

keygroup
retirement finances **unlocked**

Sustainability Strategy 2022



Simon Thompson
Group CEO, Key Group

Key Group has always been a purpose-driven firm. At the heart of our business is our desire to enable people to live a more fulfilling later life.

We want to use our influence as an adviser, lender, partner and employer as a force for good – creating positive change within the later life lending industry and building a sustainable future for all.

Not only is it the right thing to do, but it's fundamental to the success of our business, maximising our value to society and managing our risk.

This document sets out our strategic approach to sustainability, minimising our impact on the environment, reducing our exposure to risk while maximising the benefits we deliver to our employees and the local community.



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1. Responsible business practices

MANIFESTO

Key Group recognises that good governance is vital in setting an organisation up for success. By facilitating an environment through which the Board and Executive Management can provide strategic direction and oversee business performance, we're able to create and deliver long-term sustainable value for the Group.

Our five governance principles

At Key Group, we're committed to meeting high standards of corporate governance and risk management practices. To ensure we achieve this objective, we have a clear set of principles and a vision for the next stages of development in this area.



Fit for purpose, tailored to business needs

Effective governance arrangements need to strike a balance between providing the right level of oversight and direction, while maintaining the agility needed to deliver the strategy of the business in a controlled and efficient manner.

As such, the Key Group governance structure is designed to support and facilitate the running of the business, while also protecting the interests of stakeholders.



Aligned to SMCR

As a Group comprising of enhanced regulated firms under the FCA Senior Managers & Certification Regime, we structure our business in a way that ensures the activities of the business are controlled effectively and comply with the relevant requirements and standards of the regulatory system across a wide range of areas of responsibility.

Delivering good outcomes for customers is at our core and closely monitored throughout our governance arrangements, including all three Lines of Defence.



Setting clear expectations

We provide clarity to our colleagues over the requirements and expectations of the Group.

This provides parameters within which colleagues can make informed decisions, while avoiding being unnecessarily restrictive, which could hinder the ability to do the right thing, for customers and other stakeholders.



Continuous review and improvements

The Group adopts a continuous improvement mindset to continue to develop best practice and evolve our governance structure to support our business activities.

Effective governance arrangements provide the opportunity to identify potential issues for the business and take action to address in a timely manner.



Managing risk and protecting our reputation

Effective risk management supports the Board and Management's ability to make informed risk/return decisions at strategic and operational levels.

The Group's Risk Management Framework covers the wide ranging nature of the different risks faced across the Group, and provides a framework of assessment and control to ensure resources are directed appropriately to safeguard the business.

Our leading governance initiatives

1

Evolution of our policy framework

The Group is working to refine and streamline its policy framework in order to hit the right balance of ensuring expectations are clear for colleagues while empowering individuals to do the right thing for customers and the Group, in line with our risk appetite.

This includes:

- ✓ Reclassification of policies based on impact
- ✓ Removal of unnecessary detail
- ✓ Newly-defined, high-level guidelines linked to risk appetite
- ✓ Evolution of policy governance in alignment with our SMCR framework

2

Implementation of a new risk management tool

Key Group has an established Risk Management Framework in place. As part of our 2022 refresh of the Framework, and reflecting the growth of the business, we're now looking to enhance our risk management approach further with the implementation of a new enterprise-wide risk management tool. Implementation will commence in Q4 with a targeted completion of H1 2023.

What will our new risk management tool do?

- ✓ Act as a repository for all Risk Registers and controls across the Group
- ✓ Provide a more efficient enterprise-wide view of all Risks and Controls
- ✓ Facilitate better aggregated reporting into committees
- ✓ Allow real-time risk oversight and updates concurrently across both the 1st and 2nd lines of defence

3

Implementation of a Responsible Supply Chain Policy

A Responsible Supply Chain Policy is to be developed in 2023 as part of our wider Equality, Sustainability and Governance (ESG) and Modern Slavery commitments. The Policy underpins our aims as a Group to utilise local companies and ensure that money spent in the supply chain remains in the local area where possible.

As part of this development, the Group is planning to hold workshops with members of the supply chain to provide guidance on how to be more environmentally minded and the documentation required to do business with the Group from an ESG perspective.

The Group will continue to adopt a proportionate/risk-based approach to supplier management, cognisant of the nature of the relationship and the inherent risks.

Spotlight on Consumer Duty

The new FCA Consumer Duty comes into force on 31 July, 2023 and sets clearer and higher expectations for the standard of care firms give customers. The key tenets of these new guidelines are:

Products and services meet the needs of customers and offer fair value

Consumers are equipped with information to make effective, timely and informed decisions about products and services

Consumers receive good outcomes throughout the product lifecycle

Consumers should receive communications they can understand, products and services that meet their needs and offer fair value, and they get the customer support they need, when they need it."

FCA July 2022

How we're meeting the new directive

Delivering good outcomes for customers is central to Key Group's ethos. As such, the Group is currently delivering a high priority project dedicated to delivering to the spirit of the new Consumer Duty rules and offering guidance across all our activities. The Audit, Risk & Compliance Committee, the Board, and the Board Consumer Duty Champion will closely oversee the delivery of the project, which includes:

- ✓ A review of all products and services against the requirements of the new Consumer Duty
- ✓ A review of our governance arrangements to ensure it supports, and provides oversight of, the requirements and aims of the Duty
- ✓ Enhanced testing over our customer journey and controls, including working with partners to build on our commitment to continuously improve
- ✓ New training and support for colleagues to help further embed our commitment to good customer outcomes

Key strongly supports the aims of Consumer Duty and sees good customer outcomes as central to achieving its Group strategy."

CHARLOTTE ALLEN Chief Compliance & Risk Officer, Key Group



2. Our people and culture

MANIFESTO

We believe that helping people live a more fulfilling later life starts with helping everyone in our organisation unlock their true potential and thrive.

We want to be an employer of choice, somewhere people come to grow and develop their careers through the opportunities we can provide.

The journey so far

Key Group's colleague proposition has significantly evolved over the past five years. We developed a People Strategy that would provide the foundations required to support the development and achievement of our people, creating an inclusive and high-performance culture which enabled the delivery of Key Group's strategic objectives.

Our People Strategy is split into five key themes:

FIVE KEY THEMES	SUCCESS TO DATE
 Reward To reward fairly and competitively to retain high performing colleagues at all levels	Pay above NLW Pay benchmarking Cost-of-living support Colleague Referral Scheme Increased holiday entitlement
 Engagement To give people a voice and a platform to be heard	Best Companies accreditation Colleague Recognition Scheme ASPIRE values ASPIRE awards Colleague-forums
 Equality, Diversity & Inclusion To support a values-based culture	Enhanced leave Equal pay audit Training for all colleagues Mentoring & coaching More female managers & advisers
 Health & Wellbeing To promote health and wellbeing so our people are engaged and feel valued	Healthcare for all Mental health support Financial wellbeing Free flu jabs & health checks Broad wellbeing support
 Talent Management To identify and develop high-performing talent to reach their full potential	Leadership Academy Sales Academy Performance framework Career paths Apprenticeships




Our people strategy in action

 Reward	The cost-of-living crisis is putting huge pressure on people’s financial and mental wellbeing. To support all colleagues, regardless of working hours or tenure, we are paying a total bonus of £1,250 in 2022 to help with surging energy costs as well as providing access to leading retailer discounts to further help with the rising cost of living.
 Engagement	We’ve engaged with Best Companies for a number of years. Following our first entry in 2019, we were awarded our One to Watch accreditation. Two years later, during the global pandemic, we improved our position by achieving a One Star accreditation.
 Equality, Diversity & Inclusion	We’ve been focused on providing more opportunity for women to access senior roles by supporting their careers internally and more balanced shortlists. As a result of these initiatives, we’ve seen our 2022 gender pay gap reduce by 6% YoY.
 Health & Wellbeing	We continue to implement our Employee Assistance Programme and expand its services. Colleagues have access to counselling, and we’ve invested in training additional mental health first aiders across the Group.
 Talent Management	Over the last few years, we’ve created a learning culture and heavily investing in the development of our people. As part of our overall drive to support the careers of all colleagues in the Group, we’ve created a number of academies to develop from within and promote progression. To broaden our pool of talent, we’ve adopted a broader focus to include apprenticeships, school/ college leavers and graduate schemes.

Employer brand

Key Group has been evolving its employer brand for a number of years now; the impact of which can be seen through our Glassdoor reviews. We started this journey at 1.5/5.0 in 2016, while we’re now tracking at 4.4/5.0; putting us ahead of the vast majority of competitors.




★★★★☆

4.4 / 5

(VS 1.5/5.0 in 2016)

89% would recommend to a friend

“I thoroughly enjoy working at Key Group. The people are amazing and inclusive. In my role, I have the opportunity to work with all levels of the company on a daily basis, influencing managerial decisions and having a real say in the direction of the company.”



“It’s very rare to find a company that both values hard work and reciprocates that in a meaningful way, such as offering the opportunity to develop new skills and progress into new roles.

“I truly feel valued as a member of the team. There’s an amazing team behind all of this, supportive and friendly from day one. I used to believe that there is always one “bad egg”, but my time here has proven me wrong. From my colleagues to the head of the department, I can’t fault any one of them.”



Social sustainability approach

Our People Strategy has resulted in clear and tangible positive outcomes. Our sustainability approach will now focus specifically on equality, diversity and inclusion.

To support our overall global impact, our social sustainability approach has aligned to elements of the United Nations' Sustainable Development Goals; 17 goals to transform the world, providing a critical framework for post COVID-19 recovery.



Following the work achieved to date, we currently have:



Equality, diversity and inclusion

Diversity and inclusion, of course, is not just about gender or race. It's about everyone feeling like they belong. Having that diversity of thought means we get more perspectives and will improve decision making.

We've seen a significant improvement to date on the gender balance of our Executive Team and the diversity of our colleague base.

However, we believe we can still do more. For example, a lack of female advisers is an industry-wide issue that we'd like to address at Key Group.

And as part of our sustainability approach, and in order to drive further diversity and inclusion, we have identified three aspirations we'd like to achieve over the next five years. These will be tracked annually as part of our People Scorecard.



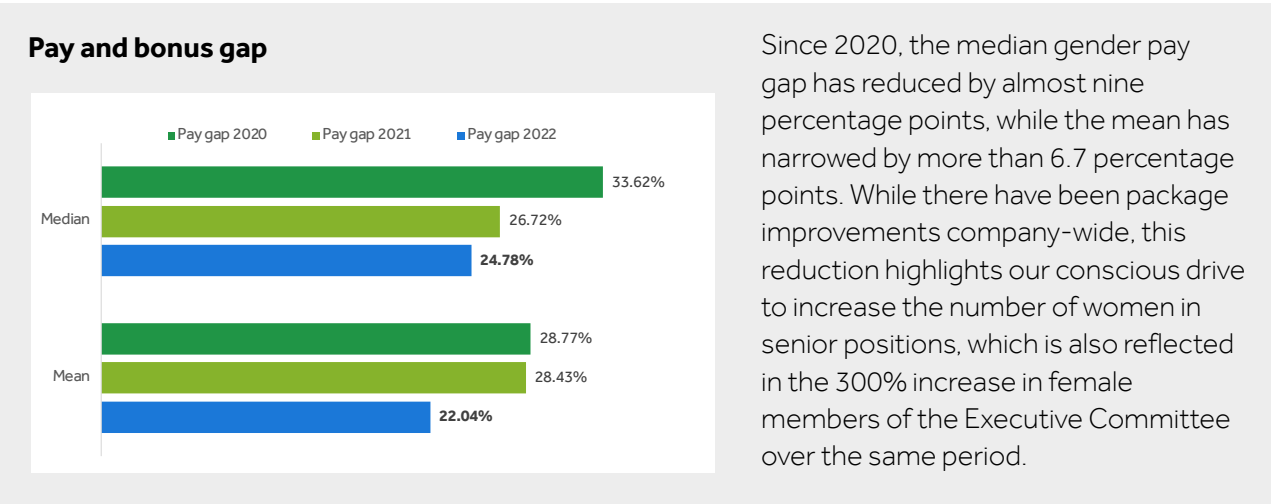
Gender pay gap report 21/22

At Key Group, we're committed to creating an inclusive environment where all our colleagues feel valued and can aspire to greatness. Reflecting two of our six company values, Supportive and Ambitious, we seek to help all colleagues forecast and navigate through career progression opportunities with bespoke training and academies.

As part of that, since 2021, we've implemented several key initiatives to accelerate the number of women in senior positions and help reduce the gender pay gap.

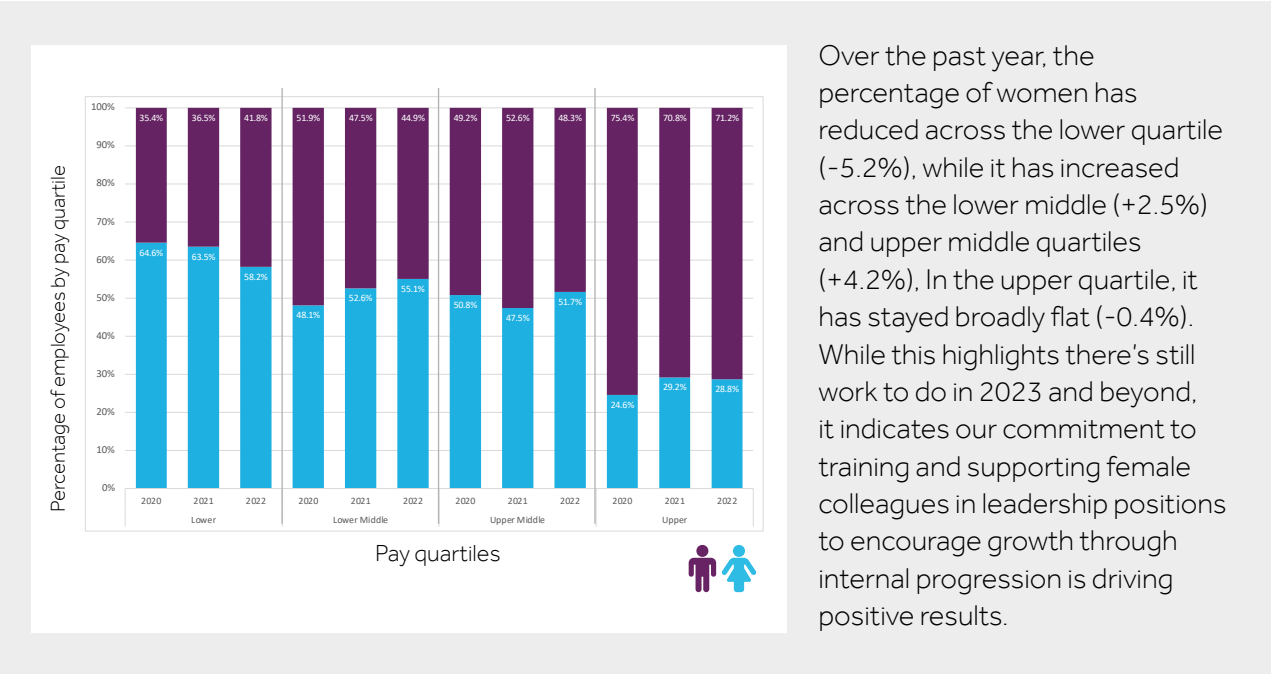
The gender pay gap

The gender pay gap is the difference in the hourly rate of pay between male and female employees expressed as a percentage of the hourly rate. Our figures are based on internal payroll data up to the end of March 2022. The hourly rate consists of base pay, car allowance and bonus.



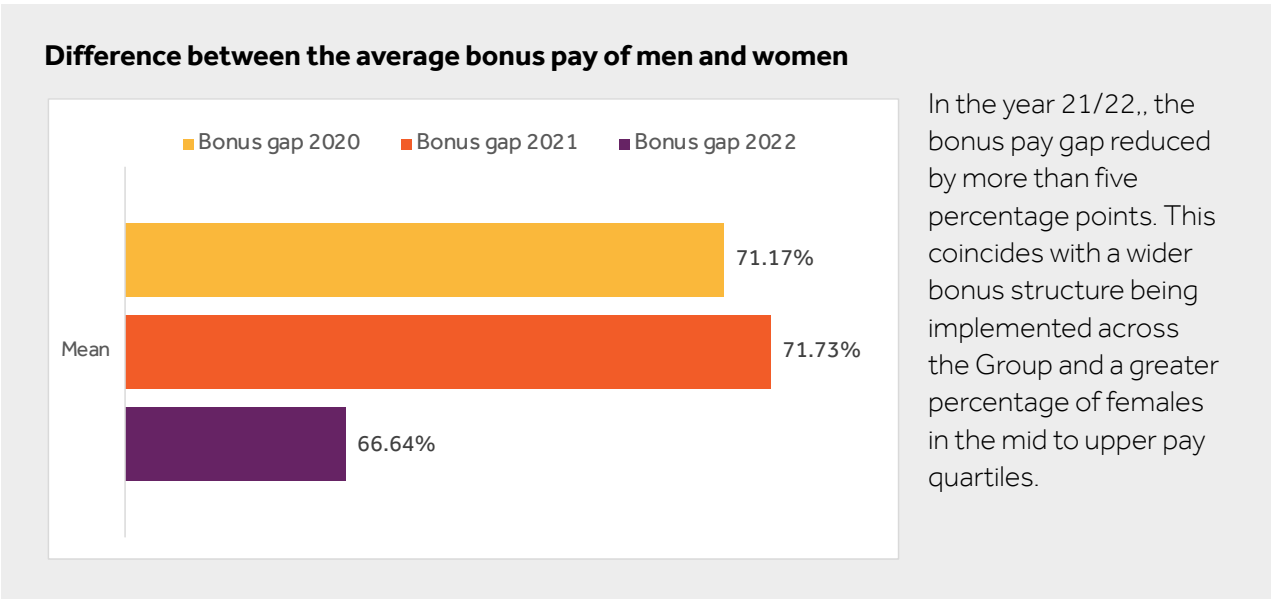
Pay quartiles

Pay quartiles help separate our entire workforce into four equal quartiles based on the salary. These quartiles are then broken down further by male and female employees in each quartile, expressed as a percentage.



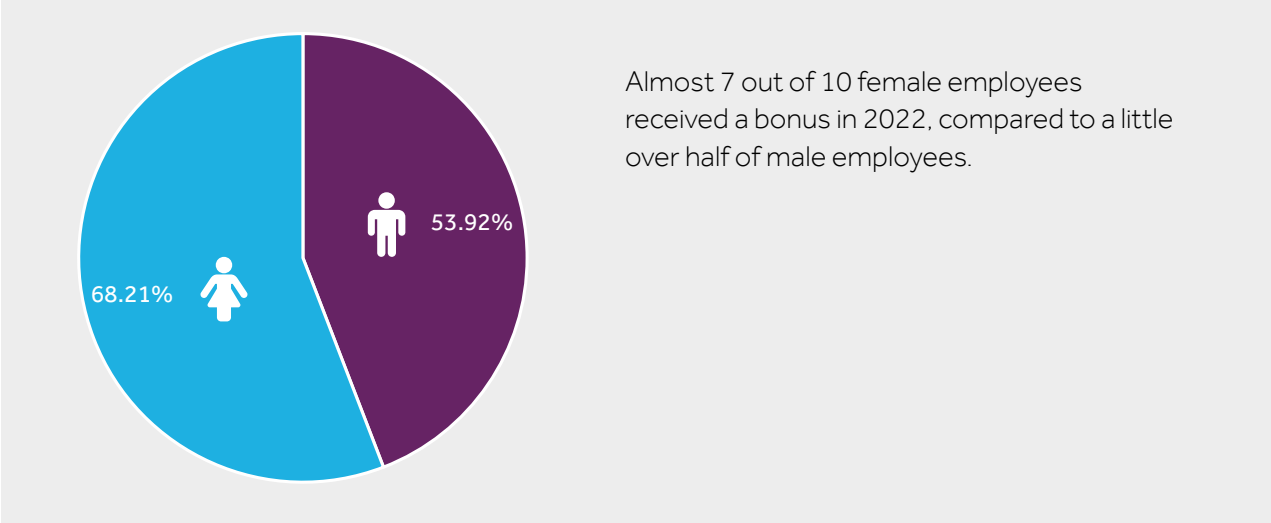
The gender bonus gap

The gender bonus gap is the difference between the average bonus pay of men and women, expressed as a percentage. The gap is calculated across our entire workforce.



Bonus pay

Bonus pay shows the proportion of male and female employees who received bonus pay during the relevant pay period.



Commentary

In 2022, for the second successive year, Key Group successfully reduced its gender pay gap beyond the industry average. We've welcomed more women into our upper and middle quartile leadership teams as well as seen a more equal pay allocation across the pay bands and bonuses.

However, we know more needs to be done. And in 2023 we'll continue to commit to the internal support and progression of all our colleagues in line with our values; creating experts in their fields and empowering them to seek more senior roles.

Building on the momentum

Talking and listening to our people is essential; from how we improve processes to inclusion groups. In order to achieve our future aspirations, and to continue to make Key Group a great place to work, we've set out five key areas of focus.

Listen: Data & Insights	More targeted pulse surveys - we need data to measure the trends and track progress. Introduction of inclusion groups – encouraging colleagues to speak up in a safe environment.
Policy	Introduction of an E,D & I policy to promote transparency ensuring all colleagues have equal opportunity for progression. Review our working practices to ensure they are supporting the environment for people to succeed.
Increased Education & Awareness	More regular training for our people managers and all colleagues. Diversity mentoring initiatives to link in with our Leadership Academy mentoring and coaching programme.
Connect & Engage	Output from inclusion groups – communication strategy and action planning. Launch an engagement platform to showcase recognition, incorporate more inclusive communication and drive our health and wellbeing proposition.
External Endorsement	Consider partnering with external organisations to support our journey. Women in Finance, Race at Work, Business In The Community network.



Our colleague proposition will continue to improve and evolve as we navigate the post-pandemic world and the impact this has had on our economy, colleague expectations and digitalisation of skills. We're embracing our sustainability approach, and while we've done well to date, we're keen to continue to progress and move forward."

ALISON LONGLEY People Director



3. Safeguarding our environment

MANIFESTO

Key Group has always been a purpose-driven business and we believe every business has the opportunity and obligation to protect our planet.

Our approach is to reduce the use of carbon within our business as much as possible; ensuring that the carbon we consume is used efficiently, effectively and comes from renewable sources wherever possible.

Our approach

We began our sustainability journey in 2020 when we first started to measure our Scope 1 and Scope 2 emissions. In 2021, we expanded our emissions measurement to Scope 3 and have also made a calculation of our legacy carbon footprint..

We're driving positive environmental impact throughout our business in three key ways: moving to carbon-free energy, creating sustainable workplaces and building better products and services.

Through the use of high-quality carbon offsets, we intend to continue to be carbon neutral across our Scope 1 and 2 emissions and will be net zero across all our internal operations by 2025.

2021 highlights



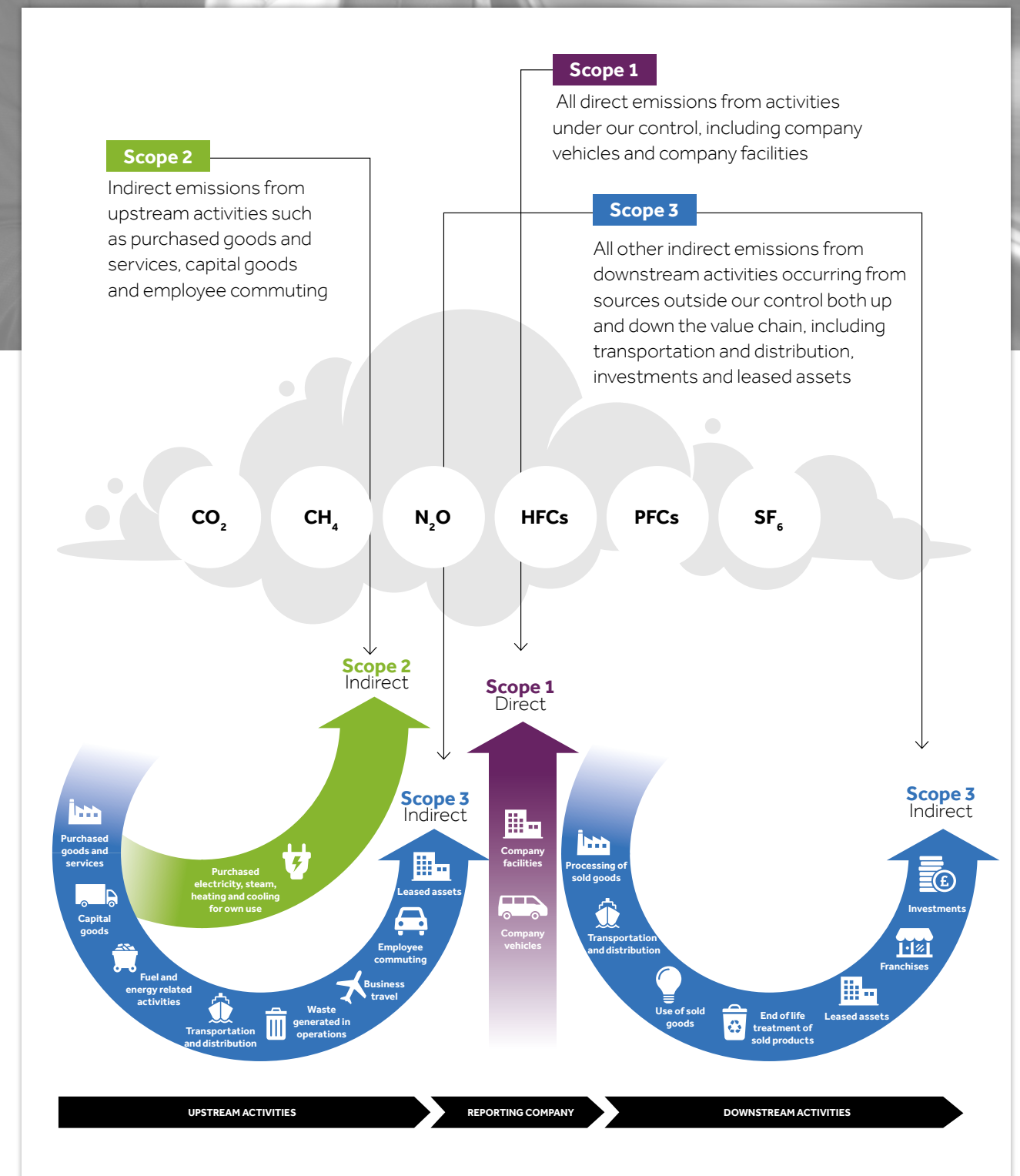
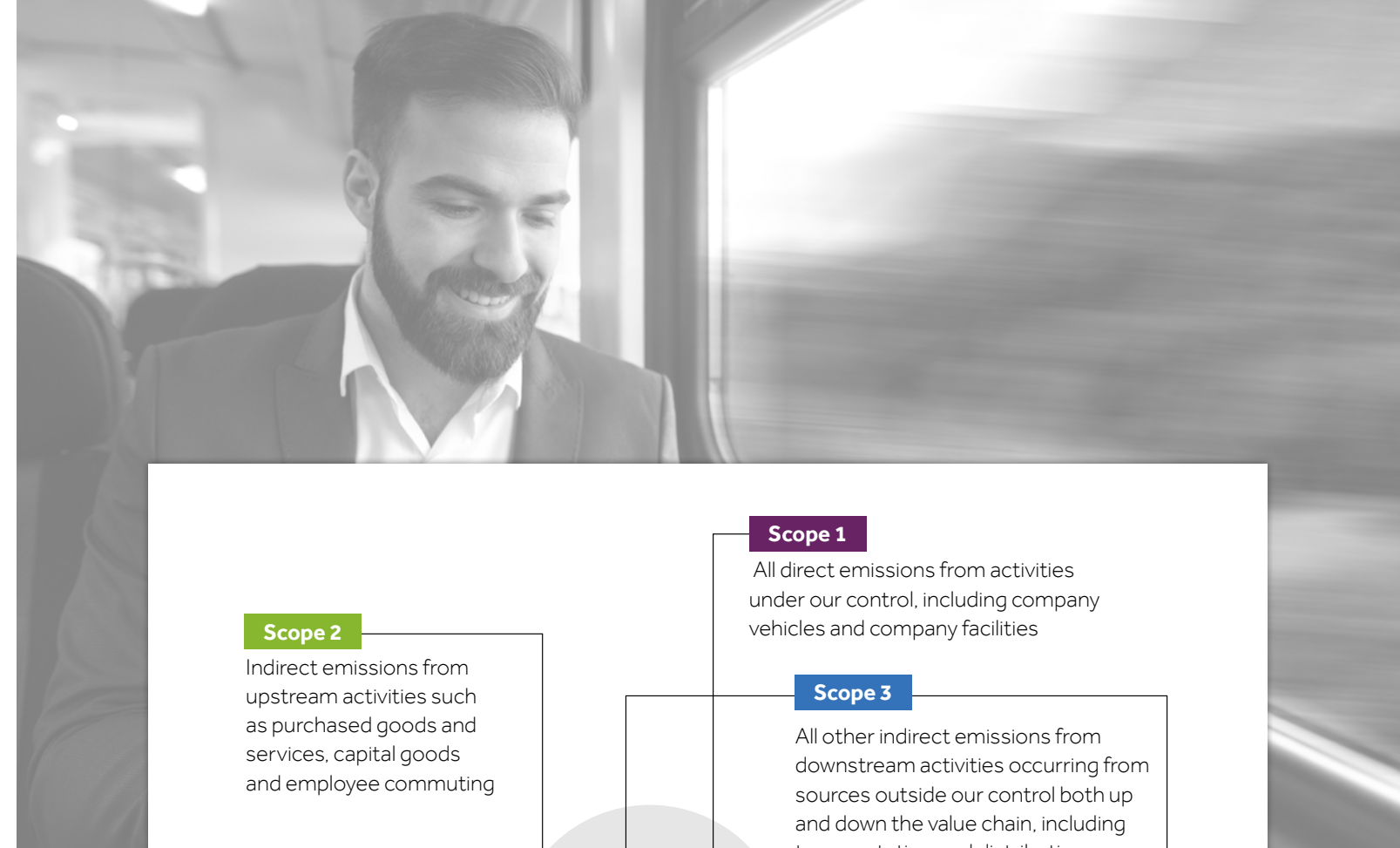
Carbon neutral across our scope 1, 2 and 3 (business travel) emissions



Over 25% of colleagues undertake some type of hybrid or home working across the business



100% of all lighting in our owned offices installed with timers and low energy lightbulbs



Environmental data

Carbon Data			
Key Performance Indicators	Unit	2020	2021
Emissions Inventory			
Scope 1	tCO2e	7	8
Scope 2	tCO2e	117	127
Scope 3 (total)	tCO2e		5,821
Scope 3 (business travel)	tCO2e	135	97
Scope 3 (business travel and employee commuting)	tCO2e		1,112
Total (scope 1,2 & 3)	tCO2e		5,950
Operational Emissions			
Scope 1,2 and 3 (business travel)	tCO2e	259	232
Scope 1, 2 and 3 (business travel and colleague commuting)	tCO2e		1,247
Carbon Intensity*			
Carbon Intensity per unit of revenue	tCO2e / million GBP £	1.23	1.16
Carbon Intensity per FTE employee	tCO2e / FTE	0.22	0.24
Offsetting & Legacy Emissions			
Scope 1	%	100	100
Scope 2	%	100	100
Scope 3 (business travel)	%	100	100
Historic Legacy Emissions (2000-2019)**	tCO2e	1,993	1,993
Data Points			
Revenue	£m	101	116
FTE	FTE	553	571

*Carbon intensity based on Scope 1 & 2 emissions ** Scope 1,2 & Scope 3 (business travel)

Carbon offsetting

High Quality Carbon Offsets		
	2020	2021
Scope	Scope 1, 2 and 3 business travel only	Scope 1, 2 and 3 business travel only
Total tCO2e	259	189
Offset	100%	100%
Project	Solar Renewable Power Project in the Andhra Pradesh state of India	Amazonia Project in state of Acre in Brazil protects 200,000 hectares of tropical rainforest
Certification	VCS	VCS
Link to Certificate	https://registry.terra.org/app/projectDetail/VCS/1792	https://registry.terra.org/app/projectDetail/VCS/1382

Progress against targets

Carbon Reduction Targets		
Target	Deadline	2021 Progress
Carbon Free Energy		
Match 100% of the electricity consumption of our operations with renewable energy purchases	"2021 (Annual)"	In 2021, we purchased enough renewable energy from sources such as wind and solar to match 100% of our electricity consumption at our offices
Maintain carbon neutrality on our Scope 1,2 and 3 business travel	"2021 (Annual)"	In 2021, we purchased enough high quality carbon credits to cover our entire scope 1,2 and 3 business travel emissions
Achieve carbon neutrality for our operations	2025	We measured our colleague commuting emissions for the first time in 2021
Compensate for our legacy carbon footprint since our founding through the purchase of high-quality carbon credits	2030	In 2021, we undertook the calculation of our historical carbon footprint between 2000 and 2019
Achieve net zero across all our businesses	2035	In 2021, we were carbon neutral against our Scope 1, 2 and 3 (business travel and undertook our first Scope 3 audit of all our emissions
Creating Sustainable Workplaces		
Install low energy lighting and timers across all our owned offices	2022	Installation was completed in 2021
Reduce our digital footprint by using Office365 data sharing tools	2025	In 2021, we piloted Office365 and rollout is scheduled for 2022
Research on-site renewable energy generation at our owned offices	2025	We have commissioned a study of the suitability of solar power generation from our Preston offices
Provide EV charging spaces at our Preston offices	2025	We are currently scoping this objective
Reduce our colleague commuting by introducing hybrid and home-working across all our businesses	2025	We established hybrid work practices and supporting digital tools though the pandemic and much of this has remained with over 30% colleagues taking part in some degree of hybrid or home-working.
Building Better Products and Services		
Increase the % of direct mail sourced from FSC paper stocks	2025	We are currently scoping this objective
Give customers a choice to receive communications digitally	2025	We are currently scoping this objective
Deliver at least 25% of all customer appointments via video and teleconference	2025	We introduced tele and video conference for customers in 2019 and are on target to achieve this target
Launch our first 'green' mortgage product into the later life market	2025	Our first green mortgage product is scheduled for 2023
Introduce EPC reporting into the evaluation process for new mortgages and loans to encourage carbon aware decision making across the later life industry	2030	We are currently scoping this objective



4. Supporting our communities

MANIFESTO

At Key Group, we understand the importance of community and our impact within it. By creating strong bonds within the communities in which we operate, not only are we able to implement life-changing opportunities through education, support and inclusivity, but also develop more rounded professionals who contribute to a better society.

Community pillars

We live by three core pillars that guide our approach to supporting our communities.



Working in the community

We focus our efforts on the communities in which we live and work to demonstrate our local commitment and benefit those around us



Engaging colleagues

Working with colleagues to identify and define the projects or local good causes that are important to us



Using the power of our workforce

Maximising the impact of our more than 700-strong workforce through charity days and other charitable initiatives

Alongside the principles we've defined to effectively engage with our communities, we also use our values, ASPIRE, to ensure the projects and initiatives we partake in reflect the Group's outlook.

A

Ambitious

Breaking ground to help our customers enjoy a better retirement. We have a unique spirit that drives us to be leaders in our core market, taking pride in delivering products and services ahead of our competitors.

S

Supportive

Relationships are key to everything we do. We are one supportive family and value collaborative teamwork, celebrating success and sharing learning together.

P

Personal

Going above and beyond to offer exceptional service. We listen, understand and care for each other, adapting our communication to each individual.

I

Integrity

Honest true and transparent in all of our relationships. We take ownership, stand by our actions and deliver what we promise.

R

Responsive

Whatever the challenge, we will deliver the right result. We are always looking for the next way to help our customers.

E

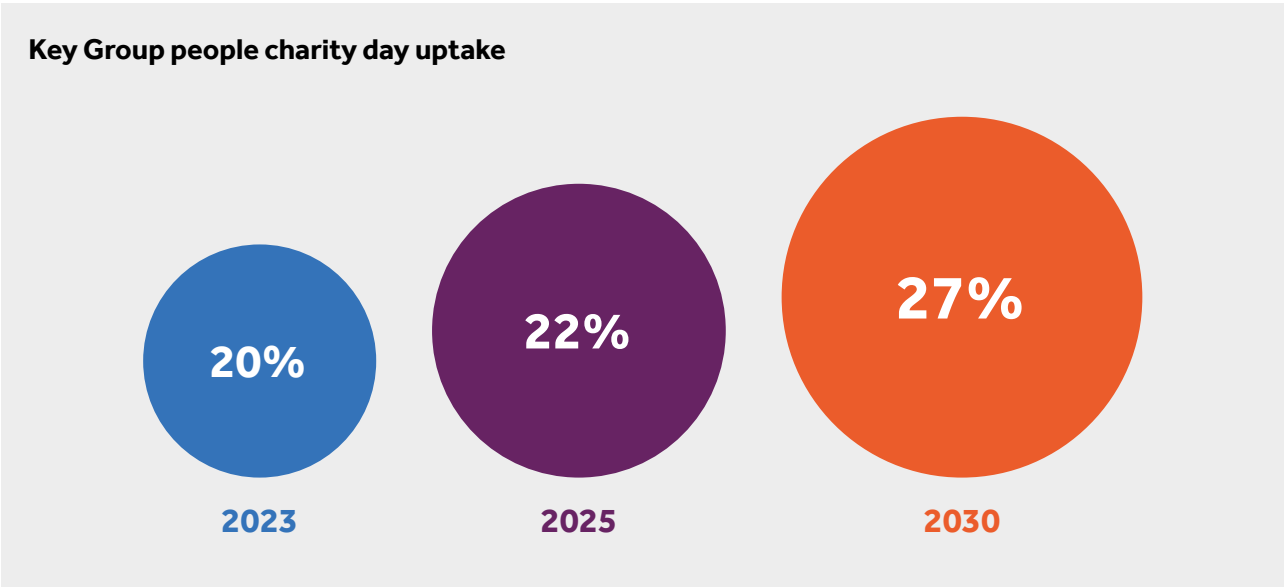
Expert

Experts in our field, our thirst for knowledge never stops. We are proud of our specialist expertise; we know our stuff and have a thirst for growing our knowledge.

Charity days

Alongside our annual commitment to support charity from our profits, every person within Key Group has the opportunity to undertake one charity day each year to assist any registered UK charity.

Our target is to increase charity day uptake to 20% of the workforce by the end of 2023 and have structures in place to drive at least a 1% increase in participation annually.



Increasing charity day participation

To reach our charity day participation goal, we've defined four harmonious constituents, from resource to engagement, to increase buy-in and create self-ownership.

Define dedicated internal resource responsible for increasing charity day participation and determine support required for effective implementation

Engage colleagues to help develop the existing charity plan to encourage greater participation

Build and nurture relationships with a wider range of charities to provide greater affinity amongst colleagues and increase participation opportunities

Work with local community networks to identify more opportunities where support is needed

Charity partners

Bringing colour to the lives of young people and families in Blackpool

The Boathouse Youth is a charity we support who provide fully-funded opportunities for children and young people across Blackpool. Their programmes are designed to improve childhoods while securing future success through a wide variety of activities, from universal and open-access services to targeted and intensive support programmes.

More than one in five equity release customers use some of their property's value to gift to others; usually their children or grandchildren. However, not all young people receive the same level of support, which is why we provide charitable donations to support those less fortunate.

An Alzheimer's Society initiative

Alzheimer's Society's Dementia Friends programme is the biggest ever initiative to change people's perceptions of dementia. It aims to transform the way the nation thinks, acts and talks about the condition.

All Key Group people are given the opportunity to become a Dementia Friend; broadening their knowledge of the condition, tackling stigmas and learning how to identify signs of dementia – as well as understanding how this could affect members of our target audience's vulnerability status.

The Dementia Friends training was extremely useful and very relatable to myself and others. During my time at Key, I have come across many customers living with this disease from all walks of life and at various stages of living with their diagnoses.

It opened my eyes in terms of knowing that we can make simple changes to support and help those living with dementia. It also made you realise that people can live a positive and happy life and there is more to a person than the dementia – which is exactly what my own nanna showed me."

CARLY PROUDFOOT
Account Relationship Manager

Long-term community impact

Beyond the immediate support for local communities, we're developing a plan for longer-term commitments.

We're considering themes that relate to the customers and communities we serve to enable great outcomes outside the provision of later life finance.

1	Social and digital inclusion
We're committed to encouraging social inclusion as we believe those in later life should be active and important members of the community.	Possible initiatives <ul style="list-style-type: none">• Volunteering portal• Tackling loneliness and isolation• Digital inclusion
2	Later life care
We're committed to facilitating, supporting and enabling care in the communities in which we operate, with particular attention on young carers.	Possible initiatives <ul style="list-style-type: none">• Support for young carers• Financial education• Respite support
3	Inclusivity and diversity
We know there isn't a one-size-fits-all retirement. That's why we support and enable people to determine what later life means to them.	Possible initiatives <ul style="list-style-type: none">• Financial education for approaching later life• Supporting equal opportunity organisations• Providing skill development workshops and employment opportunities



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