

ESG

REPORT 2022



chlmortgages.co.uk/intermediaries

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Introduction

As a global community, we are living in challenging times. Environmental considerations have long been a concern for some people, but now, due to the effects of climate change, they are a concern for us all. A sustainable energy strategy is essential, as is the need for energy security, a point emphasised by the consequences of the war in Ukraine.

But it isn't just the environment that is a concern. Social considerations have never had higher priority than they have now, driven by the Covid-19 pandemic which demonstrated how we in our communities depend on each other for support. Enforced remote working during the 2020-2021 lockdowns caused many people to re-evaluate their previous working practices, with the expectation that employers now give greater consideration to the wishes and welfare of their staff. Diversity and inclusion are of course still as important as ever. Meanwhile, looking after customers and consideration of customer outcomes continue to be an integral part of all firms' social responsibilities.

While many changes are being driven by national governments, others require companies to show leadership and vision of their own. This in turn requires strong and effective corporate governance and a responsible attitude on the part of those in charge. Investors are now demanding that firms show clear progress on ESG matters, and many are now making it a policy not to invest in companies that cannot show such a commitment.

This report shows how CHL has responded to these challenges. In it, we detail our strategy going forwards 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 looking to get onto the housing ladder in future as well as those whose lifestyle means renting is the preferred option. 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.

Assets under
management
£3.1bn

- 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 and 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:



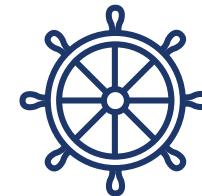
Environmental

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..

In September 2022, CHL was awarded the 'Top Mortgage Employer' award from Mortgage Introducer Magazine. The award looks at factors such as culture and work environment, recognising employers who *'are blazing a trail through these tough times by delivering for their employees across a range of criteria in the face of surging expectations'*.

Read more at www.mpamag.com/uk/best-in-mortgage



But we don't just measure our achievements by awards. We have also:

- ▶ Implemented a number of enhancements to our staff benefits package
- ▶ Introduced additional training platforms that focus on soft skills, career development and wellbeing
- ▶ Supported five corporate charities in 2022
- ▶ Introduced paid Volunteering Days
- ▶ Set up new committees and staff groups, including:
 - ESG Committee to promote and implement ESG initiatives
 - Diversity, Equity and Inclusion (DE&I) Committee to bring diversity and inclusion to the forefront
 - Reach Out Colleagues to support 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.

In 2022 we launched an EPC Improvement product to help landlords finance energy efficiency improvements to their rental properties.

Head office recycling and charity donation station





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. This also helps landlords to prepare for expected new regulations from 2025 regarding EPC ratings.



Heating &
hot water
systems



Replacement
windows
& doors



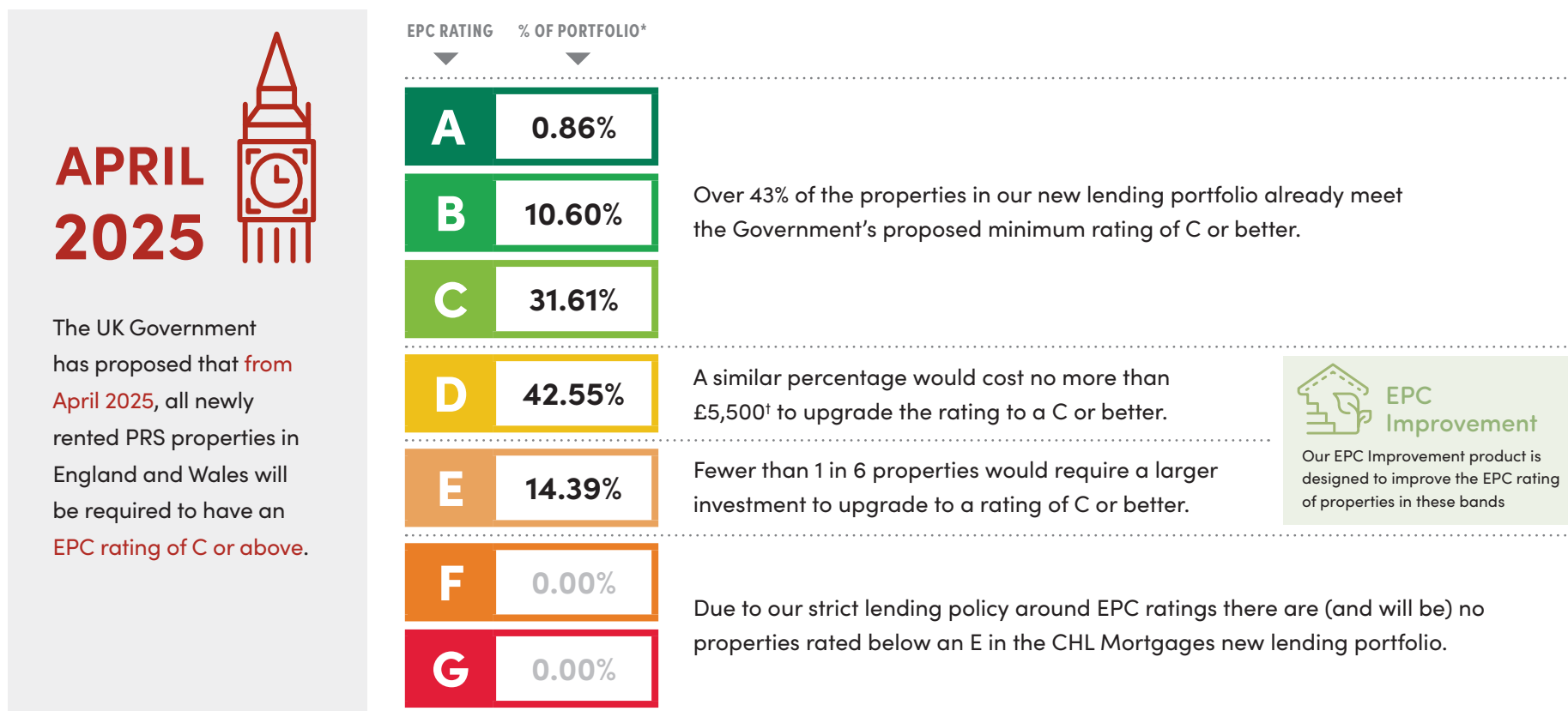
Improved
insulation



The UK Government has proposed that **from April 2025**, all newly rented PRS properties in England and Wales will be required to have an **EPC rating of C or above**.

Energy efficient portfolio

This graphic illustrates the percentage of properties within the CHL Mortgages new lending portfolio* by EPC rating



*New lending portfolio refers to buy-to-let mortgages originated since May 2021. Figures correct as at January 2023.

† Source: Knight Frank, EPC+ research.



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.



Charity fundraising is a big part of our social commitment



Growing UK rental stock responsibly

With private rental accommodation in increasingly high demand, we recognise the need to support diverse development of UK private rental stock and help ensure that options are available for ordinary people to rent a home at a reasonable cost.

We have enhanced our new mortgage origination policy in order to support diverse tenant types including consideration to fund lower cost private accommodation. This may include studio flats and bedsits, accommodation for students, and accommodation for low-income families provided by local authorities and housing associations.





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.

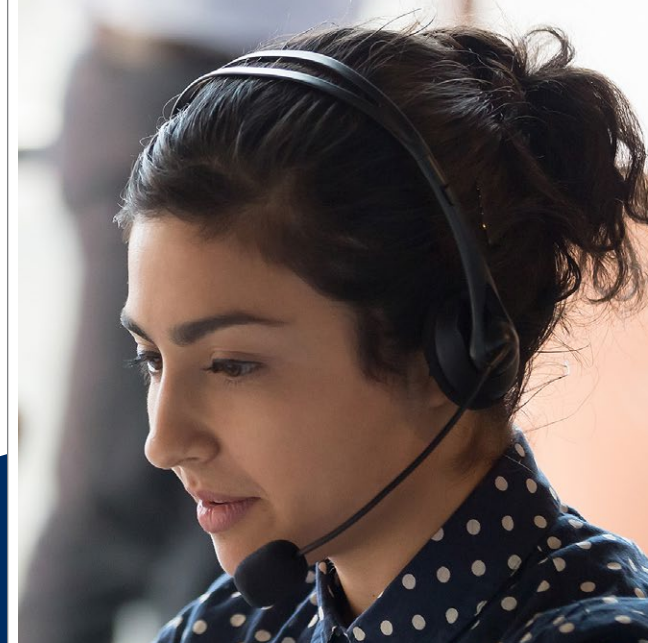


Celebrate Success

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 customer specialists



CHL staff are trained to recognise signs of customer vulnerability and to refer such cases to a team of **Vulnerable Customer Specialists** within the Operations Department. Each specialist has had further training to respond appropriately to individual customers' needs and 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. Our employees also receive a paid volunteering day each year giving them time to support causes close to them.

£6,541

Raised for charity
in 2022

Parity for
Disability
Charity
Dog Walk



Charity Shop Volunteering
(Phyllis Tuckwell)

Pride Month bake sale
(Mermaids)

Movember fundraisers
(Movember)

Pie Your Manager
(Action for Children)



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.

GUEST SPEAKERS

In the latter part of 2022 we launched our guest speaker series, inviting people from outside the company to share insights and experiences with our colleagues.

Black and Ethnic Minorities (BAME) Employees in UK Higher Education

Speaker:

Aquila Kaleem

International Mobility Officer,
University of Surrey



Importance of Black History Month

Speaker:

Charlene Abdul

Head of Finance,
University of the Arts, London



Raising Awareness of Testicular Cancer

Speaker:

Callum Cells

Ambassador,
Oddballs Foundation





Charters we promise to uphold



Women in Finance Charter

We aim to promote gender diversity by:

- ▶ Having one member of our senior executive team who is responsible and accountable for gender diversity and inclusion;
- ▶ Monitoring gender diversity across the company;
- ▶ Zero tolerance on gender pay discrimination.

Our headcount is over

60% 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



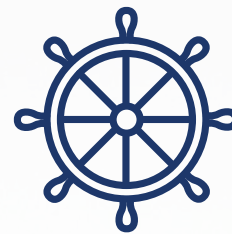
The Prince's Responsible Business Network

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

The business has formed an ESG committee to build, manage and oversee 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.



The ESG Committee has outlined a plan for delivering against key milestones in 2022 and beyond. Outputs will include a suite of MI to measure key metrics, targeted reductions in resource consumption and waste, and this ESG Report which will be updated and made publicly available on an annual basis providing details of the company's initiatives.

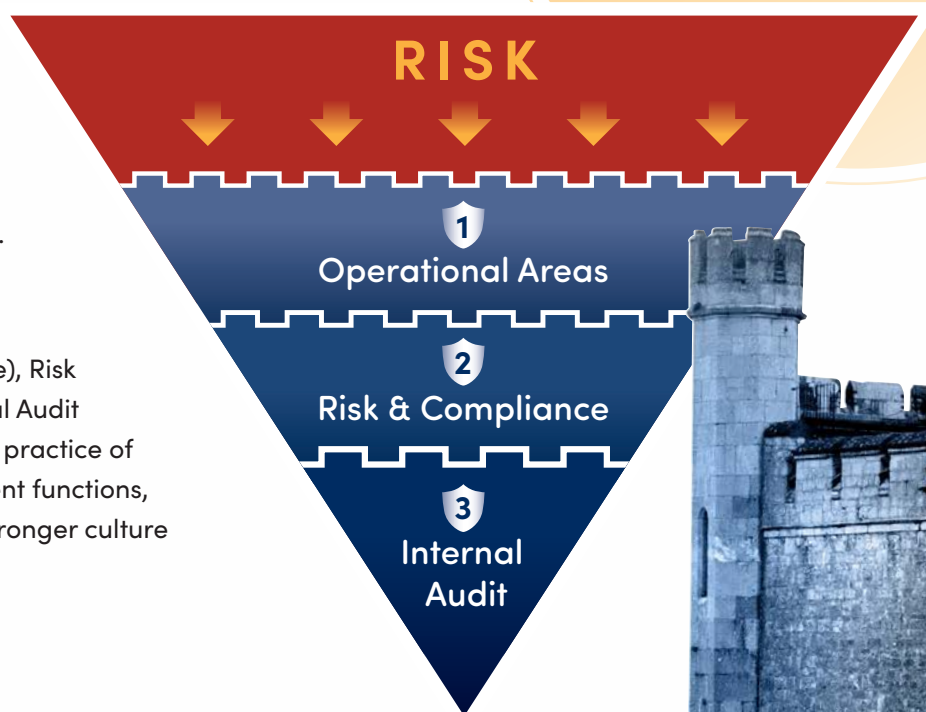




Risk management

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 designed three principles to 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.

CHL is in the process of rolling 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.

2022 has seen some great progress in laying the foundations for future change. We’ve set out a strategy for what we want to achieve and are reviewing and strengthening our current practices. We’re working with the landlord of our office to understand how we can measure and improve our impact on the environment.

It’s really important to us that all colleagues have an opportunity to suggest, and engage with, positive change on ESG matters. We hold roadshows across the Group to raise awareness of ESG matters, proposed changes and where colleagues can go to get more information. We encourage colleagues to come and talk to us and we also use online surveys to gather suggestions and feedback anonymously. “

Laura Nichols,

ESG Committee Chair, CHL Mortgages





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