



# Impact Areas

Identifying the areas where we have an impact on the environment, society and the economy.

May 2020





"Gatehouse Bank is a growing force in UK banking and is committed to having a positive impact on the communities we serve. The Principles for Responsible Banking fit with the Bank's ethical approach to finance and more importantly, will enable us to continuously review and develop our approach as a responsible provider."

**Charles Haresnape**  
CEO Gatehouse Bank

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## Introduction

Gatehouse Bank is one of the **Founding Signatories to the United Nations Principles for Responsible Banking**, which were launched in September 2019. We have committed to further aligning our business strategy with society's goals. Goals expressed in the **United Nations Sustainable Development Goals, the Paris Climate Agreement and other relevant frameworks that identify the most pressing needs of our time.**

In doing so, we aim to demonstrate how our products and services can support a sustainable future while achieving long term business benefits through reduced risk, innovation and access to new markets.

We have completed a preliminary assessment of the areas where our business activities and operations have an impact on the environment, society, and the economy.

While we recognise that our commitment to the UN Principles relates to our business

activities (our products, services and investments), we have chosen to include our internal operations in this preliminary assessment.

This approach reflects the early stage of our sustainability strategy. We consider it important to demonstrate that we are looking inwards as well as outwards as we develop our monitoring and reporting framework and work to forge partnerships with our stakeholders for the collective good.

The results of this preliminary assessment will help inform objectives and targets that increase our positive impacts, decrease our negative impacts, and appropriately address the sustainability risks and opportunities facing our business and our stakeholders.

We are committed to transparency and acknowledge that this is the first step in an ongoing process. Moving forward, we expect to deepen our understanding of our impacts as we enhance our impact measurement processes.





## Our values



### Responsible

We believe in a transparent, fair and socially responsible system of finance, based on Shariah principles. Through the sharing of both risk and reward in an equitable way, we offer an alternative, balanced approach to banking for our customers.



### Open

We encourage an open and transparent dialogue with our customers and colleagues, welcoming different ideas and perspectives. We recognise the value of listening and the progress that comes from freedom of thought and permission to fail.



### Can-do

We embrace opportunity and are resourceful in the face of challenge. By looking beyond accepted conventions, being willing to adapt, and always working as a team, we move forward where others stand still. Our attitude is refreshingly can-do.





## Balanced banking

**We take our responsibility to society and the environment seriously. Our business and operations are conducted in a manner that calls for fair dealing and our products are transparent, fair and socially responsible.**

This approach dovetails with the principles of Shariah-compliant banking, which underpin our operations and form the basis of our product offering. Our way of operating is stable, transparent, and shares risk and reward in an equitable way. That's why we talk about balanced banking.

Gatehouse Bank was established in 2007. We're one of the fastest growing banks of our kind in the UK and are a subsidiary of Gatehouse Financial Group Limited. We're

authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA).

We are a British, Shariah-compliant bank. This means that we follow a set of principles, derived from Islamic teachings which promote fair play and ensure that our customers' financial affairs are handled responsibly.

We have developed policies, procedures and products that ensure our activities fulfil Shariah criteria, including never financing the arms industry, alcohol, tobacco, adult entertainment or gambling. Islamic principles encourage trading and enterprise that generates wealth for the whole community.

And we mean the whole community. Our products and services are available to

people of all religions and none. Many non-Muslims chose us for our socially responsible approach, transparency, differently designed products and the competitive rates we offer.

We are committed to giving back to the community. We do this through corporate giving, volunteering and staff fundraising.

Our 2020 Charity of the Year is Macmillan Cancer Support. Our committed colleagues run marathons, host bake sales, participate in quizzes — and more—to raise vital funds to support Macmillan's work providing specialist health care and advice for those suffering from cancer.

Becoming a signatory to the United Nations Principles of Responsible Banking is in keeping with our core values as an ethical

bank. We are committed to integrating sustainability into our business practices, investment decisions and decision-making processes.

The framework provided by the UN Principles for Responsible Banking will support us as we work to incorporate our existing values into a broader responsible banking strategy designed to achieve a sustainable future for all.





The Principles leverage the influence of the global banking sector to create a healthy society and environment for everyone.



## The UN Principles for Responsible Banking

Developed by a core group of 30 banks, the UN Principles were launched on the 23<sup>rd</sup> September 2019 in New York during the United Nations General Assembly. The Principles help the banking industry to demonstrate how it makes a positive contribution to society. They accelerate our contribution to achieving society's goals as expressed in the Sustainable Development Goals and the Paris Climate Agreement. **As a signatory we have committed to six principles:**



### Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.



### Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.



### Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.



### Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.



### Principle 5: Governance and Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.



### Principle 6: Transparency and Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.





## Executive summary

This report was necessary to gain an understanding of where the Bank is on its sustainability journey so that we are prepared to meet our commitments to the UN Principles of Responsible Banking.

The report identifies the highest need areas for the United Kingdom and assesses our business activities and operations within this context to identify the areas where our activities have an impact on people and the planet, identifying the next steps we need to take to grow our understanding and improve our impact.

### Our operational context

Banks must prioritise impact areas with the highest level of need in the countries that they operate. By scoring the United Kingdom against global indicators, we found that the UK's greatest needs are:

- **Environmental:** quality and efficient use of raw materials, waste generation, and biodiversity & ecosystems
- **Social:** availability, accessibility, affordability and quality of housing
- **Economic:** inequality and social mobility.
- **Associated UN Sustainable Development Goals:** SDG 3 Good Health & Well-

being, **SDG 8** Decent Work & Economic Growth, **SDG 10** Reduced Inequalities, **SDG 11** Sustainable Cities & Communities, **SDG 12** Responsible Consumption & Production, **SDG 13** Climate Action, **SDG 15** Life on Land, and **SDG 16** Peace Justice & Strong Institutions.

### How our activities impact people and planet

Within the context of the UK's greatest needs and in consultation with relevant stakeholders, we then made an assessment of the areas our operations and business activities have an impact on the environment, society and the economy. The report finds that:

**The Bank's greatest environmental impacts are indirect and associated with:**

- Build-to-Rent developments
- Our Real Estate Investment Advisory portfolio
- How we design property finance products
- How we engage with customers and stakeholders about their environmental practices.

**The Bank's greatest impacts on society are associated with:**

- The Bank's Shariah principles and the exclusion of socially harmful activities
- Our commitment to designing simple and transparent products and services
- How we engage with customers and stakeholders on social issues
- Our impact on access to safe, affordable housing.

**The Bank's greatest impacts on the economy are associated with:**

- The Bank's robust governance framework and work to prevent corruption
- Design of fair and transparent products and services that help ensure access to finance
- Improving regional inequality with housing development
- Shariah compliance and exclusion of higher risk investment products.

### Next steps

**Our vision is to implement a comprehensive and integrated responsible banking strategy that helps our business benefit from, and contribute to, a sustainable future for all.**

Throughout the report we identify activity specific projects and next steps that we plan to implement.

- We will build partnerships with key stakeholders to consider all perspectives and promote responsible banking practices as we work to achieve society's goals.
- We will seek to further integrate sustainability into our business activities, procurement policies and investment choices.
- We will further align our monitoring and reporting with globally accepted methods, to ensure we have a full understanding of our impacts and are able to benchmark ourselves against industry standards.



## Preliminary impact analysis

Identifying the areas where the Bank's activities have an impact on people and the planet.

We have conducted a preliminary impact analysis to identify the areas where the Bank has potential positive and negative impacts on the environment, society and the economy.

This analysis covered our internal operations and our core business areas—as defined by the customer segments we serve, the types of products and services we offer, and the geography where we offer these.

### Elements taken into account for analysis

We followed the UNEP FI Guidance for Impact Analysis, taking into account the elements of context, scale and salience when conducting our preliminary impact analysis. These elements are defined below:

Context	The most relevant challenges and priorities related to sustainable development in the regions in which the Bank operates.
Scale	The scale of the Bank's activities with regards to specific industries, technologies and geographies.
Salience	The scale and intensity/salience of the social, economic and environmental impacts identified.

Figure 1: UNEP FI Guidance for Impact Analysis

### The United Kingdom country need scores

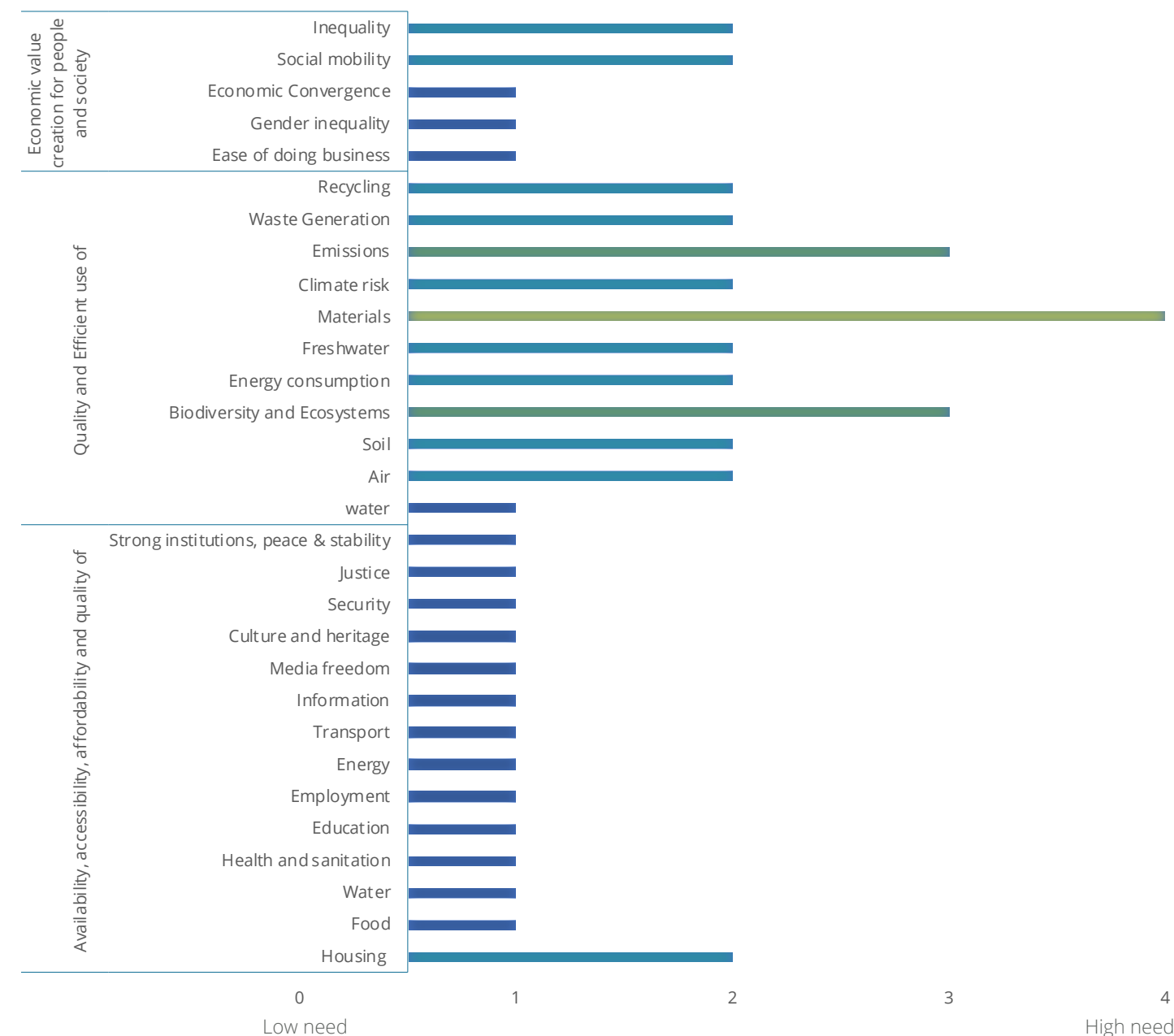


Chart 1: UK Country need scores

#### Context

#### Establishing relevant needs

To effectively contribute to achieving society's goals, banks must prioritise impact areas with the highest level of need in the countries and regions that they operate in.

We are a UK based bank and our products and services are offered in the UK, therefore the social, environmental and economic needs of the UK are at the heart of what will guide our target setting.

We used the prototype impact analysis tool

prepared by the UNEP FI Secretariat to determine the UK's country needs.<sup>1</sup> This was achieved by scoring the UK against global indicators for each impact need.

Our assessment of the UK country need scores are shown in Chart 1, above. The UK's greatest needs are related to the quality and efficient use of environmental resources, most notably the **consumption of raw materials**.

<sup>1</sup> Positive Impact Initiative, UNEP FI, 2018



## Society's goals

The United Kingdom country needs and their related UN Sustainable Development Goals.



### The United Nations Sustainable Development Goals

Society's goals are expressed in frameworks like the United Nations Sustainable Development Goals (the UN SDGs) and the Paris Climate Agreement.

The UN SDGs were developed out of decades of work by countries and the UN. They are made up of 17 goals with multiple targets that are designed to work together as a blueprint for peace and prosperity for people and the planet.

By mapping the impact needs of the United Kingdom against the related SDGs, we are able to see more clearly how we can prioritise impact needs to achieve Society's goals.

### Context

### Country impact needs and the SDGs

We have chosen to focus on impact need scores of two and higher, shown in bold in Table 1. The SDGs that relate to the highest needs in the UK help us define the context of sustainable development relevant to our business. Defining this context will help us align our business strategy with society's goals, as expressed in the SDGs. We found that the key SDGs related to impact needs in the United Kingdom are **SDG 3, 7, 10, 11, 12, 13, 14 and 15**.



Table to show the UK's impact need scores and their related UN SDGs

Social			Environment			Economy/Governance		
Impact area	UK need score	Related SDG	Impact area	UK need score	Related SDG	Impact area	UK need score	Related SDG
<b>Housing</b>	<b>2</b>	<b>SDG 3, 11</b>	<b>Materials</b>	<b>4</b>	<b>SDG 12, 13</b>	<b>Social mobility</b>	<b>2</b>	<b>SDG 10</b>
Security	1	SDG 1, 16	<b>Emissions</b>	<b>3</b>	<b>SDG 3, 12</b>	<b>Inequality</b>	<b>2</b>	<b>SDG 10</b>
Food	1	SDG 2	<b>Biodiversity and Ecosystems</b>	<b>3</b>	<b>SDG 14, 15</b>	Ease of doing business	1	SDG 9, SDG 8
			<b>Waste generation and recycling</b>	<b>2</b>	<b>SDG 3, 11, 12</b>	Gender inequality	1	SDG 5
Energy	1	SDG 7	<b>Air</b>	<b>2</b>	<b>SDG 3, 13</b>	Economic convergence	1	SDG1, 2, 3, 10, 8, 4
Health and sanitation	1	SDG 3	<b>Soil</b>	<b>2</b>	<b>SDG 3, 15</b>	Strong institutions, peace and stability	1	SDG 16, 17
Transport/mobility	1	SDG 9, 11	<b>Energy consumption</b>	<b>2</b>	<b>SDG 7, 13, 12</b>	Justice	1	SDG 5, 16, 17
Information	1	SDG 9, 16, 17	<b>Freshwater</b>	<b>2</b>	<b>SDG 14</b>			
Education	1	SDG 4	<b>Climate risk</b>	<b>2</b>	<b>SDG 13</b>			
Culture and heritage	1	SDG 3, 11, 16	Water	1	SDG 3, 6, 14			
Employment	1	SDG 8, 10						

Table 1: Impact needs and their related SDGs. Sourced from UNEP FI Impact Analysis prototype tool, 2020 and the UNEP FI Positive Impact Initiative, 2018.



## Our business

Defining our business activities, products and services



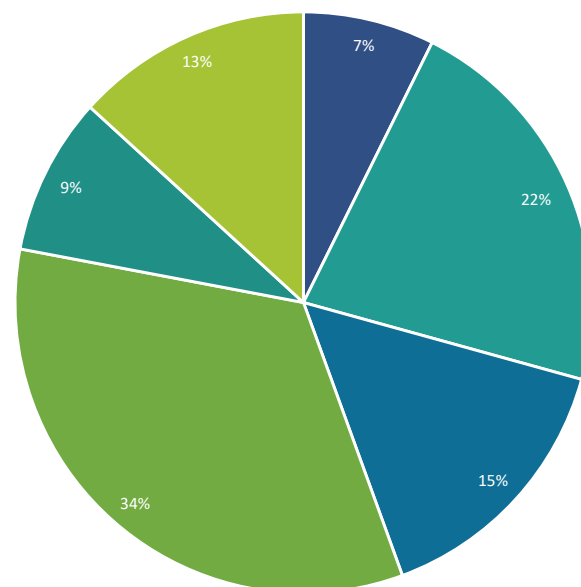
### Scale

Our impacts are linked to the nature of our business activities. They depend on the clients, sectors and activities that our business activities support, and where these are based or take place.

At Gatehouse Bank, we offer Shariah-compliant products and services to individuals, businesses and institutional investors.

Excluding our savings products and treasury investments, our focus is almost entirely linked to the real estate sector; through retail and commercial property finance and our Real Estate Investment Advisory service that manages investments in pre-existing commercial properties as well as new build properties for the rental market.

### Gatehouse Bank financing activities



**c. 70%**

of our activity is connected to the United Kingdom real estate sector.

Chart 2: Business financing activity proportion is calculated using Gatehouse Bank plc Year to Date income by Department, December 2019.

■ Treasury (7%)  
■ Commercial Real Estate Financing (15%)  
■ Real Estate Investment Advisory (9%)  
■ General Management (22%)  
■ Residential Property Financing (34%)  
■ Private Rented Sector/Build-to-Rent (13%)

### Retail and Business Savings

We offer a range of competitive online savings products to our residential and business customers. These include easy access accounts, fixed term deposits and Cash ISAs. We use customer deposits to provide finance for UK property buyers. Our savers are UK residents and entities.

mainstream mortgage, with competitive rates and no early repayment charges. They are available to UK residents, UK expats, and international customers.

### Commercial Real Estate Financing

Our Real Estate Finance team originate and participate in secured and first ranking Shariah-compliant financing for commercial real estate investment assets in the UK.

We offer property finance for commercial investment, semi-commercial and owner occupied finance for retail, industrial, office, warehousing and purpose build student accommodation.

For investments upwards of £2m we provide financing for UK property assets (commercial, multi-unit residential and mixed use) to a range of clients. These include UK residents/entities and UK expats/international residents/entities such as investors, asset managers, REITs and developers.

### Residential Property Financing

Residential Property Financing products help facilitate ownership of residential property. We use common forms of Islamic financing structures including Diminishing Musharaka, which are essentially co-ownership agreements.

We also offer Buy-to-Let finance — from single residential property investment finance to more complex company structures including property portfolios.

Our home finance and buy-to-let plans offer a Shariah-compliant alternative to a



### Real Estate Investment Advisory

Our Real Estate Investment Advisory locates and facilitates UK commercial real estate investment for overseas investors. Our team sources, manages and advises on investments across the entire spectrum of the UK commercial property market. This includes the office, industrial, retail and student accommodation sectors. Our clients are overseas investors.

### Private Rented Sector

We advise two funds through our Private Rented Sector (PRS)/Build-to-Rent scheme — with combined residential property assets totalling more than 1,600 new build family homes across 23 sites, predominately in North West England. This scheme provides investor returns, excellent quality homes for tenants and assists with government objectives for encouraging new build volume.

In 2018, we further expanded our expertise in the Build-to-Rent sector with the acquisition of a majority stake in Ascend Properties, who manage our Build-to-Rent family homes.

“We focus on providing savers simple and easy to understand savings accounts with no teaser rates or complicated terms. We recognise that many of our customers are saving for their future or their family’s and we want to ensure they understand our products and feel comfortable that their money is safe with Gatehouse Bank.”

**Nash Gill**  
Savings Product Manager, Gatehouse Bank







## Our Customers

### Scale

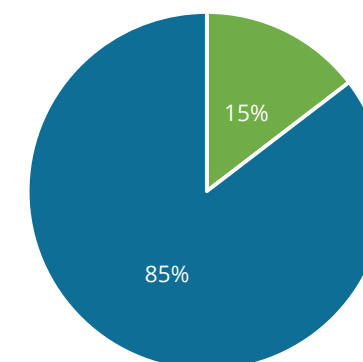
Our impact is linked to the nature of our clients and where they are based. This stage of our impact analysis is limited to our business activities in the United Kingdom.

We deal with a broad range of international investors, clients and customers. For example, the Kuwait Investment Authority, the oldest sovereign wealth funds in the world, is one of our largest shareholders

and has played a significant role in our strategic growth.

As we develop our responsible banking strategy and continue to meet our commitments to the UN Principles, we expect to add to our analysis the geographies and sectors supported by our activities through our relationships with our international investors, clients and customers.

## 01 What products do our customers use?



■ Commercial and Residential Property Finance ■ Savings Products

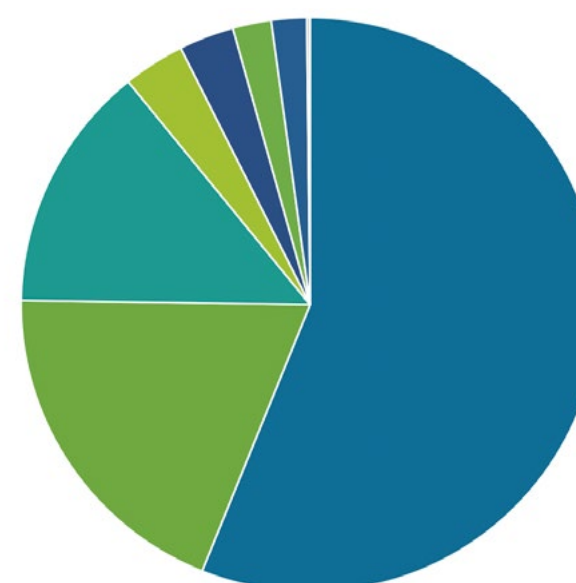
**85%**  
of our customers  
have a savings  
account with  
Gatehouse.

Chart 01: excluded from these figures are savings deposits raised through third party platforms including Raisin and Flagstone.

## 02 Where are our customers based?

Financing customers

Savings customers



■ United Kingdom - 56% ■ Asia - 19%  
■ Middle East - 14% ■ Other Europe - 3%  
■ Oceania - 3% ■ Africa - 2%  
■ North America - 2% ■ South America - less than 1%



Chart 02: customer location based on financing volumes.



## Our stakeholders

To increase the positive impact of our business activities, operations and investments we need to appropriately consider stakeholder perspectives, build partnerships, and foster collaboration.

Our internal UN Principles Working Group, made up of representatives from across the Bank, participated in a series of workshops to identify our stakeholders and develop a stakeholder engagement plan.

We reviewed our previous engagements and set our vision for future engagements. We then identified stakeholders — individuals and groups who have the power to respond to, negotiate with, or change our responsible banking strategy.

We analysed the identified stakeholders against four criteria — their influence, expertise, orientation and capacity — and visualised this by plotting stakeholders against this criteria on a map.

Using this information, we agreed engagement methods for each stakeholder or stakeholder group. Our stakeholder vision, stakeholder groups and a summary of our engagement plans are described next.

### Our stakeholder vision

**External** Our external stakeholder engagement will promote our responsible banking activities to a wide audience. We will network and collaborate in order to drive impact, increase our expertise and build legitimacy.

**Internal** We will effectively communicate how responsible banking connects to the wider business strategy and foster a culture of responsible banking through strategic and personalised internal stakeholder engagement. Our responsible banking initiatives will inspire colleagues, build pride in Gatehouse and increase trust.



## Our stakeholder groups



### Customers

We need to understand our customers' changing views and share details of our projects and progress with them. Understanding our customers expectations and engaging them in our culture of responsible banking is key to the long term success of our business.



### Internal Stakeholders

Our internal stakeholders include our colleagues, executive leadership team and the Bank's Board. We need to inform and engage our internal stakeholders as well as consult and collaborate with specific internal stakeholders as we develop our responsible banking strategy.



### Supply Chain

The sustainability performance of our supply chain is a crucial element of our impact. We need to consult with our supply chain stakeholders, who include suppliers and advisors, and advocate our responsible banking approach to collaborate for solutions that boost sustainability.



### Investors

Our investors require a financial return on their investment and need to know that we are managing risks and capitalising on opportunities. We need to keep our investors informed and consult with them to gather feedback and approval at key stages of implementing our responsible banking strategy.



### Industry

We have multiple industry stakeholders, from forums and trade bodies to our peer banks, who all have expertise and experience to share. We need to monitor industry best practice and collaborate on sustainability initiatives.



### Non-Governmental Organisations (NGOs)

NGOs have a high level of expertise and act as "stakeholders" for issues like the environment. We need to consult NGOs to understand their perspective and innovate sustainability solutions together, directly and in collaboration with industry peers.



### Local and national government

Government bodies have the authority to set policy that will impact our strategy. They have convening power that can amplify our impact if harnessed. We need to monitor government developments and collaborate with them on relevant initiatives and research.



### Community

We aim to have a positive effect on the communities local to our activities. We need to ensure that local communities are consulted and kept informed of our activities that impact them and that we monitor our impact on the communities we serve.





## Our impact areas

### Salience

#### The salience of our impacts

To ensure resources are deployed effectively for the most positive impact, a bank's responsible business strategy should focus on the most salient environmental, social and economic impacts that arise from its business activities.

The third step in our analysis was to assess the areas where our operations and business activities have an impact on the environment, society and the economy.

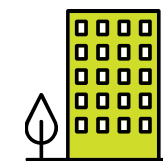
This assessment was carried out through consultation with our internal stakeholders and relevant supply chain stakeholders.

We collected a mix of qualitative and quantitative data to give a broad overview of our salient impact areas, focusing on those that are relevant to the UK context and the financial services sector.

#### Important note on method

It was important to us to begin measuring and managing our impact. We have conducted this preliminary assessment using available data, identifying data gaps along the way. It is our intention that as our responsible banking strategy develops we will build the detail and depth of our reporting to publish increasingly quantitative and externally assured assessments of our positive and negative impacts, and risks and opportunities.

## Outline of impact areas



### Environmental impact areas (p 28)

#### Internal operations

- Green house gas (GHG) emissions of internal operations
- Procurement policy
- Investments in funds and sukuk

#### Business activities

- Build-to-Rent Funds
- Real Estate Investment Advisory
- Commercial and Residential Property Finance
- Approach to climate risk



### Social impact areas (p 36)

#### Internal operations

- People development
- Procurement policy

#### Business activities

- Exclusion of socially harmful activities
- Islamic finance and the SDGs
- Building and funding homes
- Approach to products



### Economic impact areas (p 44)

#### Internal operations

- Risk & compliance
- Diversity & inclusion

#### Business activities

- Our products & services
- Foreign investment
- Regional development





## Environmental impact areas

At Gatehouse Bank, we understand our shared responsibility for a sustainable future and acknowledge that managing our environmental impact is a key part of this responsibility.

This section describes the steps we are exploring to manage the environmental impact of our internal operations. It then identifies key areas where our products, services and investments have an impact on the environment and our planned next steps to manage these.

International frameworks and their associated initiatives provide us with guidance on how to meet our commitments to the environment and reduce climate change. The Paris Agreement builds upon the United Nations Framework Convention on Climate Change (UNFCCC) and for the first time brings nations

into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects.<sup>1</sup>

The Sustainable Development Goals provide a clear direction for the environment and the climate, with objectives to be achieved by 2030.

As a people-based financial services sector organisation, the environmental impact of our internal operations is a small proportion of our overall impact. We use less energy and produce less waste via our operations relative to other more resource intensive sectors.<sup>2</sup> The majority of our environmental impact is indirect, through our supply chain and the sectors and activities we support with our products and services.

### Salience

#### The UK's environmental needs and the SDGs

Our environmental impact depends on how our business activities affect the quality and efficient use of the Earth's water, air, soil, biodiversity and ecosystems, climate and waste. The highest priority environmental impact needs for the UK are consumption of raw materials, emissions, and biodiversity and ecosystems. The related Sustainable Development Goals are **SDG 3, 12 13, 14 and 15**.



## Our emissions

We are voluntarily calculating the emissions from our internal operations. In addition to our direct emissions (GHG Protocol scope 1) the most significant and relevant indirect emissions we have identified are emissions from purchased energy (GHG Protocol scope 2) and emissions from water use, waste generated and business travel, across our three offices (GHG Protocol scope 3).<sup>1</sup>



To calculate indirect emissions from our internal operations, we plan to measure:



**Scope 2 Indirect**  
Emissions from purchased energy (electricity, gas) for own use



**Scope 3 Indirect**  
Emissions from waste generated in own operations, water use and business travel

<sup>1</sup> Paris Climate Agreement, UN 2015.

<sup>2</sup> The Carbon Trust, Make Business Sense of Scope 3, 2013.

<sup>1</sup> The GHG Protocol Corporate Accounting and Reporting Standard, World Business Council for Sustainable Development, 2015



## We have identified the following environmental impact areas:

### GHG emissions from our internal operations

As a digital-first bank without physical branches, we have a lower carbon footprint than we would have otherwise. The impact of our internal operations is limited to activities in our three UK offices in London, Milton Keynes and Wilmslow.

To appropriately manage our environmental impact, we have made the decision to voluntarily report on the GHG emissions from our internal operations. We will follow global standards for accounting and reporting emissions.<sup>3</sup> We are in the process of gathering data and developing our ongoing monitoring processes and are partnering with third party environmental consultants to verify our process and results.

Once a baseline of emissions is established, a key project for 2020/2021 will be to set target actions to reduce our carbon footprint via reductions in energy use, business travel, water use, printing and waste (SDG 12.5 Substantially reduce waste generation, SDG 13.2 Integrate climate change measures into policy).

### Procurement policy

Procurement decisions have major environmental implications. Currently, our suppliers are selected by departments on a case by case basis with due regard to fair pricing, risk, our list of excluded sectors and an expectation that suppliers adhere to all national laws and regulations. At this stage we do not have a company wide sustainable procurement policy for suppliers, nor do

we assess our supply chain according to environmental considerations. Development of a sustainable procurement policy represents a clear opportunity to manage the environmental impact of our supply chain.

A key project in 2020/2021 will be to manage our indirect environmental impact via our supply chain by developing a procurement policy that takes into account the environmental performance of our suppliers and the impact of their operations on the UK's priority environmental need areas (SDG 12.6 Adopt sustainable practices and integrate into reporting cycle, SDG 12.7 Promote sustainable procurement policies).

### Investment in funds and Sukuks

The Treasury team's primary function is to ensure that the Bank's balance sheet remains robust through prudent and efficient management of liquidity by using the short and medium-term money markets, retail deposits and foreign exchange products. They also ensure that the Bank maintains liquidity in accordance with its internal and regulatory requirements and manage investments in sukuk. Our liquid asset buffer consists of high-quality liquid Shariah-compliant assets in compliance with our ethical principles and exclusion list (described on page 40 of this report).

As part of our Treasury sukuk purchases, we plan to review the relevant ESG index, where available, and take this into consideration as part of an assessment of the Bank's exposure to environmentally harmful sectors and activities. We also plan to explore the availability and suitability of Shariah compliant green investments.

### Real Estate Sector activities

The real estate sector is responsible for around 33% of UK emissions.<sup>4</sup> Construction, maintenance and the ongoing energy consumption of properties make up the majority share of the real estate sector's carbon emissions profile. The impact on local biodiversity and ecosystems is another important consideration.

With approximately 70% of our business activities having a connection to the UK real estate sector, it is clear that our ability to support the sector's contribution to a low-carbon economy and the sectors' pivotal role in meeting the commitments of the Paris

Climate Agreement should form a significant part of our ongoing sustainability strategy.

Our real estate sector activities include directly managed, leased and financed property assets. Our varied level of operational control will be a key factor in our environmental data collection, reporting and planned actions as our sustainability strategy develops.

### Build-to-Rent funds

The Build-to-Rent funds which we advise have built 1,600 homes in areas outside of London. In consultation with Countryside plc,

<sup>4</sup> Committee on Climate Change, Reducing UK emissions, Progress Report to Parliament, 2018



<sup>3</sup> The GHG Protocol Corporate Accounting and Reporting Standard, World Business Council for Sustainable Development, 2015/ ISO (International Organisation for Standardization) 14064



the house builder for all the houses in the funds to date, we have identified a range of environmental impacts associated with our Build-to-Rent activity.<sup>5</sup>

### Brownfield development

We are pleased to report that 100% of the Build-to-Rent properties were developed on brownfield sites.

Bringing a brownfield site back into development benefits the environment by helping to prevent urban sprawl associated with greenfield development. It is also in line with government directives to speed up development of derelict and under used land that can be used for new homes.<sup>6</sup> (SDG 11.3 Enhance sustainable urbanization, SDG 15 Halt biodiversity loss).

### SAP scores

Thanks to efficient design, the average SAP score for the Build-to-Rent fund homes is 86.65, this is compared to the UK average of 62 points.<sup>7</sup>

The Standard Assessment Procedure (SAP) is a methodology introduced by the Government to assess and compare the energy and environmental performance of buildings. SAP calculations consider a range of factors that contribute to energy efficiency. Energy efficient homes help reduce our residents' carbon footprint and bring energy cost savings (SDG 13 Take urgent action to combat climate change, SDG 7.3 Double the rate of energy efficiency).

### Biodiversity and ecology

Positive measures have been taken across all 22 development sites to preserve ecology and biodiversity and integrate ecosystem and biodiversity values into development

processes. 100% of our development sites have undergone an ecology survey and 1,979 trees and 94,397 shrubs have been planted.

The funds are built with a commitment to preserve and enhance ecological networks, driving resilience to climate change pressures. (SDG 15.1 Ensure conservation, restoration and sustainable use of ecosystems).

### Connected communities

100% of the Build-to-Rent sites are within 1km of a transport node and 33% have secure cycle storage.

This supports the provision of access to safe, affordable and sustainable transport systems. These measures help drive uptake of public transport and reduce the GHG emissions of personal transport options, as well as encouraging healthier, low emission travel by cycle (SDG 11.2 Provide access to sustainable transport systems).

### Waste

The average waste produced in construction of developments built by Countryside in 2019 was 6.9 tonnes construction waste per 100 m sq of developed area with 97.5% of waste diverted from landfill. In 2018, 7.73 tonnes construction waste was produced per 100 m sq and 99.4% waste was diverted from landfill.

The house builders we work with have implemented measures to consistently reduce waste generation through prevention reduction, recycling and reuse (SDG 12.5 Substantially reduce waste generation).

**We seek to incorporate ambitious sustainability criteria and stakeholder (local authority, community) consultation planning into our investment decisions for future funds. We will also explore plans to engage**



**and inform our current and future residents about ways they can reduce their energy and water consumption.**

### Real Estate Investment Advisory

Our Real Estate team sources, manages and advises on investments across the entire spectrum of the UK commercial property market.

Our current unrealised investment portfolio consists of six properties — five located in the UK and one in France. Across the portfolio we have a mix of 51 retail and office tenants from a range of sectors. The average EPC (energy efficiency of building) rating of our UK properties is B – C. The business activities of our REIA tenants are shown in Table 2.

Business activities REIA tenants	% Of tenants
Business Services	26%
Furniture/Home ware	15%
Finance	13%

Business activities REIA tenants	% Of tenants
General retail	11%
Social Enterprise	9%
Food and Beverage	7%
Technology	4%

Table 2: Top 7 business activities by percentage of REIA tenants, as at December 2019.

The REIA property portfolio has an impact in the environment through GHG emissions, resource consumption, waste management, and the sustainability of tenant procurement decisions.

Minimising the environmental impact of the portfolio is important to us for many reasons. It will enhance the value of our portfolio over the long term as tenant demand for green buildings grows, reduce the risk of cost and obsolescence as new green legislations are introduced, reduce our tenants' energy costs, and drive achievement of the SDGs.

<sup>5</sup> Countryside Properties plc Sustainability Reports, 2019, 2018 & 2017.

<sup>6</sup> The Ministry of Housing, Communities and Local Government (MHCLG) cataloguing system.

<sup>7</sup> English Housing Survey Headline Report 2017-18, Ministry of Housing, Communities and Local Government



We view working with tenants and stakeholders to drive sustainability as an opportunity to demonstrate environmental stewardship and build stronger relationships with our customers.

#### Current portfolio

Our current portfolio of properties are let out on long term leases for which we have limited visibility of emissions data and limited ability to instigate environmental policies. Therefore, our influence is primarily through stakeholder engagement and at the point of tenancy renewal.

**We aim to develop a sustainability strategy that helps us assess the environmental performance of our current portfolio, including the development of a consistently applied methodology for measuring selected Scope 3 indirect portfolio associated emissions (GHG Protocol, SDG 13 urgent action to combat climate change).**

#### Sustainability initiatives

We will explore the range of sustainability initiatives available to us, dependent on our level of influence and operational control for each property asset.

Activities could include; supporting tenants to reduce emissions, setting waste diversion targets in consultation with property managers, group renewable/sustainable procurement policies and exploring opportunities to improve energy efficiency across the portfolio – e.g. LED lighting upgrades, replacement of cladding and sourcing renewable energy (SDG 7.3 improvement in energy efficiency).

#### Future portfolio

**A key project for 2020/2021 will be to explore the addition of environmental sustainability criteria into our investment**

**decision-making process, to ensure we manage the environmental impact of future additions to our portfolio (SDG 11 Make cities safe, resilient and sustainable).**

#### Residential and commercial property finance

We want to ensure that, in addition to our own efforts to become a more environmentally friendly and climate resilient company, we empower our clients and customers to join us on this transition to a more sustainable economy.

#### Emissions data

We adhere to regulatory guidelines in the collection of data on the EPC rating of our financed properties, both commercial and residential. However, the collection of ongoing emissions data for financed property assets is outside our operational control.

#### Commercial Property Finance

Our financed commercial property assets are distributed across sectors with a low exposure to high emission extraction or manufacturing industries (50%) student accommodation (15%) retail (9%) Office (8%) mixed use (11%) and hotels (1%).

However, we acknowledge that further assessment will be required to determine the environmental impact of our commercial property finance products including our level of exposure to activities and sectors with potentially adverse environmental impacts.

#### Our customers and their tenants

Looking ahead, we will aim to be a champion for sustainability by informing our customers and their tenants about energy efficient measures they could implement to help reduce their environmental impact and bring energy cost savings.

**A key project for 2020/21 will be to explore ways our residential and commercial property finance products can encourage sustainability. This could be achieved by encouraging the purchase of energy efficient properties or by supporting customers to make energy efficient improvements to their existing properties (SDG 13 Urgent action to combat climate change, SDG 12.8 Ensure that people have the relevant information for sustainable lifestyles).**

#### Climate Risk

In addition to our ambition to contribute to society's climate policy goals, we are paying attention to the potential financial risk associated with climate issues.<sup>8</sup> We take a strategic and governed approach to managing risks due to climate change,

<sup>8</sup> Exploring Metrics to Measure the Climate Progress of Banks, 2 degrees investing initiative, world resources institute and UNEP FI.

in line with prevailing regulatory guidance and requirements and our internal Risk Management Framework. Following the recommendations of the UK Government Task Force on Climate-related Financial Disclosures (TCFD) we continue to develop processes and practices to assess and manage the risks to the Bank and our customers arising from climate change.

**A key project in 2020/2021 will be to screen our portfolio for climate risk and establish processes for monitoring and managing the environmental risk of projects (SDG 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters).**



## Social Impact Areas

Our products and services and the way we operate our business impact the wellbeing of our colleagues, our customers, and the wider community. Social impact is a complex field to measure as well as evidence. As our responsible business strategy matures, we will explore methods to help us accurately quantify the impact of our activities on society.

### Islamic finance

There is a natural alignment with the principles of Islamic finance and society's social goals, as expressed in the SDGs. This is because the Islamic economic model takes into account the concept of excluding funding for socially harmful activities and highly speculative financial products.

#### Exclusion of socially harmful activities

The principles of Shariah-compliant banking underpin our operations and form the basis

of our product offering. Being a Shariah-compliant bank means that we follow a set of principles, derived from Islamic teachings which promote fair play and ensure that our customers' financial affairs are handled responsibly.

#### Our investments and products

We have developed policies, procedures and products that ensure our activities fulfil Shariah criteria; including never financing the arms industry, alcohol, tobacco, adult entertainment or gambling.

This exclusion list represents a range of industries that can cause harm to society, can be detrimental to social needs and risk counteracting society's goals. (SDG 3.5 strengthen the prevention of substance abuse, SDG 8.8 Promote safe and secure working environments, SDG 16.1 Significantly reduce all forms of violence).

### Saliency

#### The UK's social needs and the SDGs

Our social impact depends on how our business activities influence the availability, affordability and quality of: water, food, housing, health and sanitation, education, employment, energy, mobility, information, and culture and heritage. The priority impact need for the UK is housing and the related Sustainable Development Goals are **SDGs 3 and 11**. Based on our business activities and our impact as an employer in the financial industry we have chosen to also focus on **SDG 8 Decent Work and Economic Growth**.



Additionally, Islamic finance principles require that all of our investments involve real assets such as real estate or shares in companies.

This helps buffer society and the economy from some of the well documented negative effects and consequences of higher risk investment products (SDG 3 Ensure healthy lives and promote well-being, SDG 8 Promote sustainable economic growth).

Our compliance with Islamic finance principles is maintained by a dedicated internal team who are overseen by an independent Shariah Supervisory Board (SSB). The SSB is made up of three leading Islamic experts, appointed by the Gatehouse Board of Directors.

#### Opportunity for a broader approach

We recognise that there is opportunity for us to expand our social impact assessment beyond Shariah compliance to achieve an enhanced level of alignment with society's goals and the UK's impact needs.

A key project for 2020/2021 will be to explore the development of social and governance guidelines for investment and tenant selection decisions. These guidelines could take into consideration a range of key factors that drive achievement of the SDGs; including social enterprise,

fair remuneration, health and safety and diversity performance (SDG 3 Ensure healthy lives and promote well-being, SDG 8.3 Support decent job creation, SDG 8.8 Protect labour rights).

### Islamic finance and the SDGs

Islamic finance is one of the fastest growing sectors in the global financial industry and our differently designed financial structures are well placed to drive achievement of the SDGs. At the same time, the SDGs present Islamic finance with the opportunity to widen our evaluation of social impact beyond Shariah compliance to achieve a broader relevance to the global sustainable development context.

Gatehouse Bank has partnered with not-for-profit organisations the Global Ethical Finance Initiative (GEFI) and the Islamic Finance Council UK (UKIFC). The UKIFC is the first advisory body dedicated to Islamic finance to endorse the UN Principles.

We are working with GEFI and the UKIFC on a thought leadership series. This series is intended to encourage Islamic financial institutions to embrace the SDGs and show the world that commitment to planet and



people lies at the heart of Islamic finance.<sup>1</sup> (SDG 17, Partnering for the Goals).

### Building and funding homes

One of the UK's greatest social impact needs is access to affordable, high quality housing. Ensuring housing availability is a complex issue of strategic importance for development, society and equality. Our products and services support the provision of housing in England and Wales through funding of purchases and increasing new build housing stock.

### Property finance and access to housing

Our provision of property finance for residential and commercial customers enables home ownership and access to the rental market, and helps to finance growth and increased employment.

Unlike some financial providers, our residential property finance products do not prohibit buy-to-let landlords from tenancing social housing tenants. In addition to this, we approve up to five year tenancy agreements for housing associations and local authorities. Our commercial property finance products also allow consideration of leases to local authorities and registered providers.

These elements of our property finance products reduce discrimination based on income and increase access to long-term, stable housing for this vulnerable group (SDG 11.1 Ensure access to safe and affordable housing, SDG 10.3 Eliminate discriminatory policies and practices).

### Increasing housing stock

Through the Build-to-Rent/PRS funds we have built 1,600 new homes across 23 sites in the North West of England. This scheme has provided high quality, safe, single family housing for families and young professionals.

The properties are managed by Ascend, an award-winning property management company that the Bank owns a majority stake in. Ascend delivers a high quality, responsive property management service that ensures tenants live in safe, well maintained homes and neighbourhoods (SDG 11.1 Ensure access to safe and affordable housing).

Residents are able to review all their contractors; including maintenance, gas services and plumbers. In the first quarter of 2020, residents rated these services an average of 4.94 out of five.

**4.94/5**  
average  
rating

**maintenance and  
repair services**

Resident satisfaction is monitored via surveys throughout the resident journey. After one week, 83% of residents agree that they would recommend Ascend's service to a friend and after six months, 89% of residents agree that they are happy with their home. 67% of residents renew their lease because they love their property and 29% because they love the area.<sup>2</sup>

Results from resident feedback and surveys illustrate how our Build-to-Rent activities have a positive social impact on communities and support the provision of quality housing (SDG 3, Promote well-being for all ages, SDG 11.1 Ensure access to safe and affordable housing).

<sup>1</sup> Islamic Finance and the Sustainable Development Goals, ISRA and Gatehouse Bank, 2020.

<sup>2</sup> Ascend customer satisfaction results, May 2019 - March 2020.



**"It's a lovely environment for the children to play in. When you look out of the window you can see everyone's kids playing in the gardens and you know that things are safe, I'd love to stay here and for it to be the place that my children grow up"**

**Emma Stringfellow, Norris Green Tenant (Liverpool).**

**89%**  
of residents agree that they are happy with their home

Additionally, residents benefit from a sense of community and belonging through participation in resident events and competitions. In 2019 these included Easter Egg hunts, Santa Visits and a best dressed Christmas tree competition.

Looking ahead, we will look to embed social impact targets into our investment decisions, including engaging with community and local government stakeholders. We will explore ways to improve social benefit for residents. Social value is complex to measure and we will collaborate with stakeholders to determine a sector leading approach (SDG 3, SDG 11).

### Our approach to products

Our approach to product design and communication mean that our products and services are simple and easy to understand with no gimmicks or damaging terms hidden in the fine print. This ensures that we honestly represent the long-term value of our products to customers, a positive benefit to their financial health.

### Focus on savings

We prioritise predictable outcomes and return for our customers. We have a straightforward hardship policy, which enables us to respond quickly to customers experiencing financial difficulties on a case by case basis, following UK guidelines. In 2020 we will further review our hardship policy in order to make it even more flexible. While our service is digital-first, with positive associations for the environment achieved through a lower carbon footprint, we do

recognise that this could be a potential barrier for less computer literate customers.

We work to alleviate this via our customer service team who ensure that our customers are supported through any difficulty with using our online system. This helps to ensure access to our financial services regardless of digital literacy levels. We keep track of customer feedback to ensure a high standard of service is provided (SDG 1.4 Ensure access to financial services, 8.10 Encourage and expand access to banking, insurance and financial services for all).

A key project for 2020/2021 will be to look more deeply into the impact of our products and services. We aim to explore the development of new innovative financial products in the saving and residential property finance markets that serve to increase our positive social impact and support our customers continued financial health and literacy (SDG 1 No poverty, SDG 4 Quality education, SDG 3 Good health and well-being).

### People development

At all levels of the Bank, competence is key to providing the excellent service our customers rightly expect. We have a Board Skills Matrix and all colleagues have actively managed Training and Development Plans. Gatehouse Bank is committed to helping all colleagues to develop their careers (SDG 8 Decent work and economic growth, SDG 4.4 substantially increase the number of youth and adults who have relevant skills).

### Employee well-being

As an employer we promote a safe and secure work environment for all our employees. We are committed to staff well-

being and conduct regular engagement surveys to highlight strengths and weaknesses in our business culture, helping ensure that Gatehouse Bank remains a great place to work. In addition to generous health and dental benefits, our colleagues have access to a 24/7 free counselling and advice service for themselves and their families (SDG 3 Good health and well-being).

### Apprenticeship scheme

In 2018, our new recruits included six apprentices, who took their first step in their financial services career with the launch of our Gateway Apprenticeship Scheme. Two additional apprentices were recruited for the scheme in 2019. Our apprenticeship scheme provides opportunities for keen, committed young school leavers to gain knowledge, skills and experience while working for Gatehouse Bank. We provide an opportunity for our apprentices to apply for permanent positions at the end of their 18-month apprenticeship (SDG target 8.6 Reduce the number of young people not in education, employment or training).

### Procurement policy

Our suppliers and service partners are selected by departments on a case by case basis with due regard to fair pricing, risk, our list of excluded sectors and an expectation that suppliers adhere to all national laws and regulations. At this stage we do not have a company-wide procurement policy for suppliers, nor do we assess our supply chain through a social impact lens. Development of a procurement policy represents a clear opportunity to manage the social impact of our supply chain.

A key project for 2020/2021 will be to explore the development of a procurement policy that takes into account social and governance considerations; including assessing potential suppliers and partners based on the rights of their workers, fair remuneration policies, health and safety, diversity and other areas protected by international conventions.

Additionally, we will explore partnering with innovative social enterprise suppliers where possible (SDG 8 Decent work and economic growth, SDG 10 Reduced inequalities).



## Our exclusion list

We exclude the following sectors that are against Shariah Principles and also risk counteracting the Sustainable Development Goals. We never use our funds, customer savings or approve property finance if they support these sectors.\*

### Weapons and military equipment

We exclude investments in weapons and military equipment. These industries are connected to conflicts around the world that cause major suffering, often impacting the most vulnerable in society. By not financing the arms industry we avoid counteracting SDG 16, Peace, Justice and Strong Institutions.

### Tobacco

We exclude investments in tobacco. There are increased sustainability risks in the whole value chain and Tobacco causes major avoidable health problems. By not financing the tobacco industry, we contribute to the

achievement of SDG 3, Good Health and Well-being and SDG 8, Decent work and economic growth.

### Alcohol, gambling and adult entertainment

We exclude investments in these sectors. They have negative health effects at the individual level and lead to increased use of resources for society as a result of misuse. By not funding or supporting these sectors, we contribute to SDG 3, Good health and Well-being.

\*No more than five percent of activities can be related to excluded sectors and any profit derived from this percentage is donated to registered charities.



"When I finished my A-Levels, I decided to apply for an apprenticeship, as I never saw university as an option for me. I wasn't too sure which career path I wanted to take and an apprenticeship seemed like a great option - learning as well as earning! During my apprenticeship I have been given so many opportunities to get involved and learn about different areas of the Bank."

**Ellie Thorne**  
Marketing Assistant, Gatehouse Bank

Ellie was offered a permanent role at Gatehouse Bank at the end of her apprenticeship.



## Economic impact areas

Our approach to Shariah compliance, our adherence to all applicable laws and regulations, our robust governance framework and our contribution to equality all have an impact on progress towards an inclusive, healthy economy.

Gatehouse Bank has a positive impact on the economy and contributes to the goal of peace, justice and strong institutions by paying all applicable taxes and government fees. Our total taxes and government fees are estimated at £1,400,000 in 2019 (SDG 16).

### Our products and services

There is overlap between society's socio-economic goals, the SDGs and other relevant frameworks. Many of the same factors that contribute to our social impact also affect the economic impact of our business activities and internal operations.

### Islamic finance

Shariah principles and our exclusion list mean that we do not fund or provide property finance for a comprehensive list of sectors that contradict the principles of Islamic finance and the aims of the SDGs.

As detailed in the previous section, these sectors include the arms industry, tobacco and alcohol. By not funding these sectors we reduce our negative impact on the economy (SDG 3, Good Health and Well Being, SDG 16 Peace, Justice and Strong Institutions, SDG 8 Decent Work and Economic Growth).

We don't make highly speculative investments and transactions, and in any venture the risk is always shared and mitigated. All our investments, products and services involve tangible assets, so we do not deal in derivatives.

This helps to buffer the economy from some of the well documented negative effects and consequences of higher risk investment

### Saliency

#### The UK's economic needs and the SDGs

Our economic impact depends on the value we create for people and society through our contribution to an inclusive and healthy economy. Impact areas that relate to our economic impact include social mobility, inequality, ease of doing business, gender inequality, economic convergence, justice, strong institutions, and peace and stability. The UK's priority impact needs are inequality and social mobility and the related SDGs are **SDG 3 and SDG 10**. Based on our business activities and our impact as an employer in the financial industry, we have chosen to also focus on **SDG 16**.



products and activities (SDG 10.5 Improve the regulation and monitoring of global financial markets, SDG 16 Peace, Justice and Strong Institutions, SDG 8 Decent Work and Economic Growth).

### Insuring access to financial services

Our simple, transparent products and our commitment to treating all customers equally help to increase access to financial services.

The majority of our savings customers (60%) are over 60 and we have higher ratio of male savers, with 52% male 48% female.<sup>1</sup> On the residential property side, the majority (74%) of our buy-to-let and home purchase plan customers are between the ages of 33 - 60, again with a higher ratio of male customers at 58.6% male to 41.4% female.<sup>2</sup>

While these figures may simply be representative of wider socio-economic

patterns of wealth distribution across age and gender, it is important to us that our financial products are accessible to all groups.

We will work to identify ways that we can support increased financial literacy and drive uptake of socially and economically beneficial savings products within lesser represented groups.

This may be achieved through product design, communication strategies and partnerships with relevant stakeholders (NGOs, peer banks) on positive initiatives (SDG 10 Reduced Inequalities, SDG 8.10 Encourage and expand access to banking, insurance and financial services for all, SDG 17 Partnering for the Goals).

<sup>1</sup> Excludes demographic information on savers through our third party savings platform partners Raisin and Flagstone due to data availability.

<sup>2</sup> Based on all Buy-to-Let and Home Purchase Plan residential customers, as at 31st April 2020. Legacy data excluded.



## Foreign investment

While the majority (74%) of our commercial and residential property finance customers are UK based, our property finance and REIA functions enable direct foreign investment into the UK market via long-term capital inflows, contributing to economic growth in the UK.

### Preventing corruption

Our strict adherence to anti-money laundering and the prevention of corruption help ensure that this investment contributes to healthy safe economies, both in the UK and at the geographical source of finance (SDG 16, Peace Justice and Strong Institutions).

The finance sector has a key role to play in preventing corruption and bribery and stopping the proceeds of crime. We ensure our team has effective expertise and experience to identify bribery and corruption in order to contribute to healthy safe economies.

All of the Bank's employees, including board members, undertake an anti-money laundering (AML) training programme on combating money laundering, corruption and terrorist financing.

AML training is one of Gatehouse Bank's five core mandatory training modules which is undertaken annually (SDG 16.5 substantially reduce corruption and bribery and target 16.4 combat organised crime and illicit financial and arms flows).

**A key project for 2020/21 will be the exploration of remuneration policies that take into account our commitment to embedding responsible banking and sustainable development into our governance structure and business culture (UN Principle 5 Governance and Culture.**

## Regional development

The UK Government has implemented incentives to address regional economic discrepancies by encouraging investment outside of London.

Our regionally distributed commercial property assets, the majority being located in London (27%) the South West (27%) and the Midlands (15%), provide funding to support SMEs and economic activity and investment across regional areas of the UK (SDG 8 Decent Work and Economic Growth, SDG 10 Reduced Inequalities, SDG 11 Sustainable Cities).

The Build-to-Rent/PRS funds are entirely invested outside London and new funds under consideration propose to continue to invest in out-of-town locations around the major conurbations of the West Midlands, Greater Manchester, and Yorkshire and Humberside.

While city centres in the midlands and the north of England have seen an increase in investment in recent years, suburbs and surrounding satellite towns are in need of regeneration capital.

Our future Build-to-Rent plans provide an investment opportunity with attractive yields for our investors as well as an associated regenerative boost for UK towns, utilising brownfield industrial sites or repurposing derelict land to reduce regional inequalities (SDG 11.3 enhance sustainable urbanization, SDG 10 reduced inequalities, SDG 12.2 efficient use of natural resources).

## Risk and compliance

We are uncompromising in our adherence to risk management principles. We will only enter into transactions when we are comfortable that we can identify, quantify and manage the inherent risks.

Consistent with guidance from the Bank of England, we're committed to embedding climate-related financial risk into the bank's governance and decision-making processes.

At a business level, our well-capitalised and liquid balance sheet allows us to meet and exceed the regulatory capital and liquidity requirements set by the Prudential Regulatory Authority.

We comply with prevailing applicable UK regulatory requirements and guidance,

also paying due regard to the governance standards issued by the Islamic Financial Services Board. (SDG 10.5 Improve the regulation and monitoring of global financial markets, SDG 16 Peace, Justice and Strong Institutions).

**The following standing Committees help the Board ensure responsible governance across the Bank:**

### Board Risk and Compliance Committee (BRCC)

The BRCC's responsibilities include ensuring that an appropriate risk management framework is in place, the Bank's control environment is commensurate to its needs, based on the strategy adopted by the Board and the nature and scale of the Bank's activities.





### Remuneration and Nominations Committee (RNC)

The RNC's responsibilities include determining the remuneration of the CEO, CFO and Chairman, approving the design of any performance related pay or share incentive scheme operated by the Bank, and ensuring the Bank has remuneration policies that are consistent with sound risk management and do not expose the Bank to excessive risk. No Director is involved in deciding their own remuneration

### Shariah Supervisory Board (SSB)

The SSB comprises of individual Shariah experts who are independent from the Bank. The SSB reviews transaction documentation and other contractual obligations entered into by Gatehouse including standard terms of employment and insurance arrangements.

### Diversity and inclusion

We are a responsible employer with a leadership commitment to a positive working environment and developing our employees. We are committed to recruiting and retaining a diverse workforce. We currently collect data on age and gender diversity on a monthly basis and review our gender pay gap on a yearly basis.

### A diverse and inclusive workplace is vital for Gatehouse Bank to:

- Meet our commitments as a responsible bank
- Reflect and understand our diverse customer base
- Promote a positive culture of creativity and productivity
- Help ensure staff and teams realise their full potential.

### Women in the workplace

Gatehouse Bank must be a company where everyone, regardless of gender, can contribute on equal terms and have opportunities to develop their leadership experience at all levels.

We have policies and practices in place that support the recruitment and retention of female colleagues.

These include a generous maternity and paternity leave scheme and a flexible working policy that enable our colleagues to juggle the competing priorities of family and professional life.

We have practices in place to tackle gender discrimination during recruitment, including removing gender bias from our job descriptions and discussing recruitment decisions with hiring managers to identify biased decision-making (SDG 5 Gender Equality).

We are pleased with our improving gender representation across the Bank, in 2020 this consists of 44.2% women, 55.8% men. However, we have not yet achieved as equal a result across all levels and business functions. This represents an area of opportunity to do more to increase representation and participation of female colleagues.

A key project for 2020/2021 will be exploring ways we can support more female colleagues into positions of leadership and to create measurement processes that will allow us to track progress in achieving a more balanced gender distribution per level and function across the Bank (SDG 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels, SDG 10.4 Adopt policies and progressively achieve greater equality).

### Diversity beyond gender

We have identified a gap in our diversity and inclusion data across metrics including racial and ethnic identity, gender identity, sexual identity, socio-economic background and disability status. Taking action to manage and improve our diversity measurement and performance will help us improve our contribution to the UK's priority impact need of reduced inequality.

In 2020 we will release our first diversity and inclusion survey. The results from this initial

survey will serve as a baseline to inform our future strategy and enable us to set targets to improve our performance. This will help us ensure we have a culture that attracts and supports a diverse workforce (SDG 10 Reduced Inequalities, UN Principle 5 Governance and Culture).

A key project for 2020/2021 will be to implement an organisational diversity and inclusion programme. Work is already underway to align our diversity strategies across the entire employee journey.

"Our challenge lies in how successful we are at ensuring all employee voices are valued, heard, respected and empowered, to add true meaning to workplace contribution and deliver meaningful business results."

**Sharron Harvey**  
Head of Human Resources, Gatehouse Bank



## Looking ahead

We recognise that our sector has a crucial role to play in the future and that our services have a big influence on the world. Our vision is to implement a comprehensive and integrated responsible banking strategy that helps our business benefit from, and contribute to, a sustainable future for all.

Our immediate next steps are to begin implementing the actions highlighted in this report. We aim to publish a full impact report later in the year.

This is in line with the timing of our peer signatory banks, whom we are currently collaborating with to determine a standardised approach to impact reporting

### Partnerships and engagement

We will build partnerships with key stakeholders to consider all perspectives as we work to achieve society's goals.

Engagement is vital to achieve our vision. Through engagement we can advocate our responsible banking strategy, increase awareness of sustainability risks and encourage improvements in stakeholder sustainability performance.

### Integrating sustainability

We seek to integrate sustainability into our business activities. We will achieve this by developing innovative new products and services, and allocating capital towards sustainable investments.

We will explore sustainable procurement processes that reward sustainable suppliers and enable informed decision-making across all internal departments. We acknowledge that this will involve the careful balance of sometimes contradictory aims like quality, risk, price and sustainability.

We will work to exclude from our investments and services, activities and sectors that counteract society's goals and which are incompatible with our vision as a responsible bank.

### Reporting and targets

We will further align our monitoring and reporting with globally accepted methods, to ensure we have a full understanding of our impacts and are able to benchmark ourselves against industry standards.

We will set ambitious targets that appropriately address the sustainability risks and opportunities we face.

We acknowledge that this is an ongoing process and we look forward to sharing our progress with you.







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Gatehouse Bank plc  
The Helicon, One South Place,  
London, EC2M 2RB  
Tel: +44 (0)20 7070 6000  
[www.gatehousebank.com](http://www.gatehousebank.com)

For more information about  
responsible banking at  
Gatehouse, please visit us at:  
**[www.gatehousebank.com/  
responsible-banking](http://www.gatehousebank.com/responsible-banking)**

For any enquiries, contact:  
Geraldine Burnett, Corporate  
Social Responsibility Manager  
[geraldine.burnett@  
gatehousebank.com](mailto:geraldine.burnett@gatehousebank.com)