

ESG

REPORT 2023



chlmortgages.co.uk

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Introduction

"2023 was a year that brought challenges on many fronts. Internationally, we have seen continuing war in Ukraine, as well as renewed hostilities in the Middle East. In addition to the terrible human cost, both conflicts have had an impact on world economies, with further threats to energy and commodity supplies.

Meanwhile, the United Nations Climate Change Conference in Dubai ('COP28') has again focused attention on the urgent need to accelerate climate action. Extreme weather events have happened across the globe, and according to the Meteorological Office, 2023 was the UK's second hottest year on record.

In the UK, the cost of living crisis has continued, with many in our society, including the most vulnerable people, facing financial difficulty. Diversity and inclusion are still as important as ever.

Faced with such challenges, Governments can only do so much. Multinational and national companies have a vital role to play, enforced increasingly by regulation; Investors are also now demanding that firms show clear progress on ESG matters, with many now making it a policy not to invest in companies that cannot show such a commitment. Strong and effective corporate governance and a responsible attitude on the part of those in charge are now seen as essential.

This report shows how CHL has responded to these challenges. In it, we detail our approach and the practical ways in which our staff are using CHL's core values to help improve our environment and community."

Lee Kelly,

CEO, CHL Mortgages



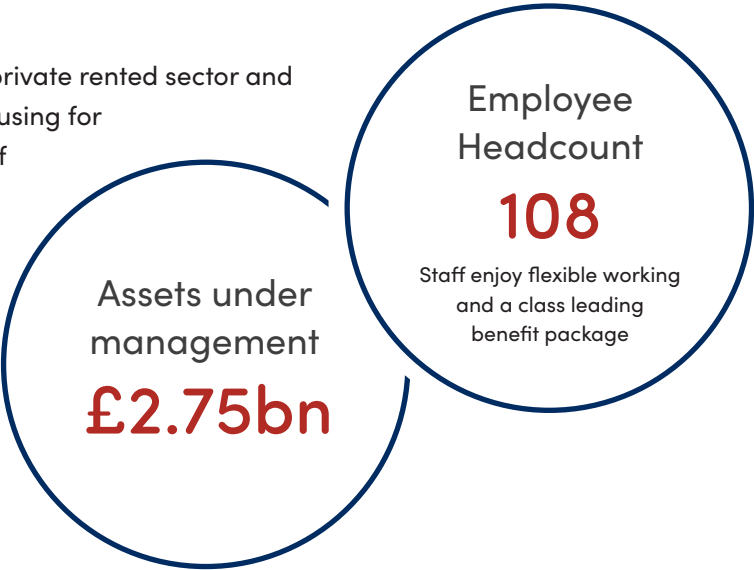
Who we are...

Based in Fleet, Hampshire, CHL Mortgages was established in 1987. Initially trading under the name Capital Home Loans (CHL) it was one of the pioneering lenders of the then new specialist Buy-to-Let (BTL) mortgage sector. Over the next 20 years the business grew to become one of the top 10 BTL mortgage lenders in the UK before ceasing lending in 2008 as a result of the global financial crisis. From that point CHL focused on the management and servicing of mortgage loans secured on properties in the UK.

In 2016 CHL Mortgages joined the Cerberus Group, leading to significant investment in people and technology. Our servicing platform allows us to manage customer accounts efficiently and to take into account individual circumstances. This was appreciated by many of our customers who took payment holidays at the height of the Covid-19 pandemic.

CHL Mortgages successfully re-launched into the UK specialist Buy-to-Let (BTL) market in May 2021, lending through intermediaries via a new group affiliate company CHL Mortgages for Intermediaries (CMI).

Our servicing platform helps support the private rented sector and in turn allows our customers to provide housing for those who can't afford to buy properties of their own. CMI provides new mortgage loans for landlords, and through lending only on properties meeting strict criteria, is helping to improve the UK rented housing stock.



- 1987**
Specialist lender Capital Home Loans (CHL) is established in the UK market
- 1996**
CHL becomes a pioneer in the emerging Buy-to-Let lending market
- 2007**
A top 20 UK lender and rebranded as CHL Mortgages
- 2008**
Global Financial Crisis hits. CHL Mortgages ceases lending to focus on servicing
- 2015**
CHL Mortgages is acquired by U.S. private equity firm Cerberus Capital Management
- 2020**
CHL manages a £3.8bn Mortgage book with ~30,000 loans
- 2021**
CMI successfully relaunches into the specialist BTL market, lending through Intermediaries
- 2022**
Celebrates one year back to lending with over 2,700 brokers registered and 110 networks & clubs onboarded

Our mission...

CHL Mortgages aims to be a leading servicer and provider of UK mortgage portfolios whilst being considerate to our environment, customers, employees and communities.

As a company, we recognise the importance of all stakeholders contributing to the minimisation of current and future environmental impact, the promotion of responsible business practices, encouragement of diversity, and the protection of human rights and the operating of a robust governance framework.

These considerations include:



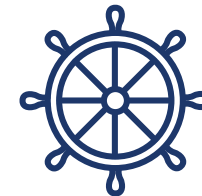
Environmental

Consideration of the entire value chain, monitoring and future impact, emissions (greenhouse gases and local emissions), hazardous waste, materials and land use.



Social

Sustainable labour practices (competitive pay, labour and management dispute resolutions), support of wider community and equal opportunities (gender, age, social, origin).



Governance

Board independence and authority, senior management track record, robust risk management practises and data protection.

Our Achievements..

Here's a few highlights from 2023...

- ▶ Upgraded our HR platforms to make it easier for our staff to reach the information they need
- ▶ Supported 5 corporate charities in 2023
- ▶ Set-up Events Committee to organise social events for our staff

More information on the work that our teams do, and our key committees to drive change is available throughout this pack.



A Cycle to Work scheme is an employee benefit



Environmental

CHL recognises the impact that its business activities can have on the environment, and we place significant importance on undertaking measures to mitigate carbon emissions, reduce waste and minimise environmental impact.

We are implementing Green initiatives including waste reduction, remote working, paperless office, a cycle to work scheme and limiting business travel in favour of online meetings.

Throughout 2023, our sister company CHL Mortgages for Intermediaries Limited continued to offer class leading products designed to help landlords finance refurbishments and energy efficiency improvements to their rental properties. It was a finalist for the Best Green Lender/Provider award at the Financial Reporter Brokers' Choice Awards.



**BEST GREEN
LENDER/PROVIDER
FINALIST 2023**



Green Mortgages

The launch of the CHL Mortgages Refurbishment Range in June 2022 introduced a unique product suite to the specialist buy-to-let marketplace, aimed at helping landlords to improve the condition of their property. A central component of this suite is the EPC Improvement product, specifically designed to help landlords improve the energy efficiency and reduce the carbon footprint of their property.

Refurbishment Product Range



Light Refurbishment



EPC Improvement



Cosmetic Improvement



The EPC Improvement product

The Refurbishment range includes the EPC Improvement product, designed to offer an alternative to existing 'Green' products commonly seen in the market. In place of offering an interest rate discount for properties holding an EPC rating of C or above, the CHL Mortgages EPC Improvement product actively supports landlords to *improve* their property's EPC rating to C or above, whilst also improving the overall condition of the property.



Heating & hot water systems



Replacement windows & doors



Improved insulation



**BEST GREEN
LENDER/PROVIDER
FINALIST 2023**



Environmental initiatives



Office footprint

All administration is undertaken either from our Head Office or by colleagues working remotely under flexible working contracts. This cuts resource consumption and carbon emissions. CHL operates out of a rented headquarters and is in conversation with the landlord about reduction of carbon emissions.

Recycling

We dispose of business waste responsibly and also have on-site facilities for staff to recycle and for charity clothing donations. IT equipment that the business no longer uses is stored on site and is collected for secure destruction and recycling annually by a licensed local WEEE* company.

Mail & print

Following review we made the move to change our mail provider. Where printed letters are required we now print at the mail house nearest to the recipient, reducing the mileage of our post and the related vehicle emissions. We operate a paperless office as far as possible.

Cycle to Work scheme

We help our staff to get active whilst reducing carbon emissions from shorter commutes. The scheme offers savings of up to 47% on bike hire and accessories, and as participants pay through salary deduction, they additionally save on National Insurance payments.

*Waste Electrical and Electronic Equipment

Making sure our people have opportunities to socialise together is an important part of our company culture.



Social

The executive team operate an open-door policy which strives to create an open and friendly working environment for all colleagues. Staff engagement and enablement is very important, and the business supports colleagues to continuously improve.

We are committed to providing equal opportunities in employment and ensuring that job applicants or employees are not discriminated against on the grounds of their sex, marital status, pregnancy or maternity, sexual orientation, disability, age, race (including colour, nationality or ethnic origins), religion, beliefs or gender identity. Our policy is to make every effort to provide a working environment free from harassment, intimidation and discrimination.

Since the setup of our Events Committee, we now offer regular social events to our teams, giving everyone the opportunity to take part if they'd like to. From TopGolf evenings to summer boat trips and the annual Christmas party, our Events Committee has been busy organising social events for our teams.



Company Values



Deliver Quality

We work hard and support our colleagues to grow, thrive and achieve their potential. This is as a commitment to them, to our customers and other stakeholders.



Be Respectful

We treat customers fairly and with respect. Our colleagues bring individual perspectives, ideas, knowledge and cultures, and we welcome the positive effect this has.



Listen & Be Heard

We communicate openly and challenge constructively, encouraging an open door and down to earth approach.



Be Accountable

We take ownership and responsibility for our personal objectives and development, actively seeking more efficient ways of working.



Make an Impact

We aim to make a positive difference within and beyond our workplace through our day-to-day activity and by contributing to our community.



Celebrate Success

We take responsibility for recognising and sharing our individual and team accomplishments and understand the importance of communicating the Company's achievements.

The people we bring into the company are selected not only on skill, experience and qualification but on their overall attitude, morals and ethics.

Vulnerable Customers



CHL staff are trained to recognise signs of customer vulnerability and to respond appropriately. Individual customers' needs are taken into consideration to ensure they are treated fairly.

Our aim is to be accessible and give our customers the best possible experience and outcomes.



Fundraising & volunteering

All our teams organise and participate in regular charity fundraising activities, as well as paid volunteering days supporting causes that are important to them.

£2,559

Raised for charity
in 2023

'Pie your Manager'
charity auction in
aid of Camberley
All Night Cafe



Charity shop volunteering
(Phyllis Tuckwell)



Christmas Jumper day
(Action for Children)



Movember fundraisers
(Movember)



Supporting each another



Reach-out Colleagues

Comprised of people from different backgrounds across all departments, our Reach-out Colleagues are there to ensure employees at all levels have access to support with any mental health and wellbeing challenges.

Employees can reach out to them by phone, email or in person. They are there to listen without judgement and to offer support and guidance where they can.

They also organise Time to Talk sessions for non-work related group chats with other colleagues and offer information about various issues and encourage positive conversation around health and wellbeing.



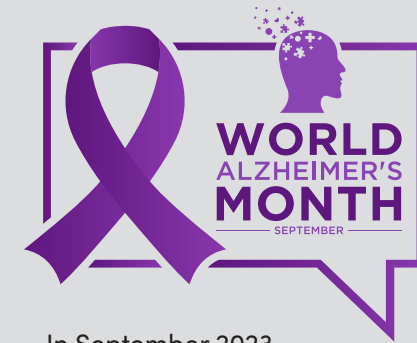
DE&I Champions

Our Diversity, Equity and Inclusion (DE&I) Champions work alongside HR on initiatives and events that promote a diverse and inclusive working environment for all.

The Champions bring with them a wealth of life experience from numerous diverse backgrounds, each one telling a different story.

They promote all aspects of equality and diversity as well as helping to reduce discrimination and create an inclusive working environment.

Their overall purpose is to create a working environment that allows people to be 100% themselves.



In September 2023, as part of World Alzheimer's Month, our DE&I committee hosted a discussion where volunteers shared with their colleagues the effect of Alzheimer's disease on their loved one, themselves & their families.



Throughout the year our **Reach-out Colleagues** have organised regular Time to Talk sessions, a safe space for colleagues to come together for a cuppa and a chat about all things non-work related.



Charters we promise to uphold



Women in Finance Charter

We have pledged to promote gender diversity by:

- ▶ Having one member of our senior executive team who is responsible and accountable for gender diversity and inclusion;
- ▶ Setting internal targets for gender diversity in our senior management;
- ▶ Publishing progress annually against these targets in reports on our website;
- ▶ Having an intention to ensure the pay of the senior executive team is linked to delivery against these internal targets on gender diversity.

Our headcount is
59% female

This includes leaders in senior positions such as HR Director, Lending Director, Chief Information Officer and Head of Platforms.

Find out more about the Women In Finance Charter at www.gov.uk/government/publications/women-in-finance-charter



The Prince's
Responsible
Business Network

Race at Work Charter

In line with the five key principles of the Race at Work Charter we are committed to:

- ▶ Appoint an Executive Sponsor for race
- ▶ Capture ethnicity data and publicise progress
- ▶ Commit at board level to zero tolerance of harassment and bullying
- ▶ Make clear that supporting equality in the workplace is the responsibility of all leaders and managers
- ▶ Take action that supports ethnic minority career progression

Find out more about the Race at Work Charter www.bitc.org.uk/race



Governance

CHL recognises the importance of robust corporate governance.

We have strong compliance and governance policies in place including Conflicts of Interest, Anti Bribery and Corruption, Financial Crime, Whistleblowing, Business Continuity and Cyber Security. Details of our comprehensive risk management framework can be found on page 17. We have mandatory learning in place to ensure all employees have and maintain knowledge relevant to their position.

We also have human resources policies in place including Modern Slavery policy, Remuneration, Learning and Development, Equal Opportunities and Dignity at work, Flexible Working and Grievances & Stress Management.



The ESG Committee

Our ESG Committee builds, manages and oversees our ESG framework and strategy. The committee brings together representatives from relevant business functions and activities who then make recommendations to the board to deliver and build upon ESG goals.

The purpose of the ESG Committee is to drive forward initiatives to benefit our environment, our customers, our community, and our staff.

This year, the ESG Committee has completed an ESG Materiality Assessment, to understand and prioritise the key ESG factors that have (or will have) a material impact on the business. It also looks at how important these factors are to our different stakeholders, for example what's important to our Board may differ to what's important to our critical suppliers or staff members.



This exercise gave us some priority areas to focus on next year. The committee can now use this to develop an ESG strategy that takes these factors into account, so our goals and actions can be tailored to the areas most important to us and our stakeholders.

We also introduced software to enhance the measurement, monitoring and reporting of key environmental metrics. This allows us to track our metrics over time and report them in a way that's consistent with our sister companies.



Risk management

The Company has a robust risk management framework in place underpinned by a three lines of defence model. This ensures a consistent view of the framework from the Board level to more operational levels.

The three lines of defence model ensures that there is differentiation between the operational areas of the business (first line), Risk and Compliance (second line) and Internal Audit (third line). This not only ensures the good practice of having independence between the different functions, but also promotes risk ownership and a stronger culture of risk management.



The Three Lines of Defence Model





Supplier Code of Conduct

We have three principles that underpin our expectations of all our suppliers:

1

LEGALITY

They adhere to all applicable laws and regulations, including those providing protection to workers and a safe working environment.

2

INTEGRITY

They act with integrity and don't carry out any activities that violate human rights or breach our conflicts of interest policy.

3

ENVIRONMENT

They consider their activities and ways they can reduce their impact on the environment through measures like energy use, waste production, etc.

In 2023, we rolled out a Supplier Code of Conduct that outlines what we expect from the companies who supply us with goods and services.



Local Businesses First

We choose our suppliers carefully and use local suppliers where possible, to minimise supplier travel and support local businesses.

Closing Remarks

"Integrity can be defined as 'doing the right thing, even when no one's watching', and this sums up our approach to ESG. At CHL Mortgages we want to make positive changes that are going to support employees, the business and the wider community for years to come. Because we know it's the right thing to do.

The ESG Committee is made up of individuals who are passionate about ESG and ensuring that our company makes a positive impact on people and the environment – beyond just our colleagues and work environment.

We're proud of the work we've done in 2023, but it's only the beginning for strengthening our ESG strategy, setting goals and delivering what we know will support the future of CHL and its sister companies."

Laura Nichols,

ESG Committee Chair, CHL Mortgages





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