an environment of mutual respect, we create a space where everyone feels valued, included, and empowered to contribute.

3. Being the Change: We believe in leading by example and being the change, we wish to see in the world. Through our choices and actions, we strive to empower charities, social enterprises, and individuals to make a positive difference in society. By embodying the change we advocate for, we inspire others to join us in creating a better, more equitable world.

4. Stakeholder Engagement

At Charity Bank, we acknowledge the importance of fostering transparent, two-way communication and collaboration with our stakeholders. As an organisation owned by charitable trusts, foundations, and other social purpose organisations, we prioritise regular communication with all our investors. This includes providing investors with quarterly reports that highlight both our financial and social performance, ensuring transparency and accountability.

Our aim is for our board composition to reflect our commitment to diversity and inclusivity, comprising individuals with a diversity of backgrounds and experiences from both the social and financial sectors.

We actively invite our borrowers and other representatives from the social sector to present at board meetings, facilitating meaningful dialogue and informed decision-making.

To gather insights and feedback, we conduct annual and ad hoc surveys with our borrowers and savers, enabling us to continually enhance our offerings and services. Additionally, we have established multiple cross-departmental teams and channels for engagement, such as the Customer Improvement Workstreams, Productivity working group, Net Zero working group, and Social Committee, to encourage collaboration and innovation across the organisation. Embracing an open-door policy, we empower all staff members to challenge established norms and contribute suggestions for improvement. For those who prefer anonymity, we provide anonymous channels to voice their opinions, ideas, or concerns. Furthermore, we foster a culture of transparency and inclusivity through regular All Team Meetings, internal newsletters, and annual staff surveys and EDI surveys.

We value external perspectives and actively seek input and engagement from knowledgeable experts. Recent examples of this commitment include collaborating with the University of Salford to enhance our green lending initiatives. This involved conducting a comprehensive borrower survey and facilitating focus group discussions to gather insights. We partnered with a Learning Partner for our Lending Equal Access Programme (LEAP) to ensure inclusivity and accessibility. This included gathering customer insights and feedback, allowing us to identify areas for improvement in our products and services. Furthermore, we appointed The Social Investment Consultancy (TSIC) to conduct an independent audit focusing on equality, diversity, and inclusion (EDI). Their expertise has been instrumental in refining our action plan and shaping our EDI vision statement to align with our organisational goals.

5. Environmental Sustainability

Charity Bank views climate change and environmental impact as significant and one of the most urgent social challenges. Recent rises in energy prices have begun to make this an economic issue for our customers and their beneficiaries as well as an environmental one.

Our environmental impact encompasses two primary areas:

- 1. Internal Activities:** This includes our travel, material usage, procurement practices, office operations, and staff travel arrangements.
- 2. Lending Activities:** Through the projects and activities we finance, we aim to support climate change mitigation efforts and environmental sustainability.

5.1. Strategy

Our commitment to environmental stewardship extends beyond regulatory requirements. In 2022, we integrated “healthy planet” into our vision statement and prioritised the growth of our green lending portfolio in subsequent business plans.

Through our lending business, we actively support borrowers’ climate change mitigation initiatives and are continually seeking new partnerships and products to advance this goal. Additionally, we consider Environmental, Social, and Governance (ESG) factors alongside traditional financial measures in investment decision-making.

Our Initiatives

In 2022, we introduced two green loan offers to incentivise energy-efficient building purchases and upgrades. Building on this, in 2023, we supported Key Fund with their launch of the Energy Resilience Fund (ERF), providing blended finance solutions that include grants for energy audits and a mix of grants and loans for recommended investments.

Expanding further, in 2024, Charity Bank initiated its own energy efficiency blended finance program with funding from Access – The Foundation for Social Investment. This program focuses on building improvements such as energy-efficient heating, solar panels, and retrofitting measures like LED lighting.

Our Environmental Practices

As an ethical bank, we are mindful of our own environmental impact and take proactive steps to mitigate climate change. This includes recycling efforts, sourcing electricity from green energy providers, encouraging staff to use public transport, and minimising our carbon footprint through office operations.

Our Silver Level accreditation from Investors in the Environment (iE) in 2023 underscores our commitment to reducing our operating emissions. We are actively pursuing ‘green’ certification, targeting travel emissions, enhancing our supply chain, and setting ambitious carbon reduction goals. Negotiations are underway with our landlord to improve the energy efficiency of our Tonbridge office.

Fossil-Free Alliance

Charity Bank is a member of the Fossil-Free Alliance, a global network of organisations, communities, and individuals committed to divesting from fossil fuels and promoting a transition to renewable energy sources. Member organisations of the Fossil-Free Alliance work together to advocate for divestment from fossil fuel industries, encourage investment in renewable energy alternatives, and raise awareness about the environmental and social impacts of fossil fuel extraction and consumption. The alliance aims to accelerate the transition to a sustainable, low-carbon future by challenging the influence of the fossil fuel industry and promoting climate-friendly investment practices.

5.2. Governance

Charity Bank acknowledges the significant impact that climate change could have on the economic and political landscape. Our Board ensures that governance arrangements, risk management policies, scenario analyses, and disclosure arrangements adequately address financial risks stemming from climate change.

5.3. Net Zero

In April 2024, Charity Bank formed a Net Zero working group to lead our journey towards environmental sustainability and achieving net-zero emissions, succeeding our 2022 Green Champions working group. Tasked with developing strategies, setting targets, and engaging stakeholders, the committee aims to enhance our sustainability culture, integrate climate risk management, and drive us towards a low-carbon economy and our vision for a society that fosters vibrant communities and a healthy planet, giving every individual the opportunity to thrive.

5.4. Financed Emissions Disclosure

Charity Bank has signed up to the Climate Change Commitment sponsored by the Global Alliance for Banking on Values (GABV) and is an active member of The Partnership for Carbon Accounting Financials (PCAF). Through these initiatives, we are dedicated to measuring and disclosing the greenhouse gas (GHG) emissions associated with our loan portfolio, aligning with the objectives of the Paris Climate Agreement.

5.5. Our Supply Chain

We are committed to sourcing products and materials sustainably, prioritising suppliers who adhere to ethical and environmentally responsible practices. This includes sourcing paper and office supplies from certified sustainable sources, promoting fair trade and organic products in our facilities, and partnering with suppliers who share our commitment to environmental sustainability. Over the coming year, we plan to develop our work in this area, promoting responsible business practices throughout our supply chain.

5.6. Biodiversity Conservation

Charity Bank recognises the importance of biodiversity conservation and strives to minimise our impact on natural ecosystems. Over the coming year, we will consider how we can incorporate biodiversity considerations into our operations and lending activities.

6. Social Responsibility

6.1. Equity, Diversity, and Inclusion Statement

At Charity Bank, our commitment to Equity, Diversity, and Inclusion (EDI) goes beyond being just a part of our mission—it is ingrained in our values. Our objective is to cultivate an inclusive workplace and contribute towards creating a more equitable society that values diversity, ensuring all individuals, regardless of their background,

enjoy fairer access to opportunities, resources, and support to thrive. EDI is not merely a positive change we pledge to drive within the UK and our team; it serves as the guiding force shaping how we operate and catalyse positive social change.

Equity acknowledges the diverse identities, starting points and needs of individuals, providing fair and just opportunities for all to thrive by eliminating barriers and systemic disadvantages. It also recognises the interconnected nature of identities, which overlap and shape one's experience. Diversity is about respecting and celebrating human differences, both visible and invisible, bringing forth unique perspectives, experiences, and ideas crucial for innovation, growth, and social change. Inclusion strives to construct a culture that fosters belonging to enable voices and participation for all. Through the promotion of inclusion, we harness the collective power and potential of our diverse workforce, savers, and borrowers.

We are committed to building a workplace that nurtures inclusion, belonging, and psychological safety, creating an environment where everyone feels valued, respected, and empowered to contribute, thereby unlocking the full potential of our employees and driving organisational success.

To effectively address systemic inequalities and achieve EDI outcomes with our borrowers and partners, we are committed to building a diverse workforce reflective of the communities we seek to serve. With their lived experience, a diverse team will empower us to reflect on our biases and offer more accessible service and tailored support to diverse communities, removing barriers to partnerships with savers and borrowers. Through continuous learning and reflection on the EDI journey, our team will be more confident in making informed and inclusive decisions and creating a greater social impact.

Our aspiration is to become a trusted ally for change and the lender of choice within the diverse communities of the social sector, allowing us to reach the most underserved communities, contribute to addressing systemic inequalities, and create a more equitable society. This is achieved through active engagement and listening to the communities we serve, developing products and services targeting organisations that historically faced barriers to accessing finance, and ensuring our services and processes are accessible, equitable, and inclusive. We seek to hold ourselves accountable by enhancing the transparency of our practices and how we invest the money from savers and investors.

We aim to influence the social investment sector in the UK to be more equitable and inclusive. By actively sharing learnings, reflections, and best practices with stakeholders and the wider community, we strive to be

transparent and accountable to our clients, investors and partners while challenging biases and inequalities to drive systemic change. Through our products and communication efforts, we endeavour to amplify the voices of the minoritised communities we work with to inspire action and change.

Beyond the fundamental values and principles that define Charity Bank and guide our operations, EDI is our pathway to contributing to creating an inclusive and equitable society for all.

Leadership and Collaboration

EDI is regularly discussed at both our board and management meetings. We have an EDI specialist that leads our diversity efforts, charged with championing diversity and guiding our initiatives. Additionally, our Diversity Working Group, comprising representatives from all levels of the organisation, collaborates to foster inclusivity, exchange perspectives, and implement effective strategies.

Training and Awareness

To embed inclusive practices, we've provided formal training on Equality, Diversity, and Inclusion for all employees and board members. This training equips our colleagues with the knowledge and awareness needed to create a more inclusive workplace.

Recruitment and Policies

We actively encourage applicants from diverse backgrounds to join Charity Bank, supported by policies promoting diversity, such as flexible working practices and a supportive culture. Moreover, our blind recruitment strategy minimises unconscious bias, ensuring candidates are evaluated solely on merit and capabilities.

Commitments and Partnerships

In 2022, we signed the Diversity Forum Manifesto, aligning with its 7 commitments that emphasise ownership of EDI, collaboration, building inclusive cultures, transparency, equitable representation, sustainable inclusion, and amplifying marginalised voices. Simultaneously, we joined the Women in Finance Charter, setting targets for female representation at the board and management levels to foster gender equality and inclusivity.

6.2. Ensuring Fair Labour Practices

Charity Bank is a Living Wage Employer. We are committed to upholding fair labour practices across our operations and supply chain, ensuring that all employees are treated with dignity, respect, and fairness. We work closely with our suppliers to ensure compliance with ethical labour standards and promote safe and healthy working conditions for all workers involved in our supply chain.

6.3. Optional Board Fee

Uniquely for a bank and in alignment with our historical charitable status, Charity Bank's non-executive board members have served unpaid for the first 22 years of our existence. They actively oversee Charity Bank's operations, serving on board committees, providing support and challenging management, meeting directly with customers, and attending events.

Starting in 2024, non-executive board members now have the option to claim a fee for attending meetings. This change is motivated by our commitment to removing barriers to full participation at all levels of the bank. By offering compensation, we aim to encourage broader involvement and ensure that individuals from diverse backgrounds have the opportunity to contribute meaningfully to the bank's governance.

6.4. Social Enterprise Status

Charity Bank holds recognition as a social enterprise from both Social Enterprise Mark CIC (now defunct) and Social Enterprise UK. Social Enterprise UK grants badges to independent businesses with a clear social or environmental mission and a policy of transparency about how they operate and the impact they have. Charity Bank is the only bank to be certified as a social enterprise. Social Enterprise UK's expectations of social enterprises are as follows:

- a clear social or environmental mission set out in its governing documents
- be an independent business and earn more than half of your income through trading
- controlled or owned in the interests of your social mission
- reinvest or give away at least half your profits or surpluses towards social purpose
- transparent about how you operate and the impact that you have

6.5. B-Corp Certified

In 2014, Charity Bank made history by becoming the first bank in Europe and the sixth UK business to achieve B Corporation certification. B Corporation certification is achieved by companies that meet stringent social and environmental standards, showcasing their dedication to leveraging business as a force for good. We were last recertified in 2023. This certification serves as independent validation of our continued commitment to sustainable practices, social impact, and responsible business operations.

6.6. Strengthening Charities and Social Enterprises

Our commitment to social responsibility extends beyond the walls of our organisation to the communities we serve. Through our lending activities, we provide financial support to charities and social enterprises that are making a positive impact in their communities. From affordable housing initiatives to community development projects, we invest in initiatives that address pressing social needs and contribute to the well-being of society as a whole.

6.7. Addressing Social Inequalities

Our strategy for 2024-2028 is targeted and specific about the impact we aim to achieve. We deliberately aim to reach organisations and communities that have historically been underserved and underfunded, prioritising those organisations that are serving the most vulnerable. Our strategy is outlined in our latest Impact Report.

7. Ethical Business Practices

At Charity Bank, ethical business practices are not just a goal; they are the cornerstone of our operations. We are committed to conducting business with integrity, transparency, and accountability, ensuring that our actions align with our values and mission. Our ethical framework encompasses a range of initiatives and principles aimed at promoting responsible business conduct and fostering trust among our stakeholders.

7.1. Transparency and Accountability

Transparency is paramount in all our dealings. We believe in open communication with our stakeholders, including customers, investors, employees, and the wider community. We provide clear and comprehensive information about our operations, financial performance, and impact, allowing stakeholders to make informed decisions. Additionally, we hold ourselves accountable for our actions and strive to maintain the highest standards of integrity in all our dealings.

7.2. Responsible Lending Practices

As a social bank, we take a responsible approach to lending. We carefully assess the social impact of all loan applications, ensuring that our financing supports projects and initiatives that align with our mission of creating positive change. We work closely with borrowers to promote financial sustainability, ethical conduct, and good governance practices, helping them achieve their social and environmental goals while ensuring the prudent use of loan funds.

Responsible Finance Provider

Charity Bank is a member of the Responsible Finance Association, providing affordable and fair finance with a mission to do good. Responsible Finance providers aim to build hope, create opportunity and change lives. They are motivated by the aim to bring social and economic benefits to people and places, rather than putting profits for shareholders ahead of all else.

7.3. Ethical Standards

Charity Bank upholds rigorous ethical standards across all aspects of its operations. We adhere to industry-leading guidelines and codes of conduct to ensure that our business practices are ethical, fair, and socially responsible. Our commitment to ethical standards is ingrained in our organisational culture and is reflected in every decision we make.

Good Shopping Guide Ethical Company

The Ethical Company Organisation's researchers monitor the ethics of companies across a wide range of sectors and set a benchmark for corporate behaviour. Banks and building societies are rated on their social and environmental performance. The results are published on The Good Shopping Guide. Charity Bank has been awarded the top spot in the index of ethical banks and building societies for more than 15 years running.

Ethical Consumer Best Buy

Charity Bank savings accounts have been recognised as 'Best Buy' by Ethical Consumer for over a decade. Our commitment to ethical banking practices ensures that customers can trust their savings to make a positive impact while receiving fair returns.

7.4. Ethical Investment

As a social purpose bank, Charity Bank is committed to avoiding any investments that could result in a negative social or environmental impact. In line with the responsible business principles set out by Better Society Capital, we are dedicated to ensuring that we do not finance or engage in any activity that involves the production, use, trade, or distribution of the following:

- 1. Any products, activities, or materials deemed illegal under UK or international law.**
- 2. Racist, misogynistic, and/or anti-democratic media.**
- 3. Gambling**, casinos, and equivalent enterprises, with the exception of society lotteries as defined by the Gambling Act 2005.
- 4. Tobacco or tobacco-related products**, especially when revenue derived from such products constitutes a significant part of the organisation's total revenue.
- 5. Pornography.**
- 6. Weapons**, munitions, or nuclear products primarily designed for military purposes, or any goods or services with a military end-user or goods that are otherwise restricted (e.g., goods that may be used to torture people).
- 7. Animal testing.**
- 8. Fossil fuels**, specifically concerning exploration, production, refining, transportation, energy generation, or construction of fossil fuel-related facilities for any of the above purposes.

This list of exclusions serves as a fundamental guideline as we shape our strategy for investing surplus liquidity. It is important to note that all banks are required to hold adequate liquidity to meet minimum regulatory requirements and to ensure that deposited funds are readily available for withdrawal by our customers. The

pool of financial institutions offering these types of accounts and services for other banks is unfortunately very limited, and Charity Bank is unable to exercise direct control over the policies and investment decisions of the institutions that we maintain cash balances with for this purpose. However, we must maintain these balances for operational, practical, and regulatory reasons.

Global Alliance for Banking on Values

Charity Bank is a member of the Global Alliance for Banking on Values which is a not-for-profit organisation and independent network of banks and banking cooperatives. We share a mission to use finance to deliver sustainable economic, social and environmental development. Founded in 2009, the GABV comprises of 63 members and 16 supporting partners operating in countries across Asia, Africa, Australia, South and North America and Europe.

8. Employee Wellbeing at Charity Bank

At Charity Bank, we recognise that the well-being of our employees is essential to achieving our social mission. We prioritise creating a supportive and inclusive workplace culture where every team member feels valued, respected, and empowered to thrive.

Four Day Week and Flexible Work Arrangements

Recognising the importance of work-life balance, we offer a four-day week initiative to promote flexibility and well-being among our employees. This initiative allows our team members to manage their workload more effectively while prioritising their personal and family commitments. Additionally, we provide opportunities for remote work and flexible scheduling to accommodate individual preferences and needs.

Mental Health Support

We have established a dedicated Wellbeing Team. Each member has completed a Mental Health First Aider course, equipping them with the skills to recognise signs of poor mental health, provide empathetic support, and guide individuals towards appropriate resources. We encourage open conversations about mental health and provide access to Employee Assistance Programs (EAPs) for confidential counselling and support services.

Employee Benefits

We offer a benefits package designed to support the holistic well-being of our employees. This package includes:

- **WeCare:** Free access to online 24/7 GP and Second Medical Opinion service.
- **Employee Assistance Programme:** Confidential support for health, work, and life concerns, available 24/7.
- **Perkbox:** Employee discounts and deals to promote financial well-being.

- **Contributory Pension Scheme:** Auto-enrolment for retirement savings.
- **Life Assurance:** Financial protection for employees and their beneficiaries.
- **Private Medical Cover:** Subject to eligibility criteria.
- **Group Income Protection:** Financial security in case of long-term illness or disability.

9. Community Engagement and Philanthropy

At Charity Bank, community engagement is at the heart of our mission to create positive social impact. Beyond our core mission we also actively support local communities through various initiatives, including:

1. Development Fund: Starting in 2024, we are allocating a portion of the bank's profits to a development fund for the purpose of addressing the financing needs of UK charities and social enterprises that Charity Bank cannot assist with its current suite of repayable loan products. This aligns with our Impact Strategy, striving for more targeted social impact per pound of investment. With an allocation from our 2023 profits, the Development Fund aims to maximise impact by supporting organisations and projects facing the greatest gap in both mainstream and social investment. Primarily, this involves providing grant subsidies to strengthen and facilitate loan applications.

2. Charitable Donations: Charity Bank offers a GAYE scheme to its employees. For charitable donations, Charity Bank will match up to £250 per annum per employee.

3. Social Committee: The employee initiated and led group has the dual role of hosting social events and supporting and/or raising funds for charities chosen by our coworkers.

4. Volunteering: We encourage our employees to volunteer their time and skills to support community organisations and charitable causes. Our volunteer policy provides opportunities for employees to take time off work to give back and make a difference in the communities where we operate. This encompasses opportunities for employees to serve as Trustees or Directors of charities and social enterprises. By participating, our colleagues not only give back but also gain valuable insights into the operations and challenges faced by social sector organisations.

The image shows the interior of a large, arched greenhouse. The structure is made of metal frames and translucent plastic sheeting. In the center, there is a wall made of colorful wooden panels in shades of blue, yellow, and pink. In front of this wall, there are several wooden tables and chairs, some of which are painted in bright colors like red and blue. There are also several large, colorful wooden planters filled with green plants. The floor is covered with gravel. The overall atmosphere is bright and cheerful.

Charity bank

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The Charity Bank Limited, Fosse House, 182 High Street, Tonbridge, TN9 1BE. Company registered in England and Wales No. 4330018. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register No. 207701. Member of the Financial Services Compensation Scheme (FSCS).

The photographs in this report are of our borrowers and the people they support:

Front and back cover: Praxis Care Northern Ireland.
Page 2 (from left to right): Kashmir Youth Project, Magpas Air Ambulance, Extern Homes, René House CIC and NewStarts.