

keygroup
retirement finances **unlocked**

Sustainability Strategy 2023



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 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.

We have implemented the following:

- ✓ 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. We have completed the implementation in 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.

Ongoing embedding of the Consumer Duty


The Group fully implemented the first requirements of the Consumer Duty in 2023 and is now working towards both delivery of the next requirements by July 2024, as well as the ongoing embedding of the Consumer Duty into everything we do. This includes:

-  Continuous improvement initiatives following learnings from phase 1 of Consumer Duty
-  The Board attestation and evidencing
-  Conducting additional consumer research into our products and services

How we have implemented the new directive

Delivering good customer outcomes is central to Key Group's ethos. As such, the Group has delivered a high priority project to meet the new Consumer Duty regulations and offered guidance across all our activities. The Audit, Risk & Compliance Committee, the Board, and the Board Consumer Duty Champion have overseen the delivery of the project, which included:

- ✓ A review of all products and services against the requirements of the Consumer Duty
- ✓ A review of our governance arrangements to ensure it supports and provides oversight of the requirements and aims of the Consumer Duty
- ✓ Enhanced testing of 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.

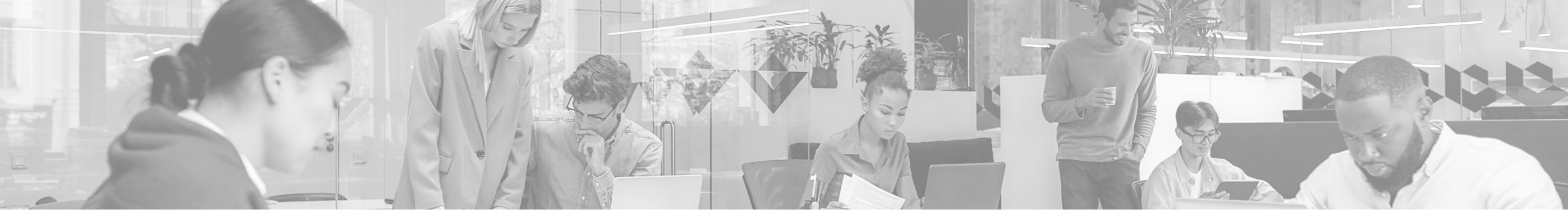
We want to be an employer of choice, somewhere people come to grow and develop their careers through the opportunities we can provide.

Key Group People Strategy

Key Group's colleague proposition has significantly evolved over the past seven 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 |
|---|---|--|
|  <p>Reward</p> | 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 |
|  <p>Engagement</p> | To give people a voice and a platform to be heard | Best Companies accreditation Colleague Recognition Scheme ASPIRE values ASPIRE awards Colleague-forums |
|  <p>Equality, Diversity & Inclusion</p> | To support a values-based culture | Enhanced leave Equal pay audit Training for all colleagues Mentoring & coaching More female managers & advisers |
|  <p>Health & Wellbeing</p> | 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 |
|  <p>Talent Management</p> | 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 | <p>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 paid 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.</p> |
|  Engagement | <p>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. In 2023 we launched our Company Intranet that focuses on communication and engagement.</p> |
|  Equality, Diversity & Inclusion | <p>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 gender pay gap continue to reduce YOY.</p> |
|  Health & Wellbeing | <p>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. Across the group, regular reminders are issued to all colleagues on the benefits of our health plans.</p> |
|  Talent Management | <p>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 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.</p> |

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. In 2023 we were tracking at 4.2/5.0; putting us ahead of the vast majority of competitors.





4.2 / 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.



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.

Following the work achieved to date, we currently have:



Gender pay gap report 22/23

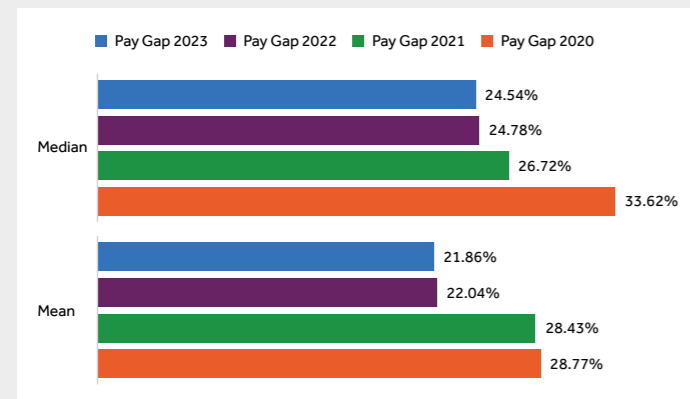
Here at Key Group, we are committed to creating an inclusive environment where all our colleagues feel valued. We believe in creating a workplace where everyone aspires to greatness. And that belief is communicated through our values: Ambitious, Supportive, Personal, Integrity, Responsive, and Expert.

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. This has shown in the consistency of the data over the last report.

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 as of April 2023. The hourly rate consists of base pay, car allowance and bonus.

Gender Pay Gap

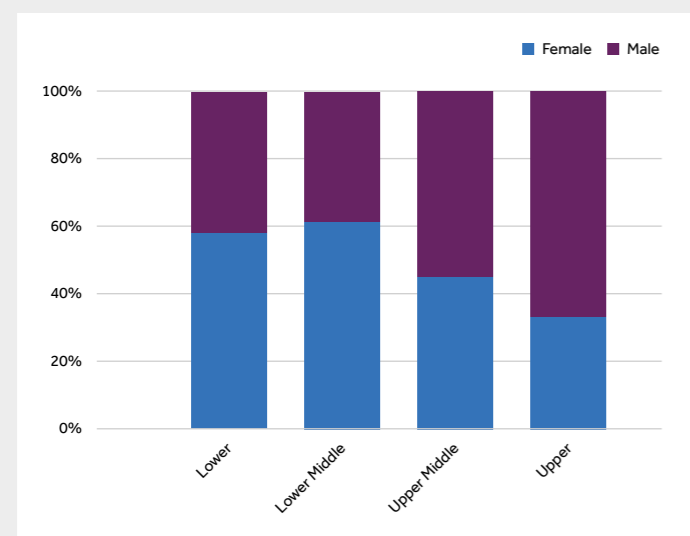


Since 2020, the median gender pay gap has reduced by over nine percentage points, while the mean has narrowed by almost seven percentage points. While there have been package improvements company-wide, this reduction highlights our conscious drive to increase the number of women in senior positions, which is also reflected in the 300% increase in female members of the Executive Committee over the same period.

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.

Pay Quartiles



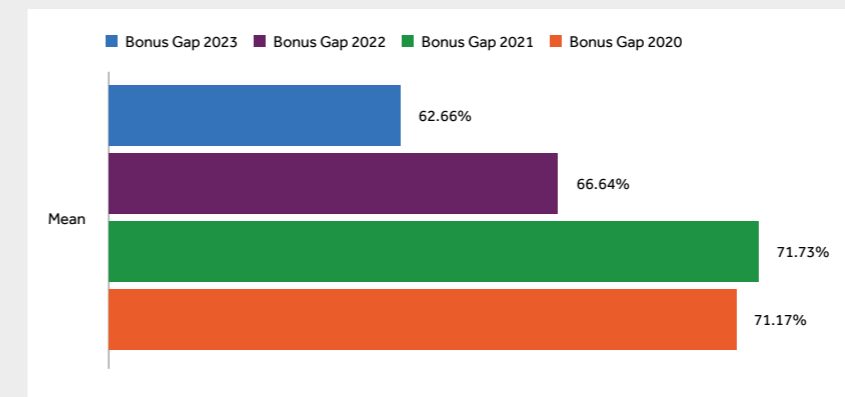
Over the past year, the percentage of women has reduced only slightly across the lower quartile (-1.12%) while it has increased across the lower middle (+6.38%) and mostly in the upper middle quartiles (6.51%). In the upper quartile, it has stayed broadly flat (-0.4%). While this highlights there's still work to do in 2024 and beyond, it also indicates our commitment to training and supporting female colleagues in leadership positions to encourage growth through internal progression.

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The gender bonus gap

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

Difference between the average bonus pay of men and women



In the year 22/23, the bonus pay gap has reduced even further by an additional four percentage points, taking the reduction over the past 4 years to nine percentage points. This coincides with a wider bonus structure being implemented across the Group and a greater percentage of females in the mid to upper pay quartiles.

Bonus pay

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



The gap has reduced by 3.98% due to Group changes in the adviser and sales approach. The introduction of an advice proposition has changed the shape of customer delivery, and this has impacted all aspects of the advice delivery. Whilst realigning Bonus structures in line with the company reorganisation.

We look to continue to focus on bonus across group and ensure that as we encourage and support more females into the advisory circuit this well continue to reduce the Bonus gap further.

Commentary

In 2023, for the fourth successive year, Key Group successfully held a reduced gender pay gap reflective beyond the industry average. In 2022 we committed to continuing to grow 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.

Whilst we anticipated a decrease in our gender gap, despite the turbulence of the later life market conditions earlier in the year - we remain confident that we are continuing with our objectives and that this has remained consistent with last year's results. We look in 2024 to continue to support and grow leaders and internal talent in progression and opportunity and is reflective of our diverse workforce.

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. |

W *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 2022, we made progress on our targets; moving to carbon-free energy, creating sustainable workplaces and building better products and services. This is despite business growth and increasing our managed estate by 25%.

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. We were also able to offset our historic emissions of 1993 tonnes through carbon sequestering with Forest Carbon.

2022 highlights



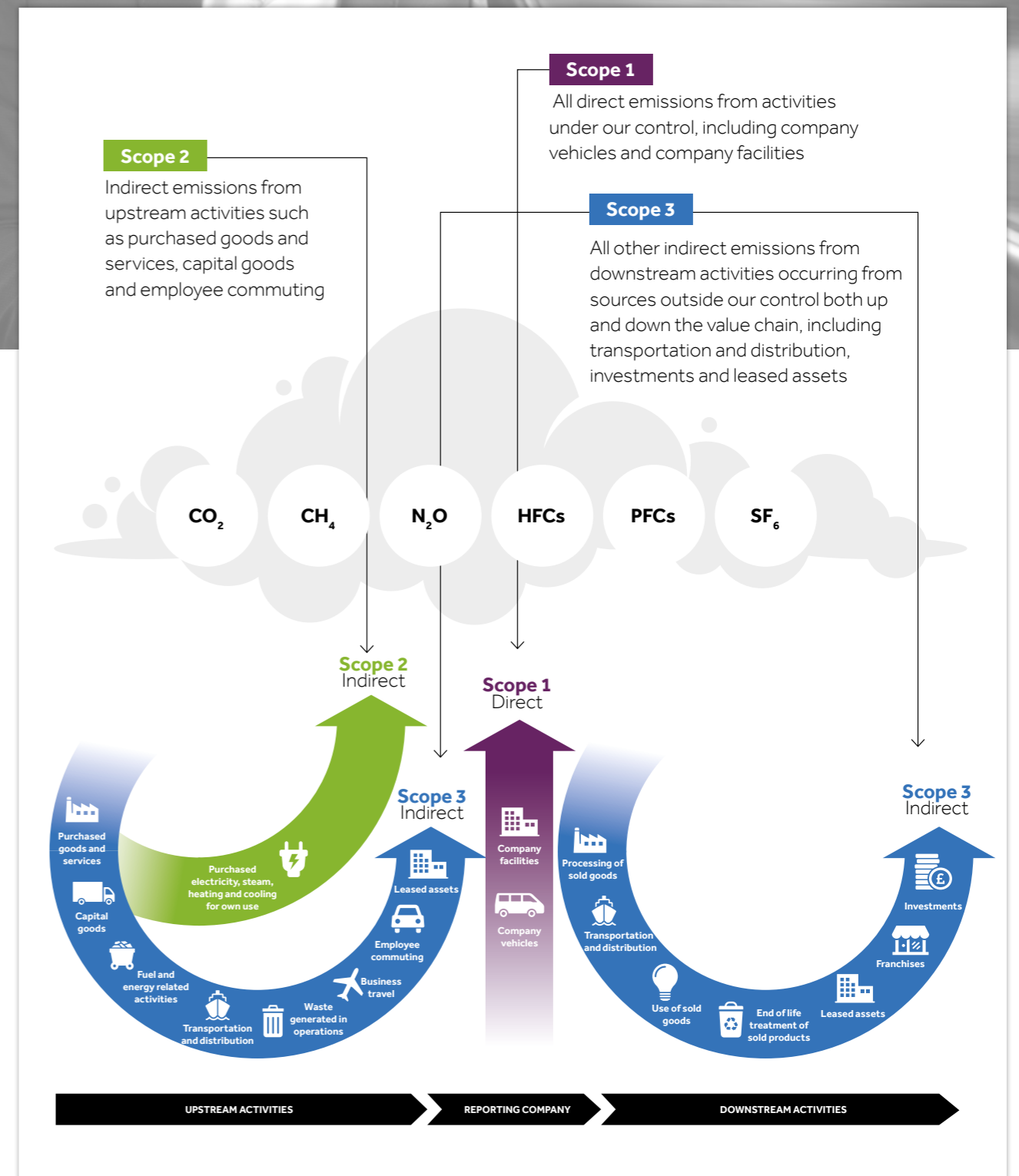
Carbon neutral across our scope 1, 2 and 3 (business travel) emissions



Over 40% of colleagues undertake some type of hybrid or home working across the business



In 2022 we installed 12 electric vehicle charging points at our Preston Campus



Environmental data

| Carbon Data | | | |
|--|-----------------------|------------|------------|
| Key Performance Indicators | Unit | 2021 | 2022 |
| Emissions Inventory | | | |
| Scope 1 | tCO2e | 8 | 13 |
| Scope 2 | tCO2e | 127 | 171 |
| Scope 3 (business travel) | tCO2e | 64 | 202 |
| Total (scope 1,2 & 3 business travel) | tCO2e | 199 | 386 |
| Carbon Intensity* | | | |
| Carbon Intensity per unit of revenue | tCO2e / million GBP £ | 1.23 | 1.73 |

*Carbon intensity based on Scope 1 & 2 emissions

Carbon offsetting

| High Quality Carbon Offsets | | |
|-----------------------------|--|--|
| | 2021 | 2022 |
| Scope | Scope 1, 2 and 3 business travel only | Scope 1, 2 and 3 business travel only |
| Total tCO2e | 199 | 386 |
| Offset | 100% | 100% |
| Project | Amazonia Project in state of Acre in Brazil protects 200,000 hectares of tropical rainforest | Project in Cordillera Azul National Park in Peru protecting over 1,300,000 hectares of forests |
| Certification | VCS | VCS |
| Link to Certificate | Certificate | Certificate |



Progress against targets

| Carbon Reduction Targets | | |
|--|---------------|--|
| Target | Deadline | 2022 Progress |
| Carbon Free Energy | | |
| 100% renewable | 2022 (annual) | We added a 4th office to the Preston campus and moved this supply to 100% renewable |
| Maintain carbon neutrality | 2022 (annual) | In 2022 we purchased enough high-quality carbon credits to cover our entire scope 1,2 and 3 business travel emissions. |
| Achieve carbon neutrality | 2025 | We installed LED lighting in our latest office |
| Compensate | 2030 | We purchased 1,993 Pending Issuance Units (PIUs) from the Lazonby Project, through Woodland verified by the Woodland Carbon Code |
| Net Zero | 2035 | We continue to make progress and have a Net Zero strategy in place |
| Creating Sustainable Workplaces | | |
| Low Energy Lighting | 2022 | We moved our newly acquired office to LED lighting throughout |
| Digital footprint | 2025 | Office 365 rolled out in 2022 with further sharing tools programmed for 2023 |
| Onsite renewables | 2025 | We are aiming to install solar PV to our Preston Campus in 2025 |
| Provide EV | 2025 | Achieved in 2022 with the provision of 12 charging stations, with further expansion scheduled for 2025 |
| Reduce colleague commuting | 2025 | We have enabled more colleagues to work hybrid or homebased. |
| Building Better Products and Services | | |
| Increase the % of paper stock | 2025 | We made good progress, with the majority of direct mail paper stock from FSC sources |
| Choice of digital communications | 2025 | Customers receive a digital copy of our collateral |
| Deliver 25% of appointments | 2025 | We continue to provide around 40% of appointments remotely |
| Launch green mortgage | 2025 | We continue to develop new products |
| EPC reporting | 2025 | 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.

| | | |
|---|--|--|
|  <p>Working in the community</p> <p>We focus our efforts on the communities in which we live and work to demonstrate our local commitment and benefit those around us</p> |  <p>Engaging colleagues</p> <p>Working with colleagues to identify and define the projects or local good causes that are important to us</p> |  <p>Using the power of our workforce</p> <p>Maximising the impact of our more than 500 strong workforce through charity days and other charitable initiatives</p> |
|---|--|--|

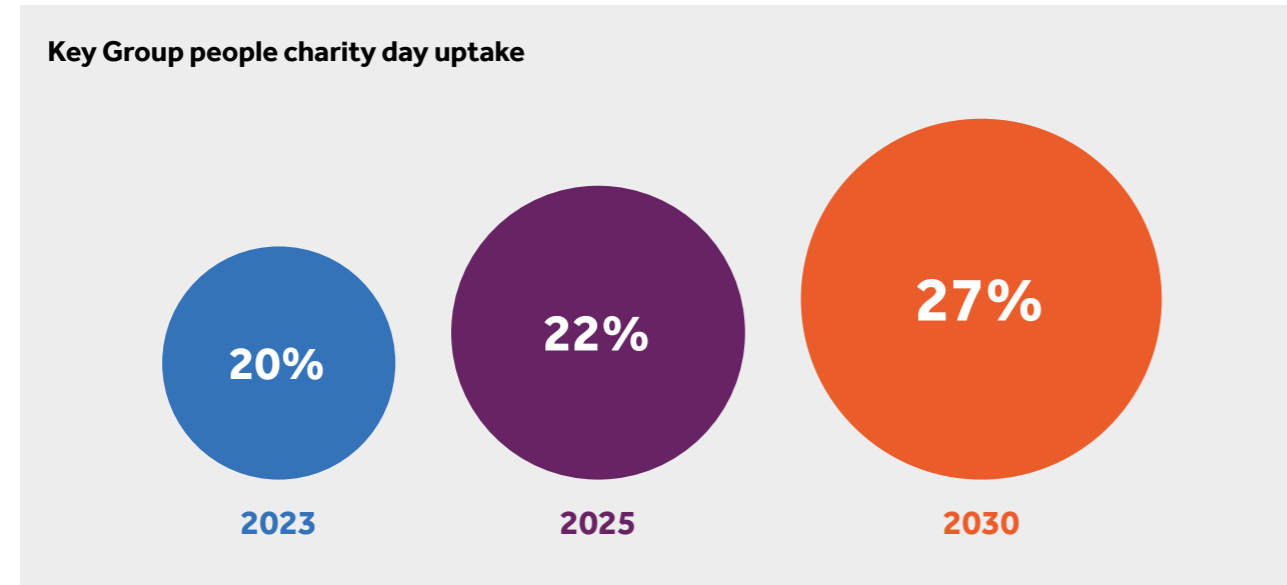
Alongside the principles we've defined to effectively engage with our communities, we also use our values, ASPIRE, to ensure the projects and initiatives we partake in reflect the Group's outlook.

| | |
|------------------------|--|
| 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 was 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.

| | |
|--|--|
|  <p>Define dedicated internal resource responsible for increasing charity day participation and determine support required for effective implementation</p> |  <p>Engage colleagues to help develop the existing charity plan to encourage greater participation</p> |
|  <p>Build and nurture relationships with a wider range of charities to provide greater affinity amongst colleagues and increase participation opportunities</p> |  <p>Work with local community networks to identify more opportunities where support is needed</p> |

Charity partners



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.



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

- 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

- 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

- Financial education for approaching later life
- Supporting equal opportunity organisations
- Providing skill development workshops and employment opportunities



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📌 Key Group



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retirement finances **unlocked**