

Environmental, Social & Governance Report
Year Ended 31 March 2023



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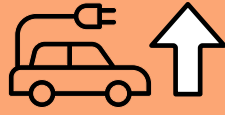


Key Achievements

Commitment to Climate Action

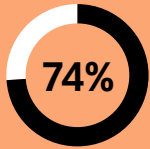

£636.6m

Green Assets funded, a total of **9.1%** of Net Earning Assets (NEA) towards a **target of 20%**

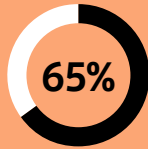


69.5%

of company **car fleet electrified in 3 years**



74%
reduction in **Scope 3 own operational emissions** (ahead of 50% target by 2030)



65%
reduction in **Scope 1 & 2 emissions** (ahead of 50% target by 2030)

Investing in Colleagues & Culture



91.2%

of **Colleagues would recommend** working for the Company

We rank

37

in the most **Inclusive Companies top 50 list**

192 colleagues promoted with



being female



15th

position in **Glassdoor Best Place to Work**

Customer First Organisation

130,487



customer satisfaction reviews rated **4.4 out of 5 or above**



Feefo Trusted Service **Platinum Award Winner**

Charities & Communities

£340K



donated to **52 charities**



518 hours of volunteering

Commitment to strong Governance

100%

of full time colleagues and contractors being **paid the Real Living Wage**

100% 

of suppliers with **MHCUK Code of Conduct** in their contracts



Climate Related Risks identified with control measures in place



Formal adoption of the Mitsubishi HC Capital Group's **Human Rights Policy**

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CEO Message



R. Gordon
Chief
Executive
Officer

Financial statements provide an understanding of our financial performance, and ESG reporting is developing to provide an insight into behaviour and culture of an organisation. How we use natural resources, manage human resources and the opportunities we pursue all provide evidence of how committed we are to developing a sustainable business culture.

I am delighted with our development over the past 12 months, improving the customer journey, reducing complaints, and maintaining a high level of engagement with the team. Our focus upon funding green assets is growing, predominantly around electrification of vehicles where we believe we can make a significant impact. Green assets funded now represent 9.1% of our net earning assets as we explore new opportunities with new and existing customers to reduce reliance upon fossil fuels. Transformation is a slow process of pilot programmes, requiring considerable investment, which in the current economic cycle is not high on the agenda for many businesses as they struggle with the economic uncertainty. Propensity to invest in new technology is an additional immediate business risk, which is the responsibility for every entity, and unfortunately this risk is difficult to balance against the greater climate risk for which we are all responsible. Development of the charging infrastructure is vital to the success of vehicle electrification and the development has been left to a small number of pioneers to change UK transport. Dramatic action will be required if we are to phase out the sale of new internal combustion engine vehicles by 2030.

Over the last few years, we have planned our journey to net zero (page 16) and set additional targets to inspire and challenge the team to model the way for our customers to net zero. Initiatives such as committing to electrify 100% of new company car purchases help us understand and prepare for the transformation required for our customers. In three years we have transformed the fleet from 10% to 69.5% battery electric vehicles as at March 2023. It is a small initiative, but for climate action to take hold, we all need to modify our behaviour, to bring about significant change.

Volunteering hours contributed by the team is yet to rebound to pre-Covid levels as our working and volunteering behaviour has been scared by our “bubble” experience. I expect a gradual improvement over the next two years as our sense of community is restored. Taking on projects near our offices, and issues that our team have personal interest and experience in, has been our focussed approach to build momentum in our community.

“I am pleased with the progress we have made over the past year and as a team we have a significant challenge to meet the ambitious targets we have set.”

Measuring our progress is vital to ensure we make changes. Covid-19 restrictions have distorted trends and therefore our base year is the year ended 31 March 2020. We do not seek to distort our progress with the use of “offset” programmes as they do not promote the basic requirement to make real changes in behaviour, but rather encourage complacency.

I am pleased with the progress we have made over the past year and as a team we have a significant challenge to meet the ambitious targets we have set. Many of the actions we take appear to be small in relation to the huge environmental and social issues we face, but great change will only be achieved by sustainable changes in behaviour by everyone. Thank you to all colleagues for their commitment and dedication over the past year and we look forward with enthusiasm to making more progress in the coming years.



Robert Gordon

*Mitsubishi HC Capital UK PLC
Chief Executive Officer*

Company Overview

MHCUK is committed to making positive and sustainable difference to society, communities, and customers. Across the divisions of MHCUK there are almost 1.3 million businesses and consumers to which the Company provides innovative finance solutions to enable them to grow and prosper.

The brand promise of MHCUK is ‘to unlock the potential of individuals, businesses and society by delivering innovative solutions and outstanding customer experiences.’ The Company aims to make a difference by focusing on areas where its expertise, skills, and experience can have a positive impact.

Customer experience and customer-centricity is at the heart of MHCUK’s focus and a “customer first” culture has been embedded throughout the Company. One of the key strengths of the Company is our colleagues, who provide an experience valued by our customers.

MHCUK is committed to providing innovative and sustainable solutions that help customers and society tackle sustainability challenges. The Company is dedicated to contributing to the United Nations Sustainable Development Goals (UN SDGs) and reducing greenhouse gas (GHG) emissions in alignment with the Paris Agreement and Net Zero targets.

The Company is actively evolving its operations to direct finance towards sectors of the economy that have a positive environmental impact. Focus on financing green assets is growing, predominantly in vehicle electrification and supporting the development of the UK’s vehicle charging infrastructure. In addition, the Company is actively exploring ways to support communities, to adopt a more inclusive and sustainable approach.

MHCUK’s values, vision and brand promise are the basis on which the Company’s sustainability strategy is built.

- **Our vision:** “To be one of the most trusted financial services brands in the UK and Europe.”
- **Our values:** “Harmony, Sincerity and Pioneering Spirit.”
- **Our promise:** “To unlock the potential of individuals, businesses and society, by delivering innovative solutions and outstanding customer experiences.”



Sustainability Strategy

MHCUK follows the principles of the well-known Environmental, Social and Governance (ESG) Framework to achieve its sustainability aspirations.

As a leading financial services company in the UK, the Company recognises that long-term economic growth, while contributing to environmental and social sustainability, is important. As a result, the ESG framework has been enhanced internally to include Economic Sustainability and comprises of Environmental, Economic, Social and Governance (EESG) as the four key pillars on which the Company's sustainability strategy is based.

Maintaining a profitable business enables the Company to progress sustainable activities and provides the resources to deliver on the sustainability objectives and targets that have been set and the initiatives in place to meet them.

MHCUK's full financial statements for FY2022/23 can be found in the [Annual Report](#).










The remainder of this report is focused on the Environmental, Social and Governance pillars which are supported by the Company's financial performance.

“ Maintaining a profitable business enables the Company to progress sustainable activities and provides the resources to deliver on the sustainability objectives and targets. ”










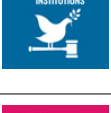



Sustainability Strategy (cont.)

EESG Strategy & Key Focus Areas

Pillar	Strategy	Key Focus Areas	UN SDG Alignment
Economic	Grow the business so that it contributes to long term, steady, profitable growth by providing outstanding customer service.	Invest in sustainable, resilient, and inclusive infrastructure and platforms which enhance the customer experience to provide efficient and speedy access to financial services.	
		To provide a financial service for consumers and businesses that is fair and market leading in terms of service level and solving customer issues.	
Environmental	Direct MHCUK funds towards more sustainable assets.	Focus on growing green assets with the aspirational target of 20% of the Company's assets being directly connected to Climate Action by 2025.	
		Complete the transition from equipment and applications hosted in co-located data centres (already using green energy) to cloud-based solutions which offer improvements in power usage effectiveness (PUE) and remove the need to purchase and consume hardware.	
	Focus on areas MHCUK has expertise in and can make a substantial & real difference to the climate.	Make a real impact especially in the transport sector, which produces up to 24% of the UK's total emissions (Gov.UK*), and where the Company has strong expertise.	
	Embed a culture of sustainability throughout MHCUK.	Identify, measure, and report the Company's climate-related risk and opportunities through enhanced governance mechanisms.	
	Support customers' transition to be more sustainable.	Continue providing project finance in the power sector for renewable electricity, to support charging infrastructure across the UK [Science Based Target].	
		Electrify MHCUK's own company car fleet by allowing drivers to only order electric vehicles.	
		Electrify 100% of MHCUK's car and small van (3.5 tonne and under) fleet, and 50% of its larger van fleet by 2030 [Science Based Target].	

Sustainability Strategy (cont.)

Pillar	Strategy	Key Focus Areas	UN SDG Alignment
Social	Continue to focus on the three Inclusion & Diversity (“I&D”) Pillars – Diversity & Equity, Inclusion & Belonging & Brand Equity to move beyond a compliance-based I&D organisation.	Meet the target of 35% of females in Senior Leadership roles (Grade 5 and above) by 2025, set when joining the Women in Finance Charter.	
		Meet and where achievable exceed a target of 85% satisfaction when measuring how colleagues feel about Inclusion and Diversity at the Company.	
	Become a healthy organisation focusing on 3 pillars of Wellbeing – Mental, Physical and Financial.	Meet and where achievable exceed a target of 85% satisfaction when measuring how colleagues feel about their Wellbeing at the Company.	
	Partner with national charity organisations which are linked to at least 1 UN SDG.	Maintain target donations to charity of at least 0.25% of Profit Before Tax plan (PBT).	
		Encourage volunteering and relationship building for teams and team or individual challenges which is supported by £ for £ matched funding.	
	Continue with employee development programs that are in place, which are helping to achieve exceptional engagement levels.	Maintain employee feedback “My Voice ^{***} ” score above 4.4 out of 5.	
	Remain committed to being a “customer first” organisation, providing high levels of customer service.	Maintain consistently high levels - 4 out of 5 - of customer satisfaction scores across the business using the Feefo and Rant and Rave platforms to measure.	
Governance	Remain committed to high standards of corporate governance which underpin the effective running and long-term success of MHCUK.	Maintain at least half the board (50%), excluding the chair, as independent non-executive directors.	
	Ensure MHCUK has the appropriate level of governance and control in place to deliver good outcomes to customers.	Further enhance the Sustainability Risks already included within the Company’s existing Enterprise Risk Management Framework.	
	Appropriately mitigate the risk of modern slavery and human trafficking taking place within the business or supply chain.	Maintain 100% of Procurement managed suppliers with MHCUK Supplier Code of Conduct (or equivalent) in their contracts and evolve Environmental Policy requirements.	
		Provide a Real Living Wage to all employees (including onsite contractors).	

*<https://www.gov.uk/government/statistics/transport-and-environment-statistics-2022/transport-and-environment-statistics-2022>

**Internal colleague feedback platform

Sustainability Centre of Excellence

MHCUK's commitment to sustainability comes from the understanding that its range of services both influence and are influenced by the environment, economy, and society.

In FY2022/23, the Company grew its dedicated Sustainability Team, established in 2021, from 4 to 7 members. The purpose of the team is to support the business and its divisions to drive forward the sustainability agenda into projects, initiatives, and personal actions to meet, and where possible, surpass the targets set.



The team's focus is on the implementation of the EESG Framework, encompassing a wide range of initiatives. This includes activities such as carbon accounting, monitoring progress towards sustainability targets, ensuring compliance with environmental regulations, generating sustainability reports and information, engaging in charity and volunteering programmes, as well as facilitating both internal and external sustainability communications to promote awareness.

“ The team's focus is on the implementation of the EESG Framework, encompassing a wide range of initiatives. ”

Across the Company there are specialist teams dedicated to delivering the Environmental Pillar of the Sustainability Strategy – the Sustainable Energy and Green Infrastructure Team in Business Finance and the Decarbonisation Team in Vehicle Solutions. In FY2022/23 both teams grew, highlighting the commitment the Company has to meeting its environmental targets.

To keep abreast of existing and emerging legislation and, to demonstrate MHCUK's commitment to the EESG framework, the Sustainability Team works closely with teams and colleagues across the business. Specifically, the team collaborate with the Compliance Team to produce a regular Horizon Scanning report. This ensures compliance with compulsory environmental laws and regulatory frameworks such as the Energy Savings Opportunity Scheme (ESOS), Streamlined Energy and Carbon Reporting (SECR)*, ISO Certificate for the Company's Trowbridge and Newbury sites for which an Environmental Statement** is a requirement, and Procurement Policy Note 06/21***. Taking account of Carbon Reduction Plans in the procurement of major government contracts.

The Company strives to continually improve upon and exceed these requirements by integrating best practices into the business, supported by the expertise within the Sustainability Team.

*Annual Report page 37:

<https://www.mitsubishihccapital.co.uk/media/qydbp0a3/mitsubishi-hc-capital-uk-plc-annual-report-and-financial-statements-year-ended-31-mar-2023.pdf>

**Environmental statement: [environmental-statement-with-review-dates.pdf \(mitsubishihccapital.co.uk\)](#)

***Carbon Reduction Plan: [carbon-reduction-plan-with-dates.pdf \(mitsubishihccapital.co.uk\)](#)

Sustainability Reporting

The Company reports through internationally recognised sustainability assessment platforms such as EcoVadis, Sedex and Carbon Disclosure Project (CDP).

These platforms create opportunities for the Company to report its sustainability performance across four general themes: environment, labour and human rights, ethics and sustainable procurement and sharing ethical supply chain data. Additionally, the Company disclose environmental data regarding its GHG emissions which aim to drive improvements in sustainability performance and supply chain.

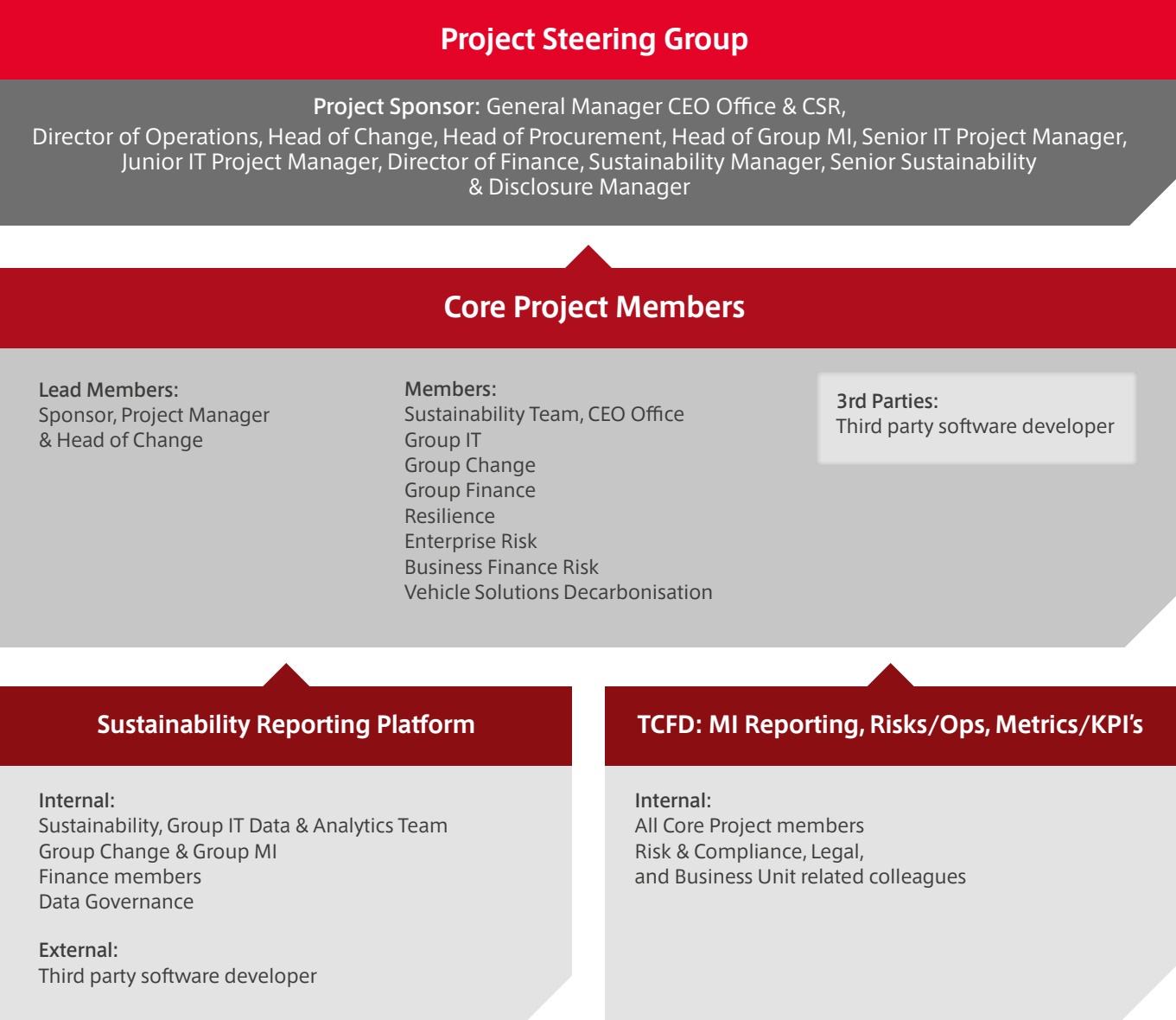


Net Zero Working Group

A Net Zero Working Group was established in November 2021 to specifically support the Company in meeting climate-related expectations and aspirations.

The working group aims to provide support to, and work in harmony with respective business divisions to achieve the targets set within the Environmental pillar of the EESG strategy. The working group has to ensure progress is made Company-wide.

Figure 1 – Net Zero Working Group Structure



Net Zero Working Group (cont.)

Achievements

Successes achieved throughout Phases 1 & 2 of the project are outlined below. Phase 3 is currently in progress to implement further initiatives and will continue in FY2023/24.

Phase 1

- Developed a concept GHG accounting model to baseline FY2019/20 supported by an external consultancy.
- Worked with external consultants to review and propose appropriate environmental targets in accordance with the Science Based Targets initiative (SBTi).

Phase 2

- Completed the FY2020/21 & FY2021/22 GHG accounting following the accounting model established in Phase 1.
- Completed an energy audit on the Vehicle Solutions division's Trowbridge site which produced a gap analysis between current energy output and the future state of becoming an emission-free building.
- Built the Sustainability Dashboard Proof of Concept.
- Held Lunch and Learn sessions to raise environmental related awareness among colleagues.

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Journey to Net Zero

MHCUK is transitioning to become a more sustainable business with climate focus as a priority. Following the achievements of the Net Zero Working Group, the Company has set targets to reduce its GHG emissions. These include formal Science Based Targets (SBT) and internal targets. All SBTs are currently under review by the Science Based Target initiative (SBTi), a collaborative partnership which drives ambitious climate action in the private sector in line with the Paris Agreement.

The Company's SBTs are all interim, to be met by 2030, and have been calculated using FY2019/20 as the base year. The base year was selected because it was the last financial year not impacted by Covid-19 restrictions and was representative of standard business activities and therefore emissions.

- MHCUK commits to reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a FY2019/20 base year and commits to continue to annually source 100% renewable electricity by year end 2030.
- MHCUK commits to reduce absolute scope 3 emissions from business travel, employee commuting, and waste by 30% by 2030 from a FY2019/20 base year.
- MHCUK commits to reduce absolute scope 3 GHG emissions from downstream leased assets by 30% by 2030 from a FY2019/20 base year.

- MHCUK commits to continue providing project finance in the power sector for only renewable electricity, through to 2030.

Internally agreed targets have also been set and further targets may be added as sustainable business progresses.

- MHCUK aims to have 20% of our assets directly connected to climate action and affordable clean energy by March 2025.
- MHCUK has committed to electrify 100% of its car and small van (3.5 tonne and under) fleet, and 50% of its larger van fleet by 2030 to support the UK goal of banning the sale of petrol and diesel cars by 2030 and hybrid cars by 2035.

Scope Breakdown

To meet not only regulatory requirements but to achieve the targets set, MHCUK has established a robust GHG accounting methodology that includes a comprehensive breakdown of Scope 1, 2 and 3 emissions. This approach enables the Company to calculate emissions and measure progress against its targets.

For accurate GHG accounting, Scope 3 has been broken down into Scope 3a – Indirect Upstream Emissions and Scope 3b – Indirect Downstream/ Financed Emissions.



Journey to Net Zero (cont.)

GHG Accounting

In FY2021/22, MHCUK signed a commitment letter to join the Partnership for Carbon Accounting Financials (PCAF). By joining PCAF, the Company has committed to measure and disclose financed GHG emissions associated with its portfolio of loans, investments, and other financial products and services. The Company has completed four consecutive years of GHG emissions accounting, FY2019/20 – FY2022/23, in line with the GHG Protocol and the PCAF methodology. The GHG protocol is a global standardised framework to measure and manage GHG emissions from private and public sector operations, value chain and mitigation actions.

The emission boundaries for the Company have been determined following an operational control consolidation approach as described in the GHG Protocol. The calculations include emissions from the Company's UK operations only. For a comprehensive overview of the Company's GHG accounting methodology and data improvements please see 'Appendix 1- GHG Accounting Methodology'.

Figure 2 - GHG Emission Scopes and Proportion of Total Emissions as a Percentage

	Types of Emissions by Scopes	Proportions of Total Emissions
Scope 1 Direct Emissions	Fuel for heating buildings (gas) Company cars emissions	<0.1%
Scope 2 Indirect Emissions	Purchased electricity	<0.1%
Scope 3a Upstream Emissions	Employee commuting Business travel Waste generated in operations Fuel & energy related activities Capital goods Purchased goods & service	<1.1%
Scope 3b Indirect Downstream/ Financed Emissions	Downstream leased assets Investments	98.9%

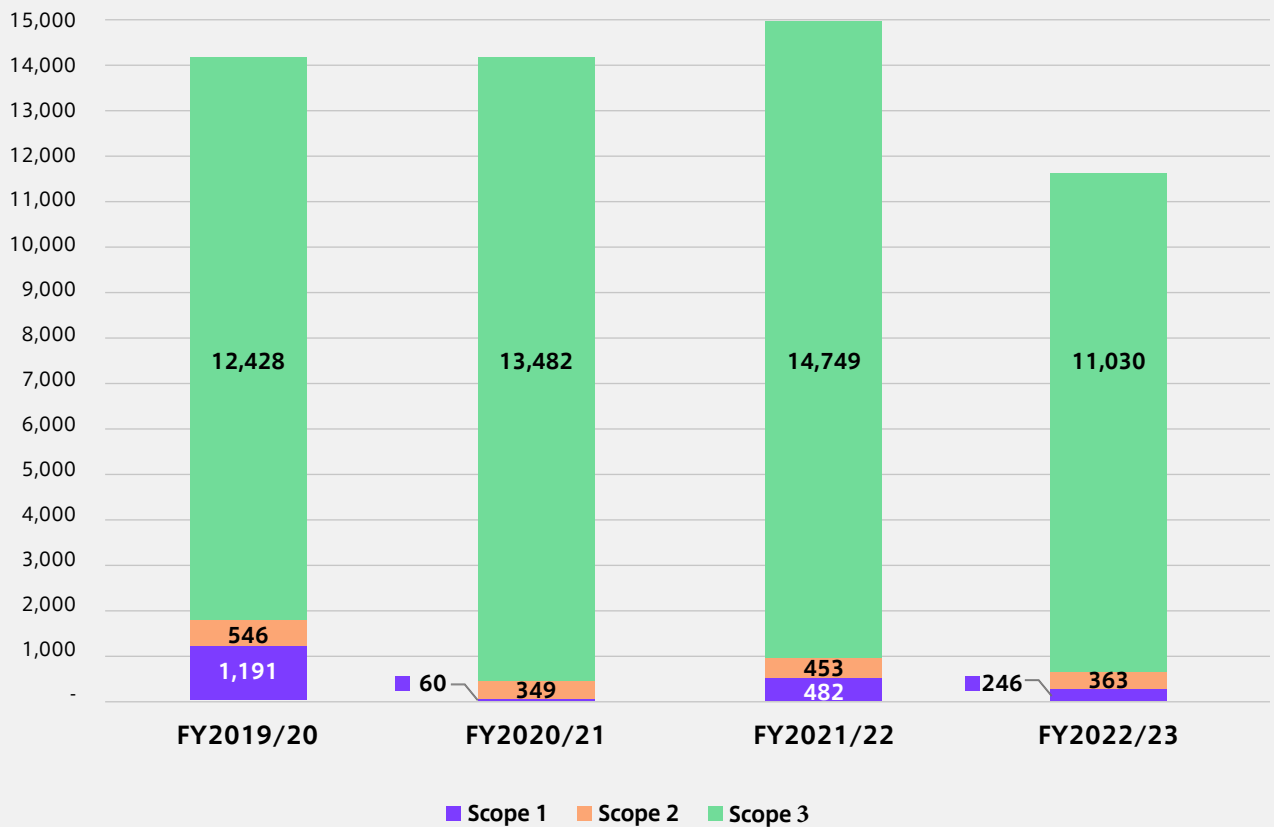
Journey to Net Zero (cont.)

Own Operational GHG Emissions

The Company considers its own operational emissions to include Scope 1, 2 and 3a.

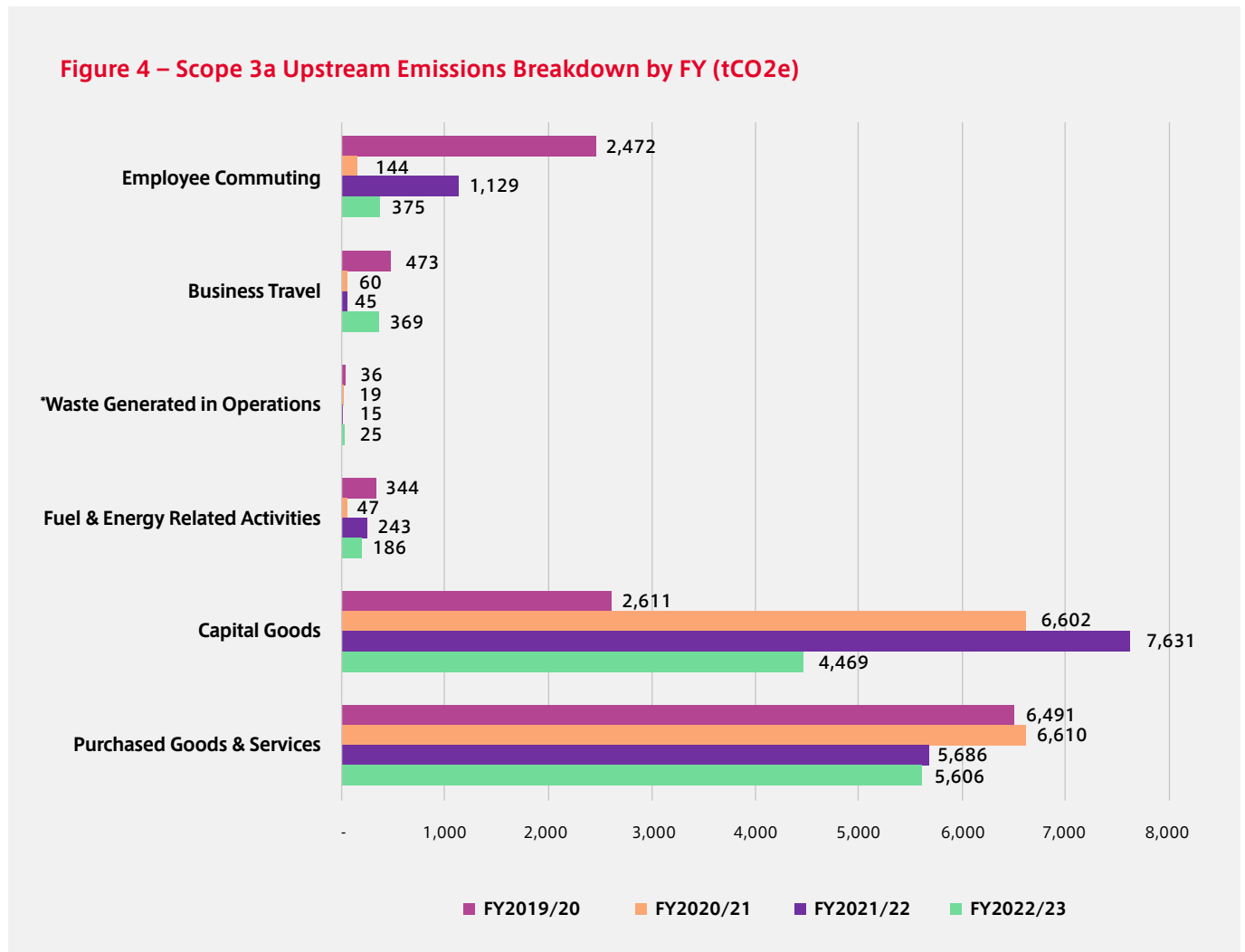
In FY2022/23, the Company reduced its own operational emissions by 79% in Scope 1, 34% in Scope 2 and 11% in Scope 3a against the base year. Significant progress has been made in this area and total emissions reduced are already ahead of the 2030 SBT target of a 50% reduction.

Figure 3 – Scope 1, 2 & 3a Breakdown by FY (tCO₂e)



Journey to Net Zero (cont.)

Figure 4 presents Scope 3a Indirect Upstream Emissions (tCO₂e) in FY2022/23 against the base year.



Employee commuting and business travel reduced significantly throughout the pandemic and remained low in FY2021/22. In FY2022/23 as the company resumed normal operations and business activities, the emissions increased but remained below the base year by 85% and 22% for employee commuting and business travel, respectively.

Confidential waste is now included as part of solid waste and is accounted for under mixed commercial to ensure all waste generated from the Company's sites is included in its GHG emissions. The impact of this is that waste emissions increased in FY2022/23 from the prior year.

Fuel and energy related activities cover emissions related to the production of fuels and energy purchased and consumed by the Company that are not included in Scope 1 and 2. For example, the extraction, production, and transportation of fuel that is burned by company cars.

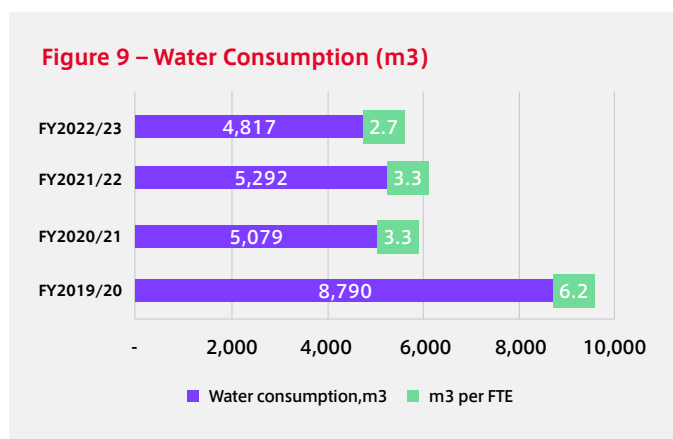
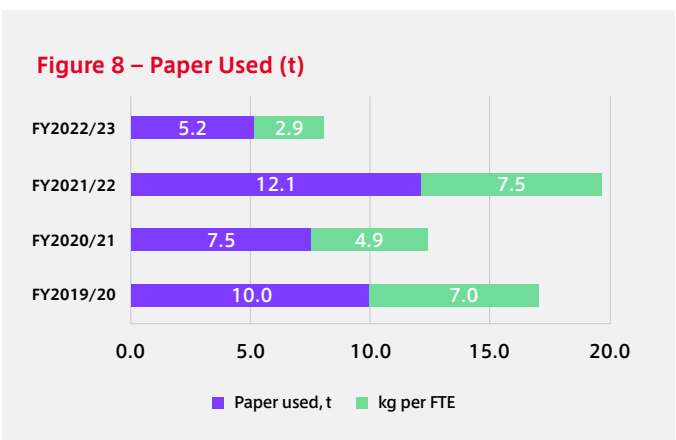
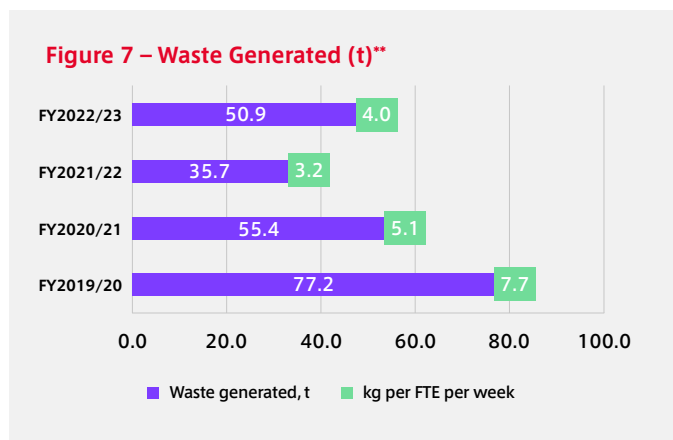
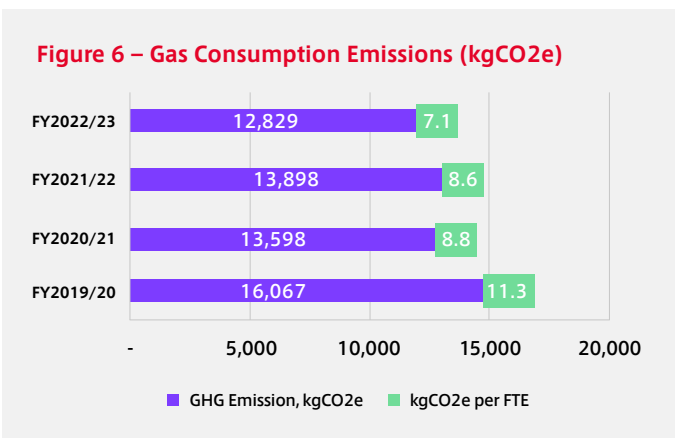
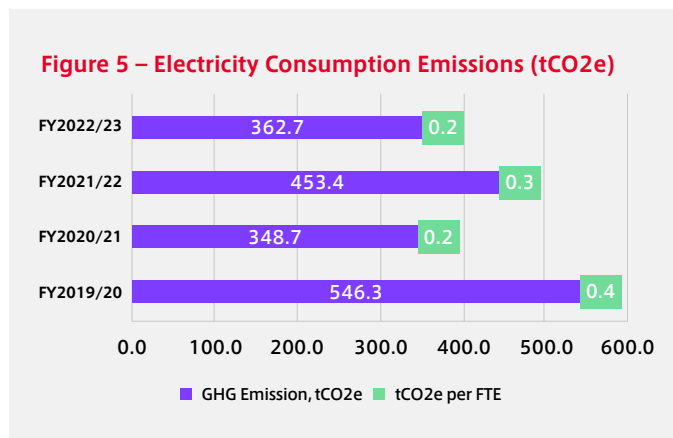
For purchased goods and services and capital goods, physical emissions data is not available yet. As such, the Company uses a monetary value to calculate emissions.

Journey to Net Zero (cont.)

Direct Operational Emissions Overview

Figures 5-9 show the Company's own operational footprint for gas, electricity, water, paper consumption and waste generated per *full time equivalent (FTE) through day-to-day operations under Scope 1,2 and 3a.

There is significant reduction in water (45%), waste generated (34%) and paper consumption (48%) against the base year. All these metrics remain well under FY2019/20 levels and have continued to trend downwards.



*FTE is a unit to measure employees in a way that makes them comparable although they may work a different number of hours per week

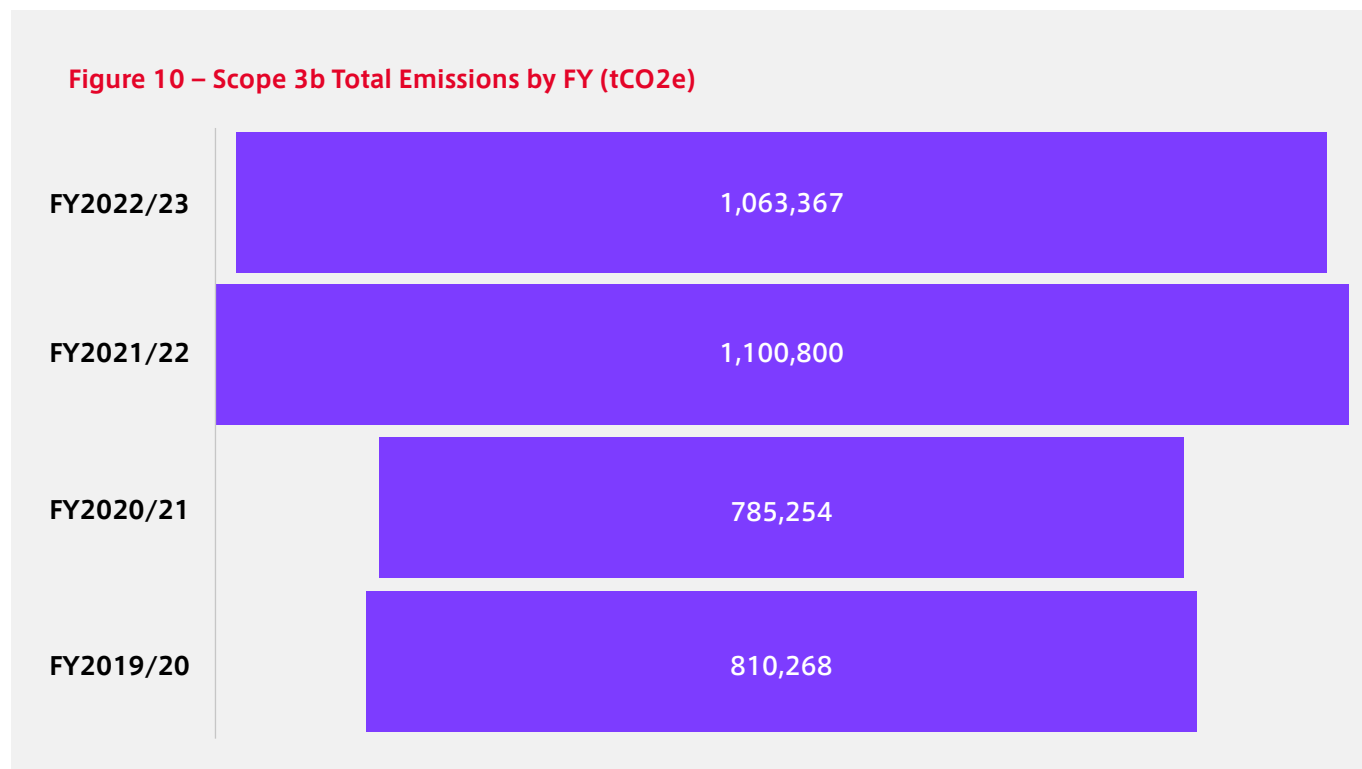
**Waste generated comprises mixed commercial which includes confidential waste, general waste and mixed packaging

Journey to Net Zero (cont.)

Scope 3b Downstream/Financed Emissions

Financed emissions under Scope 3b represent 99% (1,063,367 tCO₂e) of the Company's total GHG emissions.

Figure 10, illustrates Scope 3b, financed emissions (tCO₂e) over the last four financial years.



Journey to Net Zero (cont.)

Figure 11 – Breakdown of Scope 3b by Asset Class

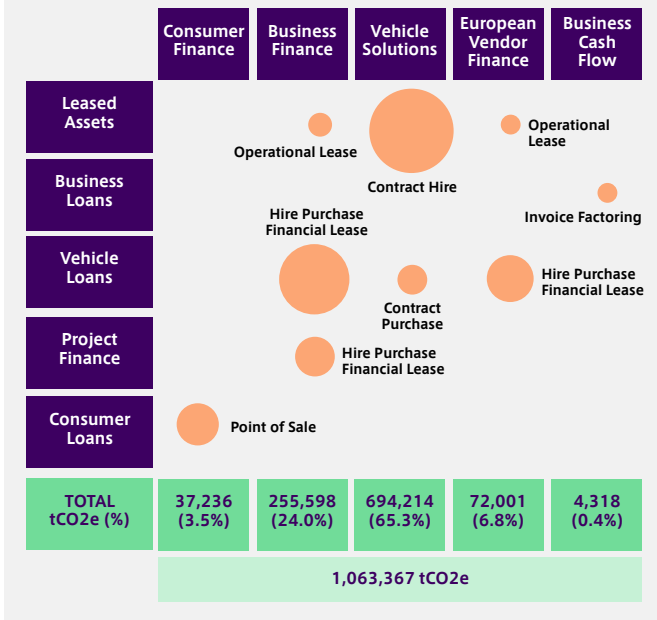


Figure 11 is the breakdown of Scope 3b by asset class which demonstrates the proportional GHG footprint of the Company's total emissions by each business division in FY2022/23.

In FY2022/23, there was a 31% increase in MHCUK's financed emissions against the base year which is due to the increase in funded assets across the Company.

The most significant emissions areas within Scope 3b are leased assets within the Vehicle Solutions division and vehicle loans within the Business Finance division. As a result, the Company's key focus for reducing emissions is in vehicle electrification and related charging infrastructure.

For Vehicle Solutions the highest proportion of emissions are primarily due to funding large commercial vehicles where electric or alternative fuel options are not yet widely available or viable for mass adoption such as heavy commercial vehicles. For Business Finance, data limitations mean that monetary emission factors must be used so, with a large portfolio of funded assets, emissions will be proportional.



Progress to Net Zero Targets

Since setting the SBT's the Company has been working to reduce emissions in all areas, with an initial focus on its own operations and reducing business travel, (Scope 1, 2 & 3a) and vehicle electrification (part of Scope 3b).

The Company does not consider avoided emissions and offsets as progress towards targets set, therefore any progress made is through emission reductions.

Figure 12 – Summary of Progress to Net Zero Targets

Progress Against Targets	Absolute or Intensity	Target Year	Baseline Year	FY 2020/21	FY 2021/22	FY 2022/23	Details of Progress
Scope 1 & 2 Emissions							
50% reduction in scope 1 & 2 GHG emissions	Absolute	2030	2019	77%	56%	65%	Ahead of 50% reduction
Continue to source 100% renewable electricity tariffs	n/a	2030	2019	100%	100%	100%	Since 2017
Scope 3 Emissions							
30% emissions reduction in scope 3a for business travel, employee commuting & waste	Absolute	2030	2019	93%	60%	74%	Ahead of 50% reduction
30% emissions reduction in scope 3b for downstream leased assets	Absolute	2030	2019	4%	-61%	-77%	Adverse due to emissions from heavy commercial vehicles
Scope 3 Strategic Change							
Fund 20% of assets towards climate change	n/a	2025	1.4%	4.5%	8.5%	9.1%	See Green Assets section
Electrify 100% of the funded car small van fleet (3.5t & under)	n/a	2030	n/a	4%	10%	18%	BEV fleet increasing
Electrify 50% of the larger van fleet (over 3.5t)	n/a	2030	n/a	0%	0%	0%	See Vehicle Electrification section

Progress to Net Zero Targets (cont.)



Reduce 50% by 2030

MHCUK commits to reduce **Scope 1 & 2 GHG emissions by 50% by 2030** from a FY2019/20 base year.

Progress to Scope 1 & 2 Targets

MHCUK commits to reduce GHG emissions by 50% by 2030 from a FY2019/20 base year and commits to continue to annually source 100% renewable electricity by year end 2030.

Significant progress towards the target set for Scope 1 & 2 has been made.

Scope 1 reductions specifically for 'fuel for heating buildings (gas)' were driven by a decrease in gas consumption across the sites, along with the impact of the decline in the UK government's conversion factors since the base year. Emissions from the combustion of gas are expected to stay relatively static as most buildings the Company operates from are leasehold and are therefore currently unable to alter heating systems.

100% renewable

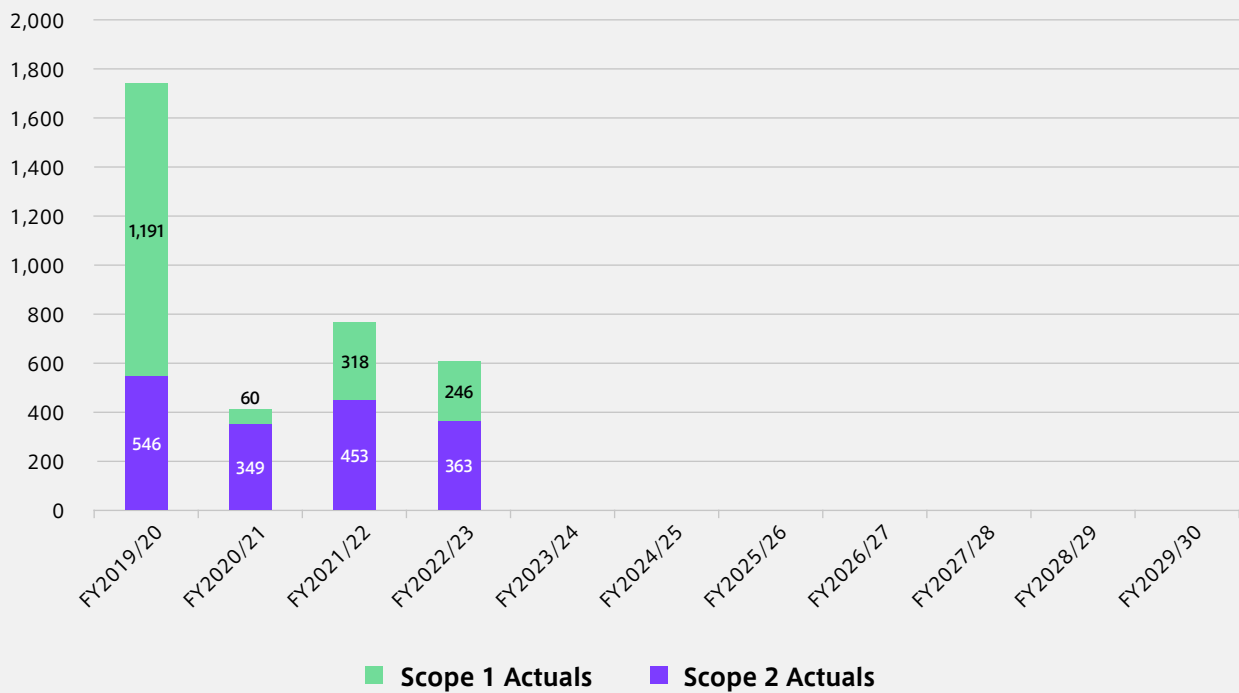
MHCUK commits to continue to annually **source 100% renewable electricity** by year end 2030.

The remainder of Scope 1 emissions are from company cars. In FY2021/22 the Company Car Policy changed to ensure that new vehicle orders were for electric vehicles only. This change has had a positive impact on Scope 1 emissions, which will continue to reduce as the full fleet moves to electric over the coming years.

The 34% reduction in Scope 2 'purchased electricity' can be attributed to an increase in energy efficiency and a decrease in the value of the UK government conversion factor which decreased by 9% each year from 2019 to 2022. Moreover, the Company's energy consumption is based on 100% renewable electricity tariffs at sites where the Company procures its own energy.

Progress to Net Zero Targets (cont.)

Figure 13 – Scope 1 & 2 Progress Against Target (tCO2e)

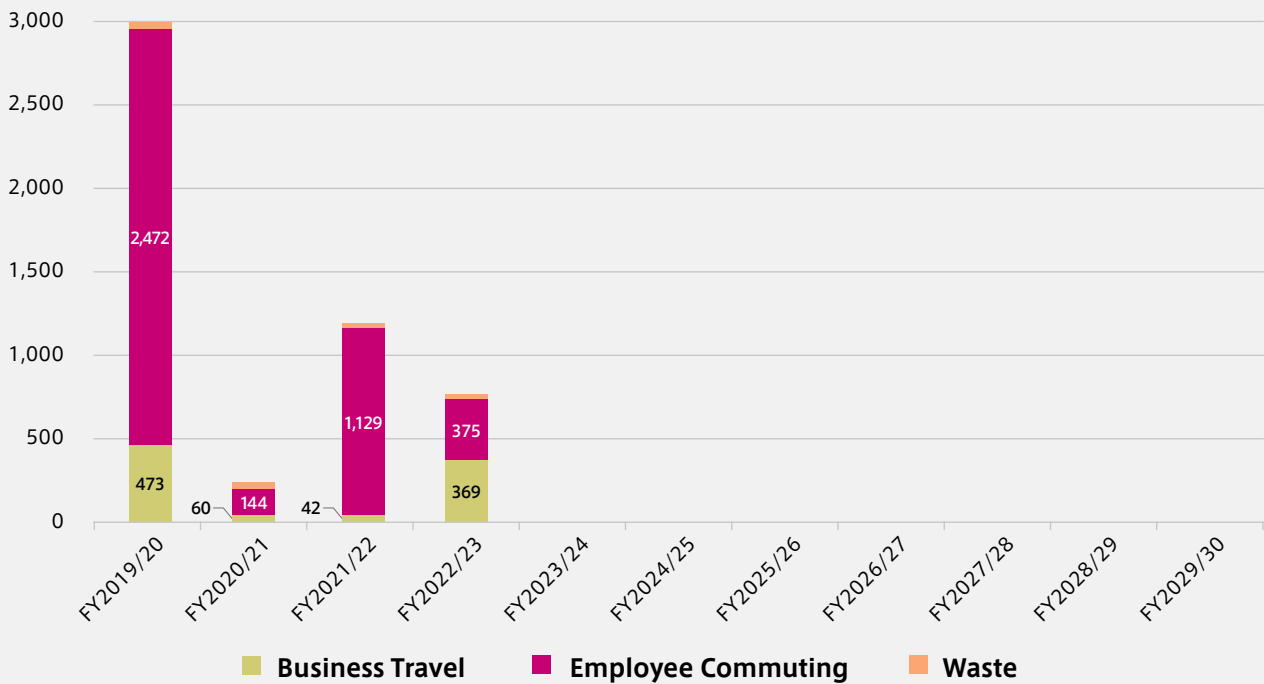


Scope 1 actual emissions have fluctuated over the past four years which can be attributed to the evolution of the employee commuting GHG accounting calculation. As assumptions around hybrid working patterns have been refined and more information has become available, the data point has varied year on year. Further detail regarding data quality improvements can be found in the 'Appendix 3 – Data Quality Improvements'.

The Company will continue to monitor electricity emissions closely, both for total usage and tariff options. As investment into charging infrastructure continues and becomes available at all sites, it is helping colleagues, visiting customers and suppliers to be able to switch to electric vehicles. However, this comes with increased electricity usage. Under the GHG Protocol renewable energy sources and respective emissions must be included in the Company's carbon footprint. Going forward, emissions for new chargers and charging projects will be forecasted to ensure the Company remains on track to hit Scopes 1 & 2 SBT by 2030.

Progress to Net Zero Targets (cont.)

Figure 14 – Scope 3a Progress Against Target (tCO2e)



Progress to Scope 3a Targets

Combined, the targeted categories have reduced by 74% from the base year, well ahead of the 30% target for 2030. The most significant change that has resulted in the reduction of Scope 3a emissions is the evolution of data and assumptions around employee commuting patterns over the past four years.

Progress to Scope 3b Targets

The Company's targeted Scope 3b – Downstream / Financed Emissions relate to operating leases for the Business Finance and European Vendor Solutions divisions and contract hire in the Vehicle Solution division. The targeted Scope 3b emissions were 691,592 tCO2e in FY2022/23 of which more than 99% of the emissions related to the Vehicle Solutions contract hire product type. Progress against this is currently adverse, with a 77% increase on the base year due to business growth.

The heavy commercial vehicle sector of the Vehicle Solutions fleet has increased by 85% since FY2019/20 due to organic growth and portfolio acquisitions. Additionally, lower emission alternatives remain widely unavailable, which has contributed to the increase. The proportion of tCO2e for heavy commercial vehicles is far greater than cars, which has significantly contributed to the increase in Scope 3b emissions overall.

In addition to the Scope 3b target set, the Company has committed to electrify 100% of its car and small van (3.5 tonne and under) fleet, and 50% of its larger van fleet by 2030, which relates specifically to the Vehicle Solutions division. Significant progress has been made where electric vehicles are readily available. Of these areas greatest impact on emissions having grown by 19% from base year to FY2022/23 but reducing CO2 emissions by 16%.

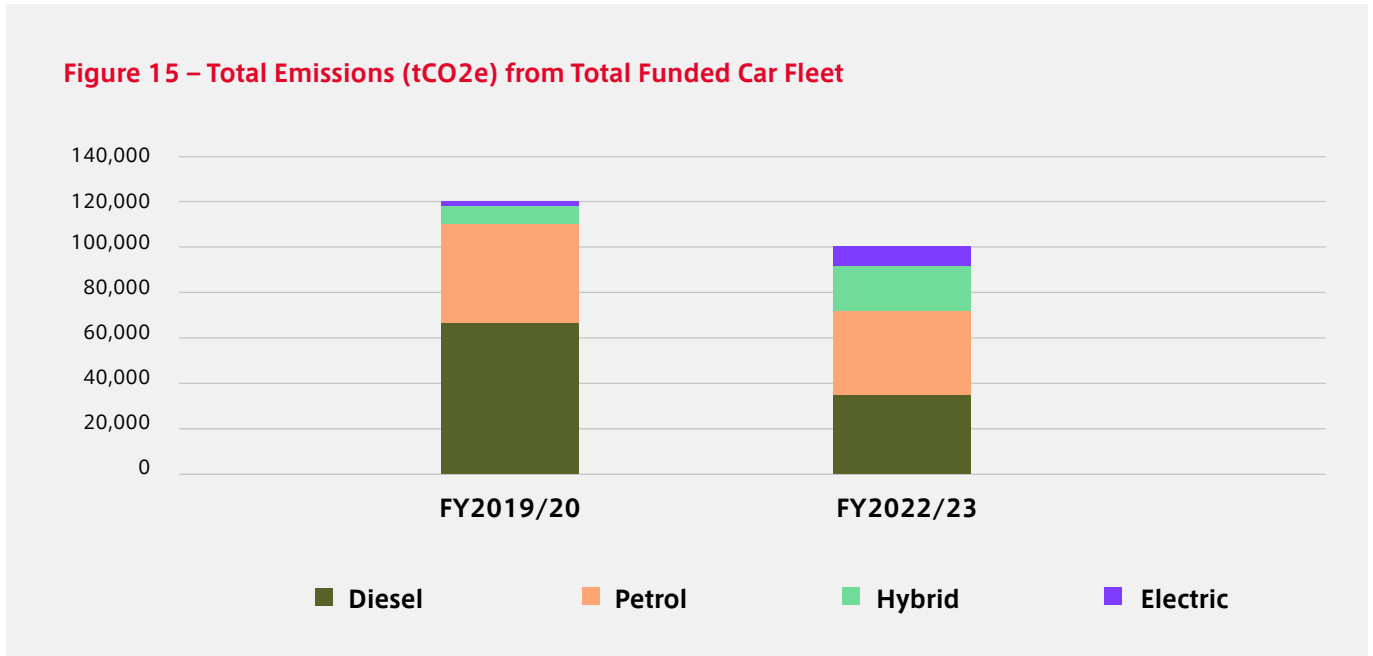
The effect of the car fleet electrification on the Company's Scope 3b emissions from the base year to FY2022/23 can be seen in Figure 15.

Reduce 30% by 2030

MHCUK commits to **reduce absolute Scope 3 GHG emissions from business travel, employee commuting, and waste by 30%** by 2030 from a FY2019/20 base year.

MHCUK commits to **reduce absolute Scope 3 GHG emissions from downstream leased assets by 30%** by 2030 from a FY2019/20 base year.

Progress to Net Zero Targets (cont.)



The small van fleet has started the move to electric, from 1% electric in March 2021 to 9% in March 2023, however this is not yet enough to drive an emission reduction. The increase in the funded fleet for heavy vans, heavy commercial vehicles and plant has also driven a significant emissions increase, which has contributed significantly to the current adverse variance of 77% against the Scope 3b target.

The Vehicle Solutions division is committed to finding solutions to reduce CO2 emissions and continues to work closely with customers, suppliers and manufacturers, being part of a number of consortiums and trials investigating the feasibility of powering heavy commercial vehicles with alternative fuels such as hydrogen.

Progress to Net Zero Targets (cont.)

Vehicle Electrification

Figure 16 - % of Battery Powered Electric Vehicles in Fully Funded Fleet

FY2019/20	1.0%
FY2020/21	3.9%
FY2021/22	9.9%
FY2022/23	16.6%

The Vehicle Solutions division is committed to transforming the transport landscape in the UK and Europe into an electric and alternative fuelled vehicle-based future. Initially, the division has concentrated its efforts on cars and small vans, taking advantage of the readily available technology for electric vehicles. However, Vehicle Solutions is now actively collaborating with all sectors of the Company's value chain and customer base to explore solutions for all vehicle types, leveraging the available technology.

The Company aims to provide an end-to-end decarbonisation solution for its customers which covers:

- Home charging.
- Public charging.
- Workplace/office charging.
- Depot-LCV/HGV charging.
- Hardware implementation, maintenance, and back-office support.



The Company's Vehicle Solutions division has set 2 targets for vehicle electrification:

- Electrify MHCUK's own company car fleet by allowing drivers to only order electric vehicles (Scope 1).
- Electrify 100% of MHCUK's car and small van (3.5 tonne and under) fleet, and 50% of its larger van fleet by 2030, to support the UK goal of banning the sale of new petrol and diesel cars by 2030 and hybrid cars by 2035. (Scope 3b).

Targets for HGVs and plant have not been set as the technology is not yet available to move to electrification (or any other more environmental fuel source) on a meaningful and more practical level.

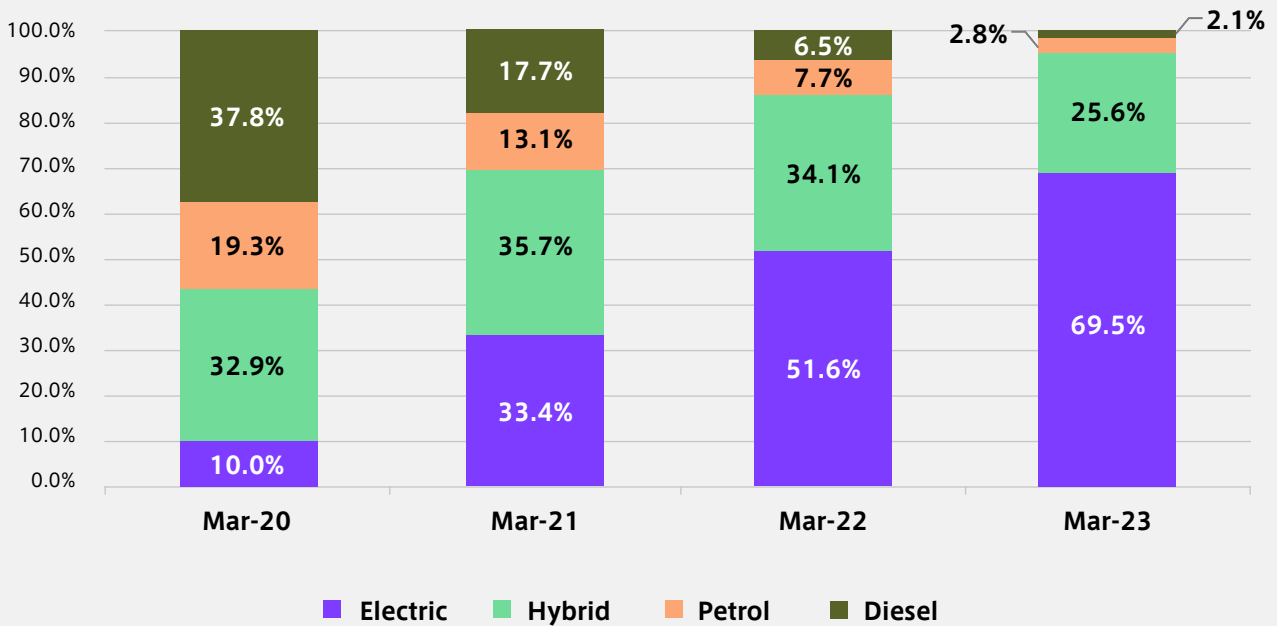
Progress to Net Zero Targets (cont.)

Progress Against the Company Car Fleet Target

The Company has made significant progress in cutting its own operational emissions over the last few years

by transforming its company car fleet from Internal Combustion Engine (ICE) vehicles to electric.

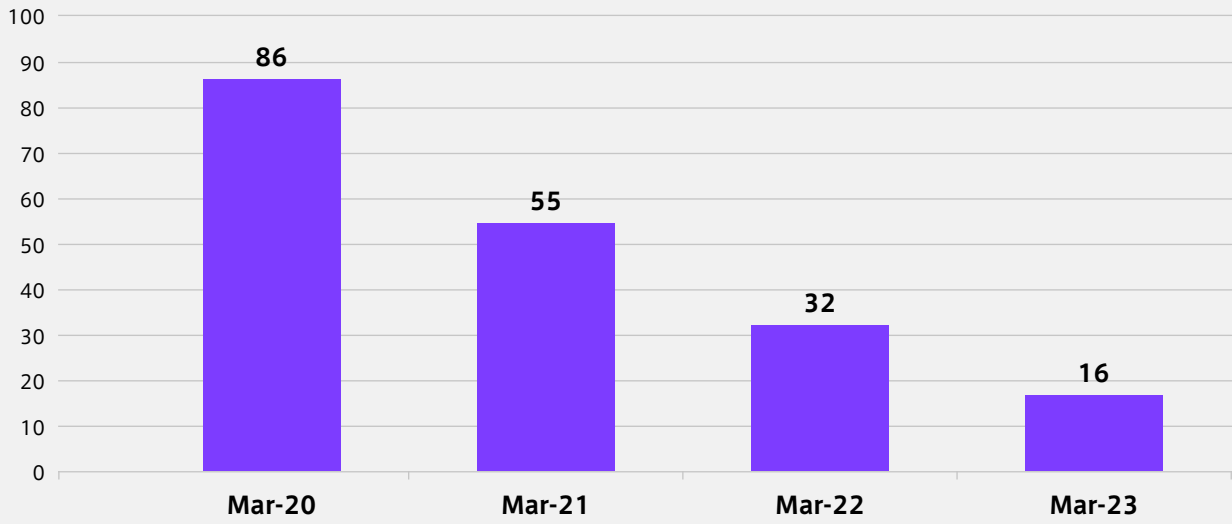
Figure 17 – Electrification of Novuna Company Car Fleet



Additionally, the Company Car Policy now in place offers car drivers with ICE vehicles the option to change to an EV before the end of their existing contract term. This has transformed the fleet from only 10% electric vehicles in March 2020 to 70% electric by March 2023. 96% of the fleet is now electric or hybrid. As remaining drivers move to electric vehicles, hybrids will also be phased out over the next few years.

Progress to Net Zero Targets (cont.)

Figure 18 – Average Tailpipe Emissions of Company Car Fleet (gCO₂/km)



This policy has had a significant effect on the Scope 1 emissions of the company car fleet and will continue to lower emissions over the coming years as the full effect of an electric fleet is realised.

Progress to Net Zero Targets (cont.)

Progress Against the Total Funded Car & Van Fleet Target

By engaging closely with customers and suppliers, MHCUK is committed to providing end-to-end solutions while assuming a role in providing information regarding electric vehicles and their charging infrastructure. As a result of these efforts, the Company is making progress in the electrification of the car and small van fleet.

The analysis of the Company’s car and small van fleet begins in FY2021/22, rather than the base year, due to data quality improvements only allowing the split of small and large vans from that point forward. The analysis in Figures 19, 20 and 21 show the Vehicle Solutions division UK funded fleet, which is 82% of the Company funded fleet. Analysis on the vehicles funded by the Business Finance division fleet will be included in future years when data availability allows.

Electric cars and small vans were only 4% of the total funded fleet in March 2021: this has grown to 18% by March 2023. The proportion of petrol and diesel vehicles continues to reduce. The car and small van fleet is now 28% electric and hybrid combined.

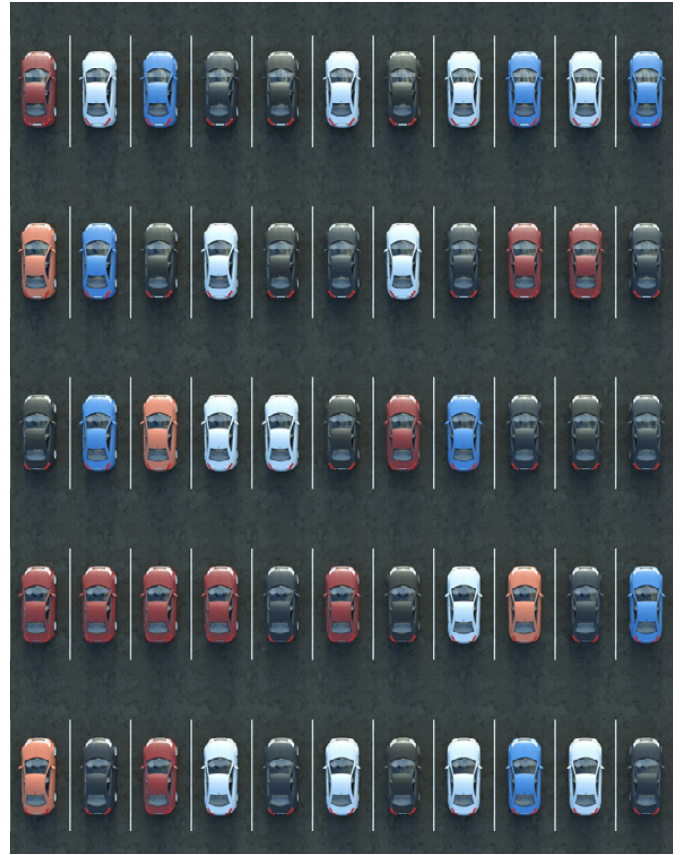
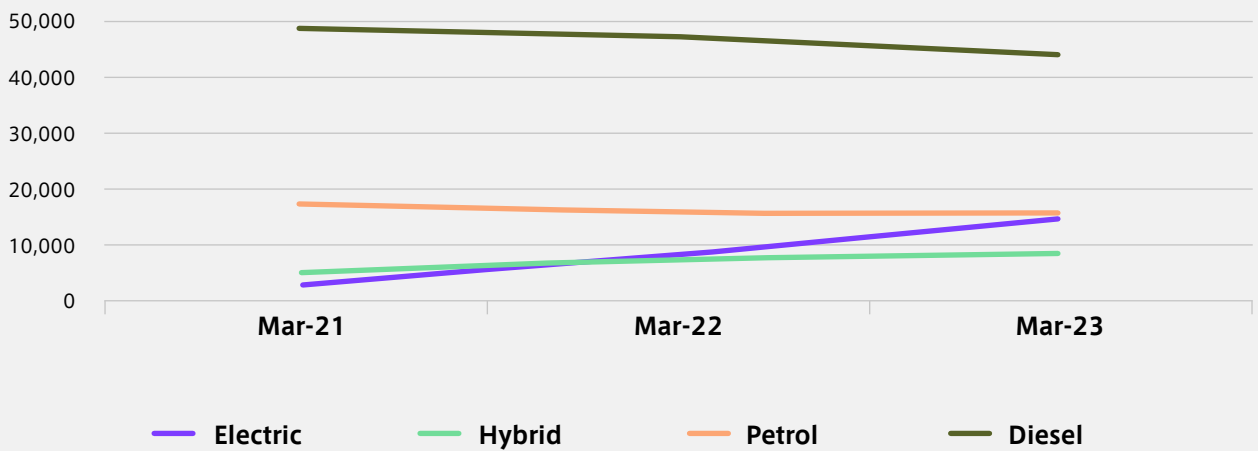


Figure 19 – Electrification of Total Funded Car & Small Van Fleet



Progress to Net Zero Targets (cont.)

Figure 20 – Total Funded Car and Small Van Fleet

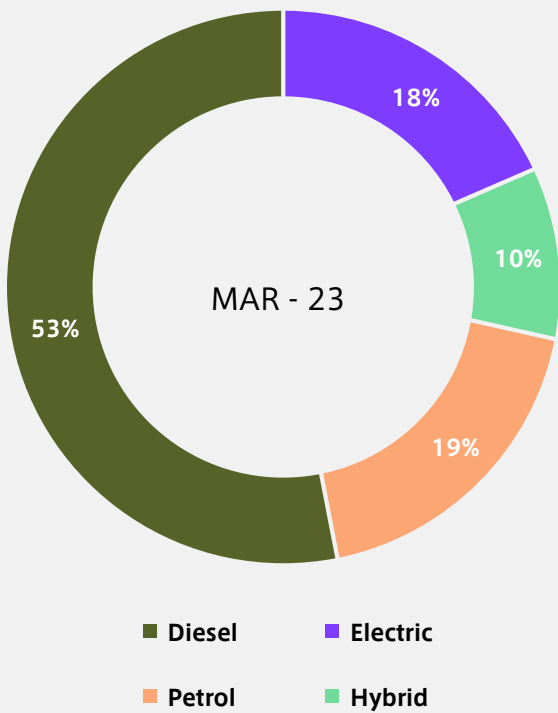
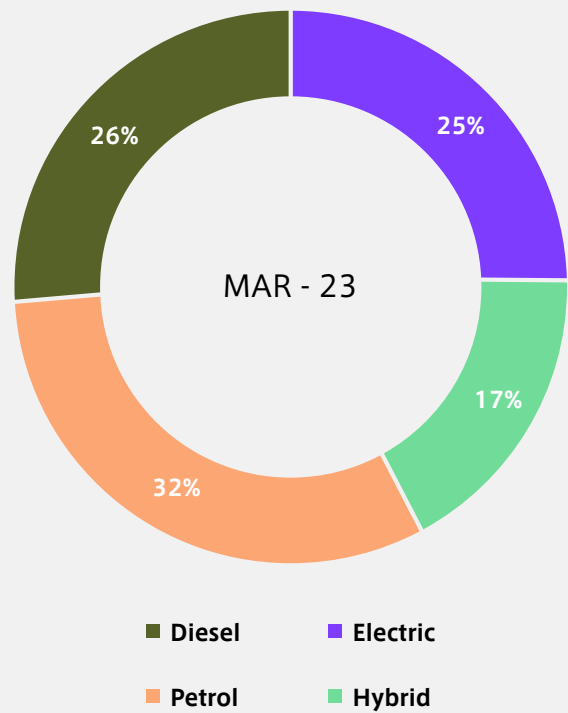


Figure 21 – Total Funded Car Fleet



Progress on car electrification is understandably ahead of vans due to the speed at which the technology and vehicle availability has progressed over the past three years. Electric and hybrid vehicles now make up 42% of the car fleet. Fully electric cars (Battery Electric Vehicles or BEVs) are now 25% of the fleet. This is higher than the industry average: the British Vehicle Rental and Leasing Association (BVRLA) Quarterly Leasing Report for Q4 2022* states that electric cars make up 21% of total car fleet across the industry.

The technology available for smaller vans has started to catch-up with that of cars, but demand is also driven by the accessibility and affordability of charging solutions for businesses. The supply chain challenges currently affecting the whole car industry are also slowing the progress of fleet electrification by delaying vehicles being added to the fleet. The Vehicle Solutions division had a strong order-book at the end of FY2022/23, of these vehicles 32% were fully electric (BEV), and of the cars on the order bank 50% are BEV.

Customers with heavy vans wishing to switch to electric are still restricted by the vehicle options available and charging solutions for the mileage range required. However, this is expected to improve over the coming years.

*<https://www.bvrla.co.uk/news-insight/sector-reports/quarterly-leasing-reports.html>

Progress to Net Zero Targets (cont.)

Charging solutions, both private and public, remains a challenge as the number of electric vehicles on the road continues to increase. The Company's business divisions continue to work together to provide a variety of solutions for customers, suppliers and the wider UK infrastructure. The Vehicle Solutions division is working on a workplace and depot charging solution and the Business Finance division continues to fund a partnership with GRIDSERVE, who build Electric Vehicle Charging Forecourts (please see the Renewable Energy section). The Consumer Finance division has also partnered with an electric vehicle charging installer and is providing finance to consumers for home chargers products.

The Vehicle Solutions Decarbonisation Team has been working on the development of a workplace and depot charging system during FY2022/23 to be launched in FY2023/24. This project includes the development of the 'My Novuna Charging' system and the installation of a 'depot charging showcase' at the Trowbridge site so customers can be provided with a real-world example of how workplace and depot charging can work. This will allow the Company to assess customer needs and propose solutions. The 'My Novuna Charging' system is split into two interfaces. Firstly, a back-office system, which gives a real-time overview of the charging network and provides reporting on the charging networks performance. This enables management of the network and ensures chargers are maintained regularly. The second part is the driver application, which gives access to the chargers open to customers individually and provides reporting for their charging history.

Jon Lawes
Managing Director, Novuna Vehicle Solutions

"As a business, we are truly passionate about spearheading the transition to a greener future and our unwavering commitment to ending tailpipe emissions has been the driving force behind our success. By supporting our customers in transitioning their fleets to zero emission vehicles, we have paved the way for a sustainable and environmentally responsible future. Through the innovative solutions developed by our dedicated decarbonisation team, we're providing solutions to our customers at every step of their journey, from transitioning vehicles to alternative fuels, implementing charging infrastructure and energy storage solutions. Together, with the support of our customers, investors and colleagues, we will continue driving progress towards a cleaner and greener future, leveraging our expertise and passion to make a lasting impact on the future of UK fleets."



Renewable Energy



MHCUK is committed to supporting the development of the UK's electric vehicle charging infrastructure. The Company's innovative partnership with GRIDSERVE, which has provided £75.6m of funding facilities alongside a minority equity investment, is being used to help tackle climate change by providing clean, renewable energy to power electric vehicles.

During FY2022/23, the Business Finance division's partnership helped GRIDSERVE's Norwich Electric Forecourt and Clayhill Solar Farm to deliver 8MWh and 7350MWh solar energy respectively, to power equivalent of 26m electric vehicle miles whilst saving 1423 tonnes CO₂e together.

The Business Finance division has a long-term commitment to funding innovation in the UK renewable energy market and helping businesses with strong sustainability ambitions and growth prospects to operate at scale. The funding provided by Business Finance helped solar and battery storage developer Pathfinder Clean Energy (PACE) to continue their growth in the UK and accelerate projects through the development process. PACE secured planning permission for two further ground mounted solar projects in FY2022/23, a 39 MWp solar farm in Norfolk and a 14MWp solar and energy storage project, located in the East Lindsey area of Lincolnshire. The two projects will generate enough electricity to supply the equivalent of 17,100 UK households' annual electricity consumption, reducing CO₂ emissions by 12,300 tonnes annually.

Sustainable Funding

In FY2022/23, the Business Finance division advanced over £184m in the form of Farm Loans.

Within this were a small number of biomass, heat pump and solar installations, and £32.5m of irrigation systems.

The Company is committed to continually updating its products and services to ensure that it provides the right support to the UK agricultural industry over the coming years to assist the sector with its sustainability aspirations.

Geoff Maleham
Managing Director, Novuna Business Finance

“We continue to work with our customers to make them aware of more sustainable asset choices, and to work with our suppliers, where possible, to help identify more sustainable solutions. We are committed to making a positive and sustainable difference to customer’s lives”



Green Assets

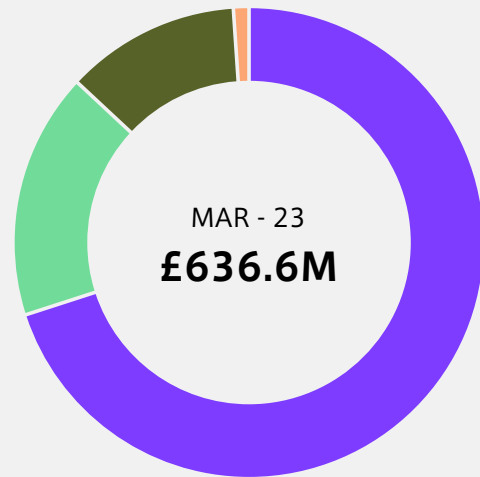
MHCUK's focus on funding green assets is growing and is a key part of the Company's sustainability strategy.

While no further green bonds were issued in FY2022/23, the Company's portfolio of green assets has increased. The definition of what makes a truly green asset is something the Company is actively working on to ensure we are transparent regarding our impact on climate change. A detailed study is currently in progress to re-define what credentials a green asset must possess to ensure it meets the 'green assets' criteria set out in the established and accepted methodologies. To ensure the reviews are thorough and the outcomes valuable, this project will run throughout FY2023/24.

The green assets at the end of FY2022/23 reported in Figure 21 are those considered green based on the Company's current information.



Figure 22 – Net Book Value of Green Assets



- Electric Vehicles
- Hybrid Vehicles
- Bicycle Vouchers
- Green Energy
- Recycling Equipment
- Energy Efficiency

£636.6m

The **£636.6m** of green assets the Company funded at the close of FY2022/23 represent **9.1%** of its total net earning assets (NEA), which is an increase from **8.5%** in the previous year.

20% by March 2025

MHCUK aims to have **20% of our assets directly connected to climate action** and affordable clean energy by March 2025.

Green Assets (cont.)



Some asset types have already been removed from the green assets total as part of the ongoing review. This is because they were considered relatively sustainable a few years ago but more recent methodology and taxonomy information on what is 'green' has clarified the criteria.

Rail funding has been removed from the Company's green assets, based on the criteria within the UK Government Green Financing Allocation Report 2021-22, the Green EU Taxonomy and the Carbon Bonds Standard. They state that rail can be included in 'green' when trains have zero emissions, or rail infrastructure projects relate to renewing or maintaining electric railway tracks. The Carbon Bonds Standard allows a case-by-case assessment under the threshold of 50g CO₂ per p-km until 2026. Some rail funding by the Company may meet these criteria but data is not currently available to allow assessment

In addition, the 'energy efficiency' assets which the Company now considers green have been reduced to LED lighting funding only. Funding for the energy efficient boiler scheme has been removed: in the

past these were included due to being more efficient than other conventional boilers and therefore lowering emissions.

Of the £636.6m of the Company's green assets, 68% relate to electric vehicles, which are generally considered to be a green asset. Hybrid Ultra Low Emission Vehicles (ULEV) vehicles with tailpipe emissions of less than 50g CO₂ per km are included at present, but only for the Vehicle Solutions division as data on tailpipe emissions is not currently available for the Business Finance division's hybrid vehicles. This threshold is in line with the Green EU taxonomy threshold for passenger activity emissions from 2020 but will decrease to 0g/km in 2026. As such, the Company will review hybrid ULEV vehicles as part of the detailed study of green assets review.

Green Energy assets included by the Company are primarily business loans for GRIDSERVE and Pathfinder Clean Energy (PACE) Limited, both of which are solely concerned with the generation of solar energy and/or supply of electricity for electric vehicles.

1. Customer Case Study: Baxi



Rollout of electric van fleet for global heating and hot water business

MHCUK's Vehicle Solutions division supported Baxi to embark on decarbonising its van fleet by delivering the first batch of all-electric Vauxhall Vivaro vans to the customer.

Baxi, which supports residential and commercial customers across the UK by providing heating and hot water appliances, took delivery of its first Vivaro Electric vans from MHCUK as its initial steps to electrify its entire fleet.

MHCUK worked in collaboration with leading Vauxhall dealer Greenhous to custom design the vehicles and deliver initial driver training and will provide vehicle maintenance services and in-life account management support.

The project supports Baxi's ambition to decarbonise its entire fleet and be carbon-neutral across all its business operations by 2030.

Louise Murton, Customer Service Director at Baxi, commented: "This delivery is an exciting milestone on our transformation towards a fully electric fleet and is fundamental to working towards our sustainability targets. We are delighted to partner with MHCUK to introduce the Vivaro Electric to our fleet as part of our commitment to being a cleaner, greener business. We're working closely with MHCUK and Greenhous to ensure drivers are fully trained to maximise the success of our EV rollout and demonstrate to £636.6m of green assets customers that we're committed to a zero-carbon future."



2. Customer Case Study: Mr Charger



Flexible payment options for the UK EV charging installers

MHCUK's Consumer Finance division supported Mr Charger to offer flexible payment options to their customers by providing a convenient, simple point of sale credit product combined with a smooth and simple onboarding process and outstanding customer support.

Mr Charger is an electric vehicle charging specialist providing EV charging points for homes and businesses across the UK. When the Government's Electric Vehicle Homecharge Scheme, which offered a subsidy towards the cost of a home charging point, was withdrawn on 31 March 2022, Mr Charger identified their customer's need for a finance option.

Whereas other providers only offer the option to spread payments over a couple of months with a large deposit, MHCUK listened closely to the customer requirements and was able to offer a solution that enables Mr Charger's customers to spread the cost over ten interest-free payments with no upfront deposit or hidden charges. Furthermore, Mr Charger can ensure their customers are offered outstanding service by MHCUK's responsive team which reflects positively on all parties.

Craig Poynter, Onboarding Specialist at Mr Charger, commented: "We really had no reservations when partnering with MHCUK. We felt they offered the best product and service for our customers. We feel confident because we have partnered with a trusted brand that customers recognise. You won't be disappointed with MHCUK."



3. Customer Case Study: Green Power Hire Ltd



Financing sustainable power solutions used for facilitating greener construction sites

MHCUK's Business Finance division provided finance to Green Power Hire Ltd, a supplier of sustainable battery storage units which reduce fuel consumption, noise and CO2 emissions on construction sites.

Green Power Hire is part of the Russell's Group, which is one of the country's foremost agricultural, groundcare and construction equipment suppliers.

Green Power Hire's battery storage solutions that control the power on construction sites is provided by turning on and off individual sockets, monitoring, and offering true reporting data to ensure optimum power is provided. This can lead to an estimated average reduction of

55% in fuel usage. In addition, the battery has the potential to save 795 tonnes of CO2 over its lifetime when compared to red diesel usage.

When the concept of sustainable battery storage was less widely known, it wasn't easy for Green Power Hire to find a finance partner who could support their business growth. MHCUK understood the uniqueness of the product, and the benefits for both customers and the environment.

Working with MHCUK allows Green Power Hire to expand their business and help construction sites to be more sustainable. James Nash, the director of Green Power Hire said: "Without the understanding of MHCUK, we undoubtedly wouldn't be where we are today, and we look forward to seeing where the journey leads us."



4. Customer Case Study: School LED lighting system



Support to create a sustainable environment for a local school

MHCUK's European Vendor Finance division supported a preparatory school in Warwickshire to create a more sustainable school environment by financing the installation of an intelligent LED lighting system.

As a part of its green initiatives, the school had planned to install an intelligent LED lighting system and needed a finance partner who could support it.

With the ability to understand the customer's needs and provide a solution which matched the installation period and its cash flow, MHCUK structured a payment holiday which allowed the school to accrue savings from the installation and match payment with its termly cash flow.

Through the adoption of the SmartScan LED lighting system, supplied by Thorlux Lighting, the school achieved an 88% cut in energy consumption. CO2 was reduced by 9,000 kg per annum, saving 91% of energy costs annually. In addition, the LED luminaires improve lighting quality and reduce maintenance costs compared to the school's old system.

MHCUK continues to support customers such as schools and local communities to realise their sustainability goals in terms of delivering energy and carbon savings through finance solutions based on customers' situations and needs.



Embedding a Climate-focused Culture

The success of the Company's environmental journey also lies with colleagues and the adoption of a climate-focused culture. To support this, the Net Zero Working Group is raising awareness and action amongst colleagues. This began with the team defining sustainability at the Company, explaining the EESG framework with representative business examples and confirming the Net Zero targets that have been set.

Further to this, the Company partnered with Hubbub, a charity that believes in taking small steps to make a positive, long-lasting impact on environmental change. Hubbub works with organisations to raise awareness and engage colleagues in projects that have a positive impact on the environment. During FY2022/23, the Company and Hubbub co-delivered three company-wide campaigns and rolled out initiatives that were documented in a Sustainability Journal to highlight the impact each has made.

A Teams Channel, using the Microsoft Teams platform, dedicated to sustainability has also been set up. The goals are to provide a community space to have conversations, share ideas, focus on the campaigns and to continue embedding a culture of sustainability and climate-focused action within the Company.

Feedback from each of the activities has been collated and is being used to further the communication plan focusing on areas colleagues have highlighted as important and relevant to them.



Embedding a Climate-focused Culture (cont.)

Initiative / Campaign	Detail	Impact
Sustainability pledges	<p>Lunch and Learn with the CEO and Hubbub – both shared commitments to be more sustainable in the future and be less wasteful.</p> <p>Examples: “Use less single- use plastic bottles.” “Buy more second-hand items such as clothes and toys.” “Eat less meat throughout the week.”</p>	<p>Over 50 pledges received from colleagues whilst 75 attendees watched the session live and 300 people streamed the event.</p>
Plastic Fishing volunteering day	<p>MHCUK’s graduate trainees joined Hubbub to fish plastic out of the river Thames.</p>	<p>12 graduate trainees collected 3kg of plastic, 2kg of which was recyclable, in one afternoon.</p>
No Time To Waste (Energy)	<p>Energy saving week held at MHCUK with daily hints and tips, a tournament of idea sharing for how to reduce energy waste and highlighting the impact energy waste has on the environment.</p> <p>Additionally, a ‘Fireside Chat’ with the CEO and GRIDSERVE CEO Toddington Harper was organised where they discussed why a focus on sustainability is so crucial to the future of our planet – both in business and personally.</p>	<p>Energy saving hints and tips were shared amongst colleagues which was the first Company-wide discussion on the Sustainability Teams Channel.</p> <p>A live Q&A with the CEO and GRIDSERVE CEO saw 400 colleagues join both in person and online. A lively debate and discussion took place and the feedback received was largely positive.</p> <p>(positive sentiment score 4.67 out of 5)</p> <p>One colleague has since had solar panels fitted at home with a vision to be ‘off grid’ in one year as a result of the inspiring talk.</p>
Community Calling (E-Waste)	<p>Working with Hubbub, a practical solution to help tackle e-waste by donating no longer used but working phones to keep people digitally connected.</p>	<p>13 phones were donated in the two-week window during which the campaign was running. This could support homeless people to apply for jobs and housing, refugees to stay connected and to take English lessons online and to support families home-schooling children during lockdown.</p> <p>Additionally, non-working phones sent will be disposed of as environmentally as possible.</p>
Plant Power Month	<p>Working with Hubbub and the Wellbeing Community to reduce meat consumption, providing ideas, inspiration, swaps and substitutes to support a change in diet long term.</p> <p>Celebrating Veganuary and Plant Power Month consisted of:</p> <ul style="list-style-type: none"> • Swaps, substitutes and top tips • The Great Vegan Bake Off • Plant based recipes • Live cook-along with natural chef and fermentation expert, Nena Foster • Virtual discussion with Adam Stansbury, former body-builder turned trainer and coach fuelled by plant protein 	<p>50 colleagues joined two live sessions throughout the week and over 80 joined in discussions, shared ideas and recipes.</p>

Embedding a Climate-focused Culture (cont.)

Lunch and Learn with the CEO and Hubbub

“ Found the event informative, honest, engaging. Good to present a summary of where we are what we are doing and how we as a business can help to remove carbon from our workplace.”

“ A good way for people who don't work in sustainability to be able to see the goals of the company and see that we are making a difference.”

No Time To Waste (Energy)

“ I think it was really inspiring to hear from Toddington, Founder and the CEO, who has made significant lifestyle choices in order to help limit the impact of climate change. It shows we can all do our bit, however small or large, for our future generations.”

“ It would be great to hear more actionable / realistic tips as to how we can all improve our sustainability at home.”

Evidence of the climate-focused culture being adopted across MHCUK is already visible. In Group IT, action has taken place to support the Company's environmental objectives through the following initiatives. In time, further outcome of these actions will be added to reporting.

1. Reduced the number of printers by 50% with hardware recycled/reused at end of life.
2. Installed software on remaining printers that continually monitors usage and will facilitate environmental reporting.
3. Introduced Microsoft Teams Phone Calling removing the need for office phones.
4. Removed legacy systems reducing physical requirements in data centres by 30% and therefore power-demand.
5. Increased use of software automation tools to improve customer service and reduce manual tasks and therefore power usage.



Section 04

**Social
Sustainability**45

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Key Performance Indicators and Metrics



Recruitment and Development	<p>Internal Mobility – 53% (97) of roles at a Grade 3 and above (specialist, team leader, manager and senior manager) were filled internally in FY2022/23 – compared to 61% (93) in 2021/22 and 39% (52) in 2020/21</p> <p>Candidate experience sentiment score – 4.6 out of 5</p>
Employee Engagement	<p>91.2% of colleagues confirmed they would recommend MHCUK as a great place to work</p>
Wellbeing	<p>90.1% - Wellbeing Index results from Company-wide survey</p>
Inclusion & Diversity - I&D Index Inclusion & Diversity - Charters	<p>87.9% - Inclusion and Diversity Index from Company-wide survey</p> <p>31% of women in senior management roles, target is 35% by 2025</p>
Customer Service	<p>Maintain a customer satisfaction score of 4.5 out of 5 and above</p>
Charity Donations	<p>£340k donated to charity, maintaining target of 0.25% of PBT</p>

Colleagues

Culture

The Company is committed to investing in colleagues and promoting a healthy, inclusive workplace that welcomes everyone who shares the Company's values and visions. Personal and professional development are encouraged, and the Wellbeing and Health and Safety of colleagues is prioritised.

The People Promise forms the basis of the Company's Employee Value Proposition (EVP) - a commitment to colleagues in return for their skills, capabilities, and experience. This promise offers colleagues the chance to 'Make a Difference', an 'Opportunity to Learn' and a 'Time to Shine'.

Recruitment and Experience

In FY2022/23, 513 new starters joined into permanent, fixed term contract or TUPE transfer roles, a record high for MHCUK. Furthermore, 192 employees were promoted showcasing a commitment to internal career growth, with 56% of those promotions to female colleagues. Regarding leadership positions (classified by the Company as Grade 5 and above) 18% (35) of promotions were made, with a total of 57% (20) males and 43% (15) females (compared to 43% (20) females in 2021/22).

This financial year, the Company experienced voluntary resignations of 12.7% compared to 13.7% in FY2021/22. Resignations reached a peak in the autumn as a large proportion of the workforce moved roles following the end of the pandemic. In 2022, the Office for National Statistics (ONS) reported that UK job adverts reached a record high of 1.2 million in July despite economic challenges. Despite this movement of people in many sectors the Company's voluntary resignations were below the pre-pandemic year (FY2018/19) which were 13.8%.

Emphasis is placed on ensuring that the hiring process for external candidates is of a high quality. The implementation of a new careers site in October 2022 has improved the candidate experience by providing a dedicated place for applicants to learn more about the Company's culture and how the Company values and vision are demonstrated.

Colleagues are asked to share their recruitment experience on day one and to share feedback after three months in role. In FY2022/23 the average recruitment experience score was 4.4 out of 5. The average score at the three-month check-in survey was 4.35 out of 5. This has fallen slightly since FY2021/22, with analysis showing this is due to an acquisition and a challenging culture change for new colleagues.

Figure 23 – Recruitment Experience Score – Day 1

Financial year	Average score (recruitment experience)
FY2020/21	4.53 out of 5
FY2021/22	4.7 out of 5
FY2022/23	4.6 out of 5

Figure 24 – Three Months Check-in Score

Financial year	Average score (recruitment experience)
FY2020/21	4.19 out of 5
FY2021/22	4.44 out of 5
FY2022/23	4.35 out of 5



Colleagues (cont.)

Feedback received:

“ So far, I’ve found MHCUK to be a very welcoming and supportive environment. Everyone is willing to offer support and guidance, which is very comforting as a new starter. The training platform is excellent, I’ve never had such a comprehensive resource.”

“ As a new starter, I am really enjoying my time with MHCUK the help and support has been first class from my first day and I’m very much looking forward to progressing and improving throughout 2023.”

“ From the very start of being interviewed the journey has been smooth and well organised. The managers are very hands on and the trainers are excellent. Everyone’s very helpful and friendly.”

Internal Mobility

26%
of roles were filled internally in 2022-23.

Internal mobility and the ability to grow and retain talent internally is a strength of MHCUK. The Company encourages colleagues to develop their careers by moving to other teams and encourages hiring managers to fill skills gaps through lateral movement or promotions. In FY2022/23, 53% of roles at grade 3 level and above were filled internally.

Figure 25 – Roles Filled Internally

FY2020/21	39% (52) (pandemic year, external recruitment was reduced)
FY2021/22	61% (93)
FY2022/23	53% (97)

Learning and Development

To further support the professional and personal development of colleagues, MHCUK has a breadth of Learning and Development opportunities available to colleagues. These include manager essentials training, mandatory learning covering regulatory requirements and operational training to support business functions.

Additionally, the Company has an Institute of Leadership and Management (ILM) accredited programme called Aspire which focuses on training future people leaders. In FY2022/23, 43 colleagues completed Aspire and as of March 31, 2023, a total of 106 colleagues in the business had completed the programme.

The Company-wide mentoring programme provides colleagues the opportunity to improve their skills supported by an experienced colleague outside of their role and ideally their business divisions. Mentors undertake three days of training to support mentees and in FY2022/23, 1022 hours of mentoring training were undertaken which equates to the Company now having 96 active mentors with additional colleagues completing training in FY2023/24.

Colleagues (cont.)

Across the business divisions, specific training programmes take place. This includes the EV Academy which is run predominantly in the Vehicle Solutions division to support the electrification journey for colleagues and customers. To date, 369 colleagues have attended the four-module IMI (Institute of the Motor Industry) accredited course in FY2021/22, and a further 33 in FY2022/23. The EV Academy Pro Edition launches in May 2023 to further develop knowledge and understanding in this fast-paced sector.

As a mid to post-pandemic retention activity, Group IT delivered up to 10 days technical and soft-skills training to all IT colleagues to increase in-house IT capabilities and combat attrition. This has led to stability, retention and accelerated digital delivery and enabled the sustainable move to the cloud to proceed at pace. It has also contributed to significantly improved IT engagement scores in the last two years.

Employee Engagement

MHCUK issues a Company-wide survey (Insights) each year enabling colleagues to score and comment on how they feel about working at the Company. The anonymous survey covers a wide range of questions across 11 key topics, including Empowerment, Company Pride, Development and Advancement Opportunities, and Inclusion & Diversity. Its primary purpose is to assess how engaged colleagues are and to measure their overall satisfaction.

Colleagues who have been in role for over three months are invited to respond to the survey. In FY2022/23, 1,509 respondents were recorded – a representative 90% response rate of those who were eligible.

Year on year improvements were predominantly in 'People and Culture.' The overall Employee Engagement satisfaction score increased by 3% to 87.9%. Additionally, 96% of colleagues agreed that their immediate manager treats them with respect and supports work / life balance.

Results highlight that speed of decision making and eliminating roadblocks and inefficiencies are two focus areas for improvement at the Company. Colleague feedback and suggestions are fundamental to driving initiatives to make changes. The Company's 'Our Voice' forums – a colleague-led voice of the colleague community – continues to evolve and improve the feedback loop between Senior Leadership teams and colleagues.

Throughout the year the 'My Voice' platform – an on-demand tool to submit and collect feedback at key intervals – is available to colleagues. Senior leadership teams are keen to maintain a satisfaction score above 4.4 out of 5 on this platform as it is a strong indicator of employee engagement year-round. In FY2022/23 the sentiment score was 4.21 out of 5.

Further results from employee engagement surveys and the key performance indicators the Company considers as key for measuring the wellness of colleagues follow.

'A Great Place to Work'

91.2%

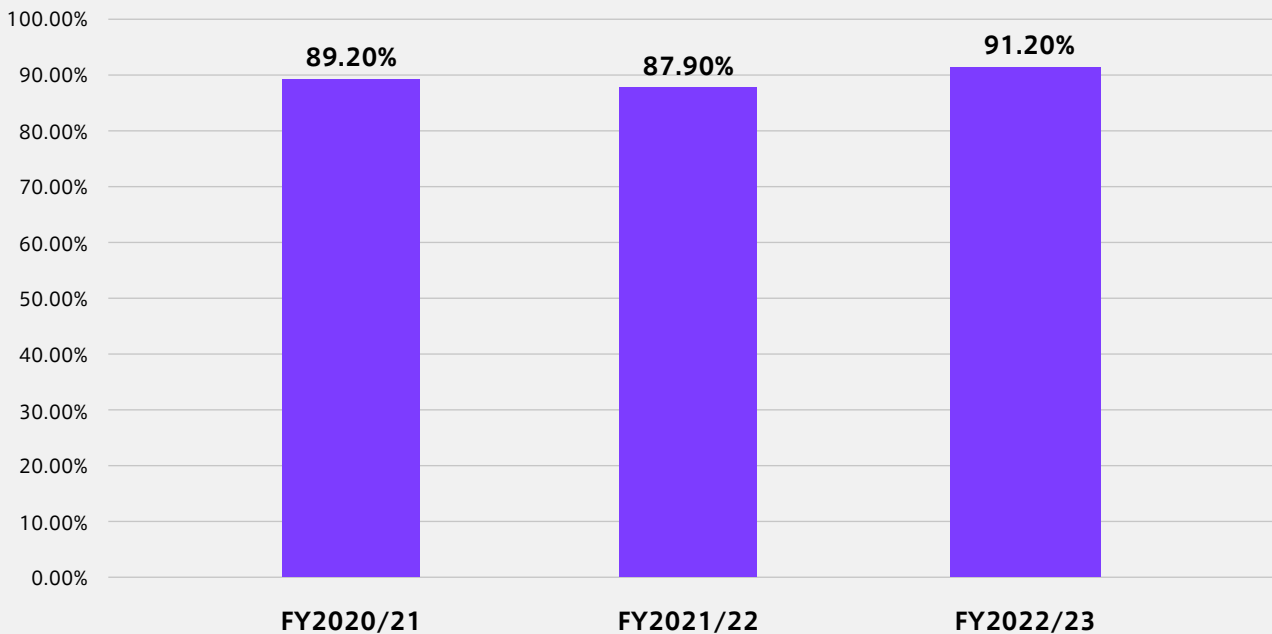
of colleagues confirmed they would recommend MHCUK as a great place to work.

The FY2022/23 Insights survey results confirmed that 91.2% of colleagues would recommend MHCUK as a great place to work, a 3.2% increase from FY2021/22.

Analysis of results and feedback indicates MHCUK colleagues were in line with the industry phenomenon of 'The Great Resignation' (Klotz, Bloomberg Businessweek 2021), having evaluated priorities and career goals following the pandemic. In some cases, colleagues left the Company without securing a new role, given the prevailing uncertainties caused by the Covid-19 crisis. Consequently, there was a slight decline in the sentiment regarding the Company being a great place to work. However, it is important to note that this sentiment has since shown improvement.

Colleagues (cont.)

Figure 26 - % of Employees Who Would Recommend MHCUK as a Great Place to Work



Feedback received:

“ I think we are working hard to improve with a number of system developments which are being well received by our customers. ”

“ More of the same, building on the values, vision and diversity of our people to generate more business (and personal) opportunities for the company and everyone. ”

“ To an extent the success, or otherwise, of the company is in large parts influenced by the wider macro-economic situation. This is clearly outside of the company's control - however, we should be ready to make the best of any improved situation in this regard. I believe we will be. ”

Colleagues (cont.)

Best Places to Work in The UK – Glassdoor

In FY2022/23, MHCUK remained in the top 20 'Best Places to Work in the UK' by Glassdoor for a second year with a rating of 4.6/5, an increase from 4.3/5 in FY2021/22. The Company's overall position was 15th (compared to 11th in FY2022) and is still rated as the best UK finance company to work for.

Communication

Communication remains fundamental to MHCUK's ethos. The CEO personally writes and issues a weekly blog focused on topical issues, business strategy and some personal interests, which 84.2% of colleagues regularly read. Additionally, a Company-wide live event 'Team Talk Live' takes place quarterly, which in FY2022/23 saw an average of 54% of colleagues join, with more watching on demand. In FY2021/22, 80% of colleagues joined Team Talk Live events. Feedback shows that, throughout the pandemic, colleagues were seeking clarification around job security and cost of

living support. A recent survey issued by the internal communication team confirms that Company updates are predominantly consumed via the CEO's blog and the 'Business Wins' updates shared by the Group Director of Finance.

In FY2022/23, the employee satisfaction (ESAT) score for CEO communication remained strong at 4.37 out of 5 (a slight decrease of 0.20 in comparison to FY2021/22 when the ESAT Score was 4.57 out of 5). Additionally, the Insights survey results confirmed 92% of colleagues 'are satisfied with Senior Management providing a clear picture of the company direction' as a result of regular communication. This is a good indicator that the Company is keeping colleagues informed of strategy, targets and achievements throughout the year as seen across the divisions who regularly hold briefings, SLT and team meetings and send monthly divisional newsletters.



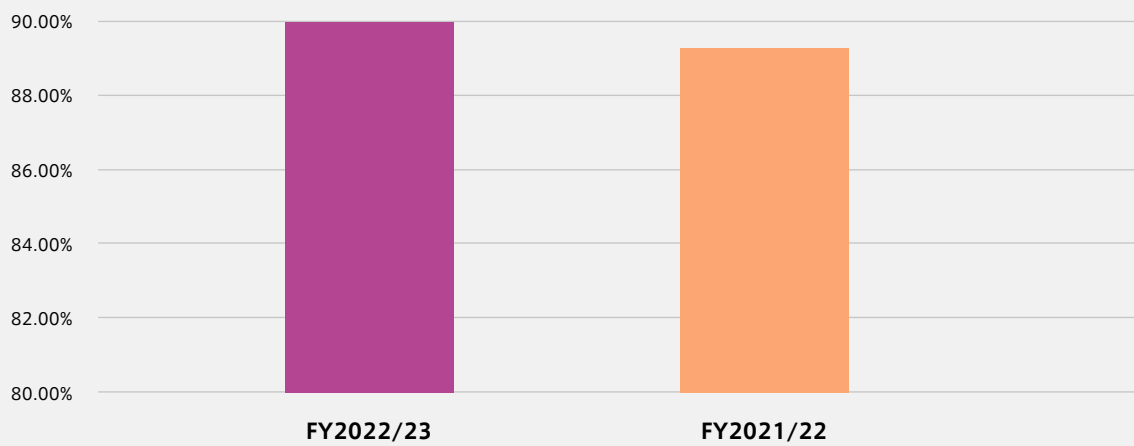
Colleagues (cont.)

Wellbeing

90.1%

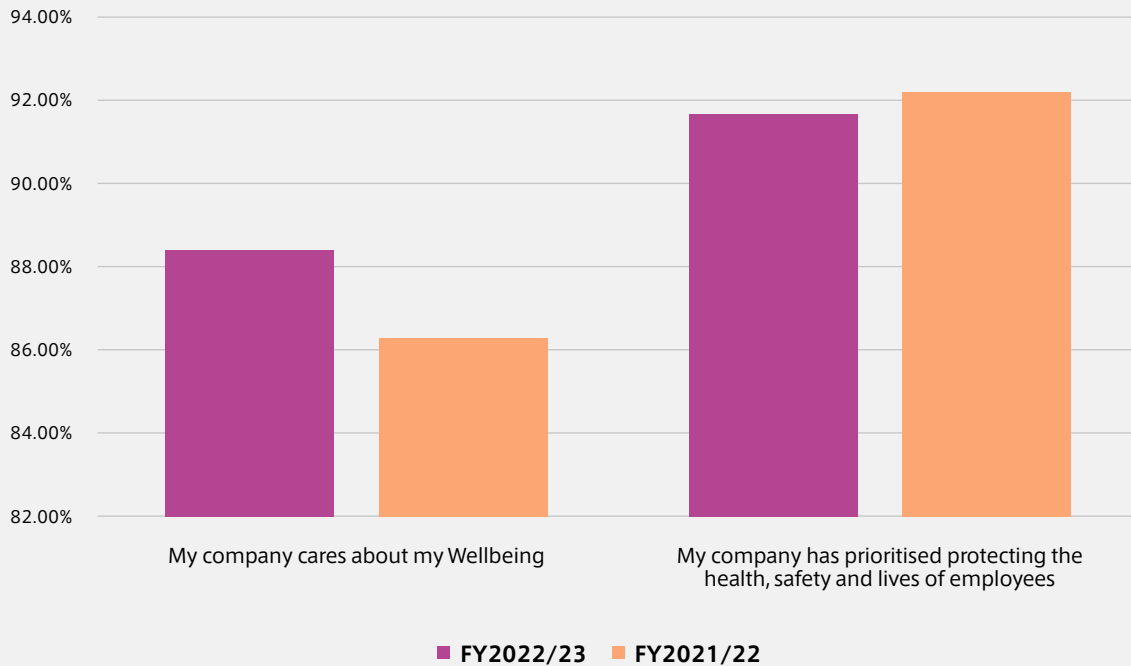
The Wellbeing Index net result – how our colleagues feel the company supports their wellbeing

Figure 27 – Wellbeing Index



Colleagues (cont.)

Figure 28 – Wellbeing Index Question Breakdown



In FY2022/23, the Insights survey results confirmed that MHCUK continues to focus on creating a healthy organisation. Results this financial year show 88.4% of colleagues agreed that ‘My company cares about my wellbeing’ up from 86.3% in FY2021/22. Additionally, in FY2022/23, 91.7% of colleagues agreed that ‘My company has prioritised the health, safety and lives of employees’. Results have slightly decreased since FY2021/22 (92.2%).

The Company’s Wellbeing strategy has three areas of focus – Mental, Physical and Financial Wellbeing.

In March 2023, a new Employee Assistance Programme (EAP) was launched in partnership with “Spectrum.Life” – with improvements such as on-demand wellbeing, fitness and nutrition support, shopping discounts. Standard services available to colleagues include counselling, legal support, and a confidential helpline.

The Company, supported by the Wellbeing Community, had a partnership with Mind, a prominent UK mental health charity, throughout FY2022/23. In October 2022, in support of World Mental Health Day, a representative from Mind delivered two webinars, provided signposting for colleagues in need of support and promoted understanding of mental health problems. 118 colleagues joined live or watched the recording which is still available on-demand.

Colleagues (cont.)

Health and Safety

Following the pandemic, hybrid working is now a permanent aspect of MHCUK. To ensure efficient and safe booking of desks and car parking when working on-site, the Company has implemented an accessible reservation application – Spacewell. Phase 2 of the application was implemented in March 2023 as a commitment to maintaining a hybrid working culture.

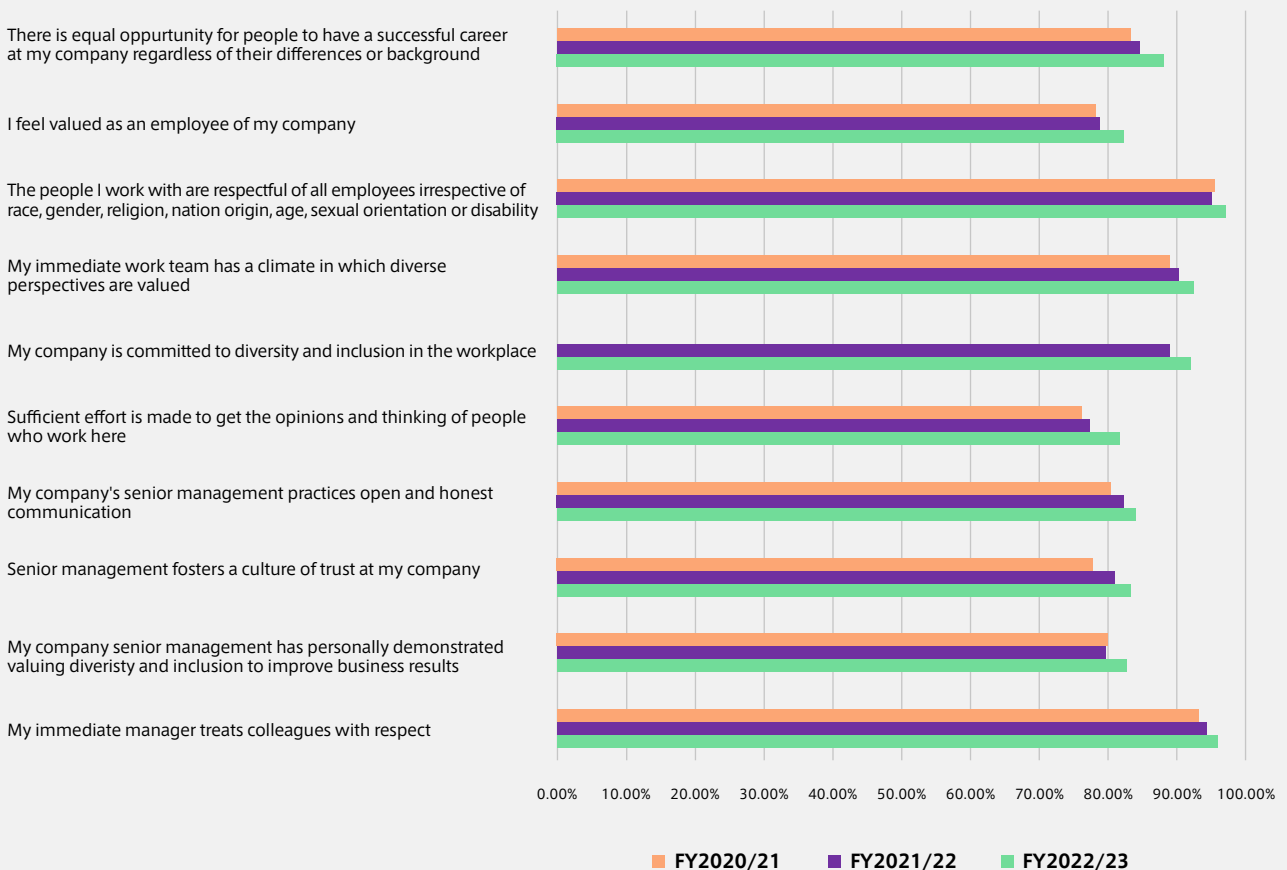
Inclusion & Diversity

87.9%
The Inclusion and Diversity Index net score.

MHCUK asks 10 questions in the Insights survey that make up the I&D Index. Since FY2021/22, the net score has increased from 83.7% to 87.9% and between FY2021/22 and FY2022/23, results increased in all categories.

Full results of the last three years can be seen in Figure 29.

Figure 29 – Inclusion and Diversity Index Question Breakdown



Colleagues (cont.)

The Company is committed to providing a workplace where all colleagues feel safe and welcomed.

In May 2022, the Company launched the Diversity Leadership Council (DLC) made up of Executive Committee members. The objective of the DLC is to look at the challenges different groups of colleagues in the Company face and what initiatives can be put in place to provide further support for diversity. DLC members are aligned to each of the Company's colleague-led communities – Women's Inclusion Network (WIN), PRISM (in support of sexual orientation and gender identity), Multicultural Community (in support of race and ethnicity), and the Colleague Ability Network (CAN), in support of disabilities and neurodiversity.

The Wellbeing Community, whilst separate to the DLC, also has an Executive Sponsor. They work closely with the Executive Sponsor for the CAN Community due to the proximity of the mandate.

Colleague communities aim to bring people across the Company together and to foster representation. In FY2022/23 a multitude of community events were delivered, which celebrated nationally recognised equality events such as LGBTQ History Month and International Women's Day. On average, 60 colleagues attended each session which were delivered both virtually and on-site.

In March 2023, the WIN Community supported International Women's Day by hosting an 'Embrace Equity' event in line with the worldwide theme. Partnering with the charity SmartWorks, the WIN Community hosted colleagues at each of the Company's five sites and asked colleagues to donate work clothes and to share what equity means to them. In total, 40 bags of clothes were donated to SmartWorks.

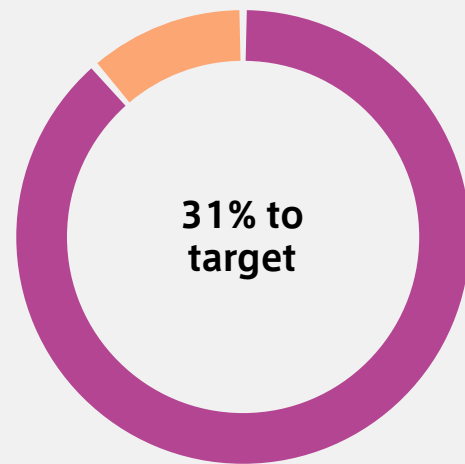
In December 2022, the PRISM Community launched a monthly blog which raises awareness of different events in support of LGBTQ+ colleagues, friends and family. This was followed with a lunch time virtual session open to all colleagues focused on LGBTQ+ History Month and was attended by 70 colleagues.

Charters and Commitments

31%

of Senior Leadership positions (Grade 5 and above) are held by females.

**Figure 30 – Progress to Target
- % of Women in Leadership roles**



In June 2022, MHCUK signed up to the Government-backed Women in Finance Charter, a pledge to improve gender diversity across the financial services industry. The Company is committed to achieving greater gender balance in senior management and has set a three-year target of increasing female senior leadership (Grade 5 and above) to 35% by FY2025/26 and at least maintaining that level thereafter. The Company currently has 31% of females in senior leadership positions, showing no change from FY2021/22. This is an increase from 27% in FY2020/21.

Colleagues (cont.)

The Company has also signed up to the Race at Work Charter which asks businesses to make a public commitment to improving equality of opportunity in the workplace. The Charter has seven calls to action to ensure ethnic minority colleagues are represented in business. The Company has several initiatives in place that meet the criteria for action, including appointing an Executive Sponsor for race (see Inclusion & Diversity section), supporting race inclusion allies in the workplace via the Multicultural Community and implementing processes to include diversity in the Company's supply chain. The Governance section of this report provides more information on MHCUK's supply chain and code of conduct for suppliers.

In FY2022/23, the Company joined 'Disability Confident' at Level One – Disability Confident Committed. This is a visible statement of intent and a commitment to six steps to ensure that the Company provides an inclusive workplace for all disabled people. The CAN Community will work closely with the Company to progress initiatives in this area in FY2023/24.

The Company has also committed to improving diversity datasets across the Company and will implement a process for capturing additional data throughout FY2023/24. This will help the Company to meet the objectives and commitments set by the Charters and support it in understanding the diversity of colleagues and inform future actions.

In recognition of the steps MHCUK has taken in FY2022/23, the Company was named as one of the UK's top 50 most inclusive employers for the fourth year running at the Inclusive Top 50 UK Employers awards. In FY2022/23, the Company's position rose to 37 from 40.

The latest Gender Pay Gap report shows the Company's position as of 1 April 2022. The Company has seen a 0.4% decrease in the mean gender pay gap to 29.1%. The median gender pay gap rose by 2.4% to 36.5%. More males are in higher salary grades than females, therefore the demographics of the Company, a reflection of the industry, continue to be the primary factor which drives the gender pay gap. [The full report can be read here](#), including initiatives for how MHCUK is striving to remove the gender pay gap.



Customers

MHCUK is a “customer first” organisation and continues to launch initiatives and projects that enhance the customer experience, with both the Consumer Finance and Vehicle Solutions divisions being accredited members of the Institute of Customer Service. Throughout the year, customers are encouraged to provide feedback on the impartial, verified platform Feefo as a measure of customer satisfaction and in turn the Company’s success as a customer-centric business.

Three divisions now use the Feefo platform: the Business Cash Flow, the Personal Finance (a product of the Consumer Finance division) and more recently the Vehicle Solutions division. In all cases in FY2022/23, feedback was 4.5 out of 5 and above.

- Business Cash Flow – 224 reviews, 4.8 out of 5.
- Personal Finance – 4321 reviews, 4.9 out of 5.
- Vehicle Solutions – 171 reviews, 4.6 out of 5.

Both Vehicle Solutions and Consumer Finance measure customer satisfaction through ‘Rant and Rave’ which captures and analyses customer feedback and insight. For FY2022/23, feedback was:

- Vehicle Solutions – 24,789 reviews, 4.43 out of 5.
- Consumer Finance – 100,982 reviews, 4.59 out of 5.

The Company has successfully undertaken numerous internal initiatives, led and executed by various business divisions with support from Group IT. These initiatives have facilitated operational efficiencies that result in benefits for our customers. In FY2022/23, Group IT introduced the customer-centric concept of ‘Shift Left’ which moves the person, process, or technology closer to the customer (MHCUK colleagues). The outcome provides a faster, more efficient, and effective resolution and enables challenges to be identified early in the project. For the Company, this means efficiencies can be passed on to customers more quickly.

In the business divisions, Consumer Finance, Vehicle Solutions and Business Finance upgraded their contact centre system to Cisco WebEx with the support of Group IT. Immediate benefits were passed on to customers such as an increased number of calls passing data protection checks. This is due to Interactive Voice Response using “text to speech” features, without the need for a live agent.

Additionally, Vehicle Solutions has launched several sustainability initiatives to customers demonstrating the benefits of switching to electric vehicles via the EV HUB platform, reaching 100,000 employees. The platform has live chat, price comparisons and electric vehicle and charging support to help customers make informed decisions. Social Media initiatives to drive engagement about the switch to electric vehicles such as award winning ‘Charge Side Chats’, a roadside video campaign, have reached over one million views. In partnership with Group IT, Vehicle Solutions has also supported British Gas with a new system that enables drivers to create, edit and cancel their own vehicle maintenance.

The Company received several awards in recognition of its customer service. These can be found in the appendix.



Charity & Volunteering

£340,000

donated to over 50 charities in FY2022/23 and 518 hours of volunteering gifted by colleagues.

In FY2022/23, MHCUK donated **£340,000 (FY2021/22 - £274,837)** to **52 charities. This total is made up of donations, fundraising, £ for £ matched funding and Give As**








You Earn (GAYE) salary contributions. The Company has a target of maintaining charitable donations of 0.25% of profit before tax (PBT) budget.

The Company continues its focus on partnering with charitable organisations and community initiatives which align with the UN SDGs. In FY2022/23, the Company had a positive impact on 5 of the 17 UN SDGs through donations, volunteering and supporting community projects.

Volunteering

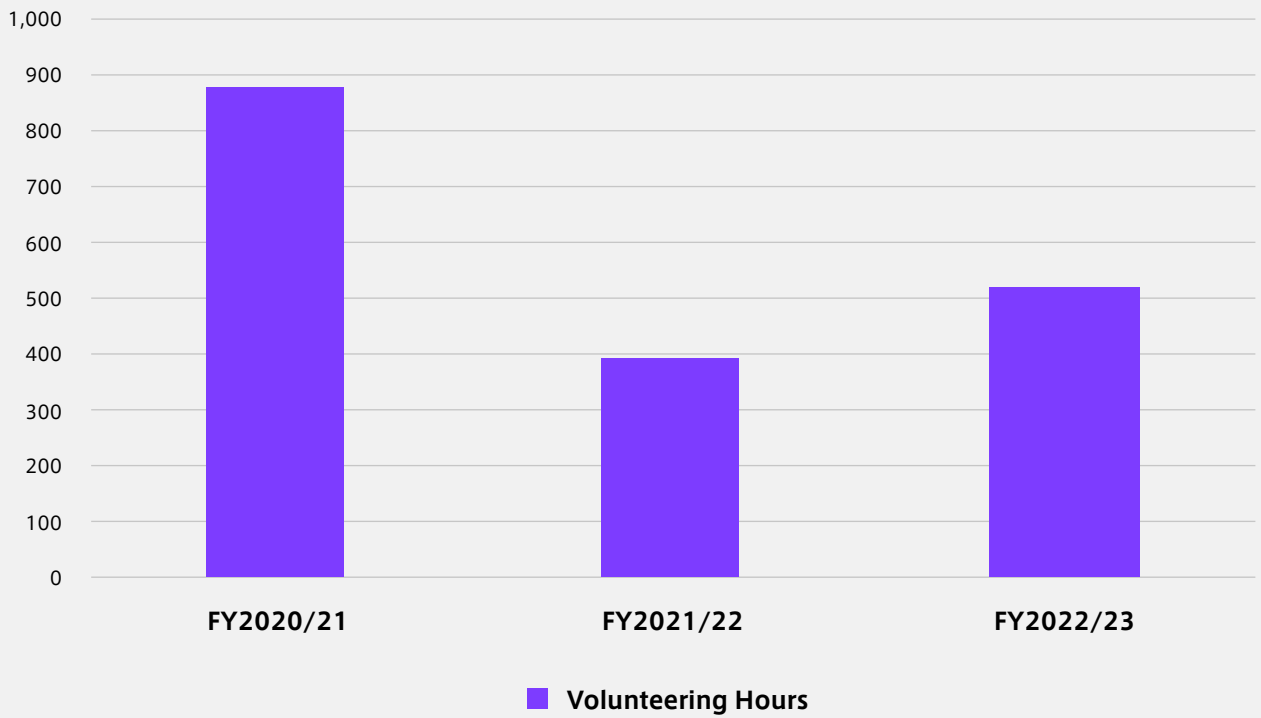
MHCUK encourages all colleagues to try to make a direct impact on people, communities, and the environment by giving each colleague one paid volunteering day per year. Additionally, up to four days can be gifted by other colleagues. During FY2022/23, 518 volunteering hours were delivered – an increase of 128 hours from FY2021/22 although still behind the FY2020/21 level. The Charity & Volunteering Community is working to increase volunteering uptake by providing opportunities that are suitable for the Company's hybrid working culture and are close to colleagues' hearts.

UN SDG Highlights

Charity	Amount Donated	UN SDG Alignment
Hubbub	£40,000	
The Wildlife Trusts	£13,000	
Crisis	£30,488	
Young Enterprise	£20,000	
Mind	£17,889	
Motor Neurone Disease Association (MNDA)	£60,000	
Macmillan Cancer Support	£32,400	

Charity & Volunteering (cont.)

Figure 31 – Total Volunteering Hours by Year



Charity & Volunteering (cont.)

Charity Partnerships and Projects

In FY2022/23, MHCUK partnered with two new national charities – Hubbub and Mind – who are

Hubbub



A donation of £40,000 was made to Hubbub who designed and co-delivered a bespoke programme of activities for colleagues that inspire more sustainable ways of living. For more details of our work with Hubbub, please refer to the 'Embedding a Climate Focused Culture' section.

Mind



The Company donated £10,000, with further fundraising of over £7,889 through activities such as 'Walk and Talk', a Company-wide initiative encouraging teams to take meetings outside, and the Company pledge of £5 for every response to the annual Company-wide survey 'Insights'. The total donation of £17,889 was equivalent to helping Mind's Infoline answer 1,789 enquiries to aid people in gaining access to information on mental health problems, treatment, and advocacy services.

Young Enterprise



The Company continued its relationship with Young Enterprise for a third year helping young people develop employability skills, resilience, and financial acumen. A donation of £20,000 allowed 1,000 students to participate in the 'Fiver Programme', providing skills development opportunities to those aged 5 to 11, and enabled 500 students to access Young Enterprise's Day Programmes. In FY2022/23 the Company saw 114 colleagues engage with the [Young Enterprise Fiver Programme](#).

aligned to the Company's strategic focus of climate and colleagues' wellbeing.

Crisis



The Company supported Crisis for a third consecutive year. A donation of £30,488 was equivalent to funding 65% of a full-time structured coach's salary, including NI and pension. Each coach supports around 50 people experiencing homelessness to help them rebuild their lives through employment, housing and wellbeing support. The Company continued to support the Crisis at Christmas campaign through fundraising and volunteering. The fundraising campaign saw 102 colleagues donate over £10,000 to the charity, including pound-for-pound matched funding from the Company. This helped provide homeless people with access to accommodation, healthcare, food, and company during the festive period. In addition, 8 employees volunteered at day centres and hotels in London throughout December.

The Wildlife Trusts



The Company's partnership with The Wildlife Trusts, continued for a third year, allowing the Company to make a valuable contribution to the enhancement and protection of nature reserves. At the end of FY2021/22, a donation of £42,000 was made which contributed to initiatives delivered throughout the next financial year. These were Wild Work Days – a team building volunteering programme - and an internship for Surrey Wildlife Trust's Nower Wood Educational Centre. The internship focused on educating children to 'take action for nature' and to deliver the 'Wilder Schools' outreach programme. Additionally, a proportion of the donation was allocated to refreshing sites and working to save wildlife and wild places to bring people closer to nature.

At the end of FY2022/23, a donation of £13,000 was made to continue the Wild Work Day volunteering programme to provide colleagues with a team building opportunity now that hybrid working is established.

Charity & Volunteering (cont.)

Community Charity Partners

In FY2022/23, MHCUK expanded the charity partnership programme to include the 5 colleague communities. A total of £10,000 was donated to the charity / charities

of the communities choice that are aligned to their objectives and will support colleagues with knowledge sharing, signposting to resources and volunteering opportunities throughout FY2023/24.

Corporate Community	Charity Partner(s)	Amount donated
PRISM	The Proud Trust	£5,000
	Switchboard	£5,000
Women's Inclusion Network (WIN)	Smart Works	£10,000
Colleague Ability Network (CAN)	ADHD Foundation	£5,000
	Scope	£5,000
Multicultural Community	City of Sanctuary	£10,000
Wellbeing Community	Mind	£10,000

Additional Charity Support

MHCUK maintained its relationship with Macmillan Cancer Support as the charitable activities they provide UK-wide are close to many of our colleagues' hearts, offering support through a donation of £32,000 to fund a Macmillan Support Worker at Charing Cross Hospital, London. The support worker, who will start in Summer 2023, will help people living with cancer receive the support they need. A further donation of over £400 was raised through events including the Macmillan Coffee Morning.

The Company's local charity support initiative continued enabling colleagues from each site to nominate a local charity close to their hearts to receive a £1,500 donation. A total of £18,000 was donated to 12 charities including Simon on the Streets, the Princess Alice Hospice, Newbury Cancer Care, and Wiltshire Air Ambulance.

A Company-wide fundraising event took place called Miles for MND in support of the Motor Neurone Disease Association (MNDA) that raised over £60,000.

Additionally, for the third year running, a charity Christmas raffle for Great Ormond Street Hospital took place at the Staines site. Business Finance customers and suppliers donated prizes which were then included in a daily raffle throughout December for which all colleagues could buy tickets.

In total, over £10,000 was raised by colleagues' donations and match funding to help the hospital enhance its treatment for children.

In response to the disasters of the Turkey-Syria earthquake and the Pakistan floods, the Company made donations of £10,000 to both appeals through the Disasters Emergency Committee (DEC). Further support to the Pakistan flood appeal took place throughout Ramadan from March to April 2023 with a Company-wide initiative to donate £1 for each day of Ramadan our colleagues completed. This initiative was delivered in partnership with the Multicultural Community who provided advice, guidance, FAQs, and support to colleagues.

The Company continued to support Fareshare with three refrigerated vans as part of a four-year project to aid in delivering food packages to those who need it. To date, the vans have supported over 40,000 beneficiaries and delivered more than six hundred tonnes worth of meals.

Charity & Volunteering (cont.)



Feedback received:

“ We worked hard and we managed to clear a substantial portion of forest that was being overcome by invasive holly bushes, which in turn was deterring wildlife (bats and other quite rare species) from nesting in the native trees. ”

“ I felt like I was giving back to the community and making a difference to those in need. ”

“ It was a great way of bonding with the team, out in the nature reserve was great for well-being for the team always working in the office or at home. ”

“ In taking part in the Wild Workday I have learnt a lot about how to keep the forest healthy and found that there are a lot of small things I can do for the environment. ”

1. Charity Case Study: Miles for MND



In September 2022, MHCUK conducted a charity event, the 'Miles for MND Challenge', in support of a colleague who has been diagnosed with motor neurone disease (MND).

The event was borne out of the colleague's love of outdoor activities and commitment to cycling to work. The Company set a target to reach 20,000 miles in one week via a range of activities such as running, walking, swimming, cycling and numerous other activities. Family and friends joined colleagues to reach the miles target and raised money for the Motor Neurone Disease Association, which focuses on improving access to care, research and campaigning for people affected by MND.

By having Company-wide support and through the participation of 306 individuals and 46 teams, the Company reached 22,245 miles and donated over £60,000 (including matched funding from the Company) to MND Association. This event shows MHCUK's supportive and inclusive culture and contribution to community and people.



2. Charity Case Study: Outdoor Education Internship



As part of MHCUK's relationship with the Wildlife Trusts, the Surrey Wildlife Trust hired an Outdoor Education intern, Daniel Banks, funded by MHCUK for 9 months. Over the course of his internship, Daniel has been focussing on delivering conservation projects and helping engage young people with nature at Nower Wood Educational Nature Reserve.

Nower Wood hosts a range of activities which aim to encourage students to connect with nature and to empower them to take action both in the school grounds and at home. During Daniel's internship he supported 2258 children and 49 university students through school and university visits and helped deliver 29 events including holiday clubs and open days. He has further helped connect people with nature through facilitating adult learning courses on subjects including tree biology, small woodland management, and bat ecology.



"I am so happy to have the opportunity to share my knowledge and passion for natural history and at the same time learn new skills from likeminded people" says Daniel. "Having studied for a degree in ecology nearly ten years ago, it is great to finally be working in the sector where I can pass on skills to the next generation".



Yoko Hitosugi Bessey
General Manager, CEO Office & CSR

"We are conscious that many people across the country have had their lives affected by the pandemic and the cost-of-living crisis. As one of the leading financial services companies in the UK, we understand that we have a key role to play in supporting society and communities more than ever in this economic climate and we are very much committed to providing support and making a positive and real difference. One of our key strategies in Social Sustainability is continuing to work in partnership with charitable organisations aligning with the UN SDGs, and together making a positive difference to the lives of people and the planet."

Governance

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Key Performance Indicators

	FY2022/23	FY2021/22	FY2020/21
% Board members who are independent	33%	50%	60%
% Suppliers with MHCUK Supplier Code of Conduct (or equivalent) in their contracts	100%	100%	100%
% Workers (incl. on-site contractors) being paid the Real Living Wage or above	100%	100%	100%
% Right to work checks completed on workers (incl. on-site contractors) before they start work for MHCUK	100%	100%	100%
% Staff completing mandatory e-learning on Modern Slavery	99.8%	100%	N/A



MHCUK Corporate Governance Policy



The Board of MHCUK is committed to high standards of corporate governance. The Company applies the Wates Corporate Governance Principles as the most appropriate corporate framework for the Company.

However, the Board recognises that best practice in the UK is represented by the UK Corporate Governance Code so it also has regard to the principles and provisions of that Code to the extent that the Board considers them to be proportionate and relevant to the Company, bearing in mind the size and complexity of the Company and the nature of the risks and challenges it faces.

The Wates Corporate Governance Principles are made up of six principles that the Company has applied through the year – Purpose and Leadership, Board Composition, Director Responsibilities, Opportunity and Risk, Remuneration and Stakeholders. These are covered in more detail in the Corporate Governance Statement in [the Annual Report](#).

Board Composition

The Board ensures that different individuals hold the roles of Chairman and Chief Executive Officer respectively to ensure that the balance of responsibilities, accountabilities, and decision-making across MHCUK is effectively maintained.

The other members of the Board are both non-executive Directors, one who is independent and one who is seconded from the sole shareholder. In FY2022/23, the Chairman retired and was replaced in the chair by

one of the independent non-executive directors. The other independent non-executive director, who was chair of the Audit & Risk Committee, also retired and was succeeded in this role. Due to the appointment of a previous Board member to Chairman, there is an outstanding vacancy on the Board for an independent non-executive director and the search for suitable candidates will commence in October 2023. The Board therefore considers only one director on the current Board in the Audit and Risk role, to be independent.



Sustainability - Focused Committees

Throughout FY2022/23, steps have been taken to ensure that sustainability and corresponding frameworks and strategy can be adopted and applied across the Company by embedding them into the existing governance structures.

Two new executive sub-committees were put in place in FY2022/23 to provide greater focus on the effectiveness of progress towards Net Zero targets and contributions to the UN SDGs.

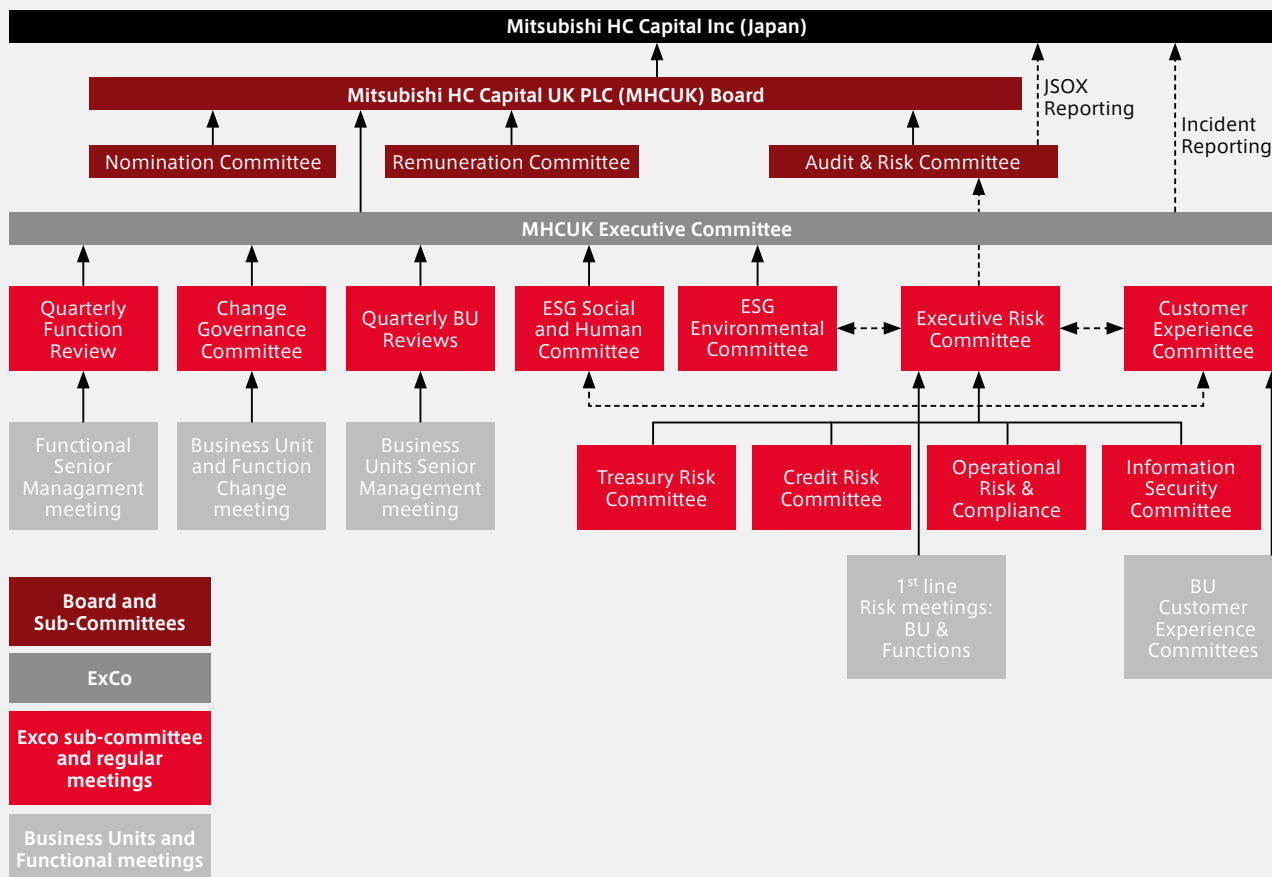
The ESG Environmental Committee will focus on climate strategy and opportunities. The ESG Social and Human Committee will focus on Human Rights, Inclusion and Diversity, supporting the UN SDGs and the Company's wider contribution to society, including charity and volunteering.

These two new committees will replace the Corporate Social Responsibility (CSR) Committee in FY2023/24, reporting to the Executive Committee and providing relevant updates to the Board.

The Executive Risk Committee will continue to manage climate-related risk and will work closely with the ESG Environmental Committee and be responsible for escalating relevant climate risk matters to the Audit & Risk Committee.

Figure 32 shows the new governance structure approved during FY2022/23, launching in FY2023/24.

Figure 32 – Governance Structure of MHCUK



Risk Management

Climate risk has now been implemented into MHCUK's risk management framework. The Executive Risk Committee terms of reference have been updated to specifically include climate risk, with formalised processes for review and escalation.

Climate-related risks are being identified across the Company and are managed through the Enterprise Risk Management framework. This activity is supported by the existing CSR Committee and will transition to the new ESG Environmental Committee in FY2023/24.

The consideration of strategic level climate risk ensures the Company considers climate risks and opportunities when developing its business model and strategy. This was introduced for the strategic planning process

in FY2022/23 and supported by a series of workshops across the business.

One of the principal risks identified by the Company is the risk that 'We fail to adequately take account of climate change risk in developing our business model and strategy'. Mitigants have been identified at the principal level risk assessment, and greater detail is covered in [the Company's Annual Report](#).

At a more granular level all business divisions and functions are evaluating their areas for specific climate change risks (both physical and transitional) and are assessing existing risks for climate change as a cause. This process will be ongoing throughout FY2023/24, with 20 climate change specific risks already identified.

Figure 33 – Identified Climate Risks

Climate Risks Identified	Physical	Transitional	Total
Strategic Risk	2	11	13
Business Strategy	2	11	13
Operational Risk	1	6	7
Change Management		1	1
Process		2	2
Regulatory		2	2
Business Continuity	1		1
Procurement and Supplier Management		1	1
Total	3	17	20

Climate risks across the business are recorded on the Enterprise Risk Platform. As each risk is identified so too are the controls to help mitigate the risks to an acceptable level. Control testing schedules are put in place and actions identified to further mitigate where relevant. New risks can be raised by any division and will be reviewed a minimum of once a year, following the Risk Identification and Management Policy Standard. Regulatory horizon scanning is also in place to identify legislative updates concerning climate risk.

Climate-related opportunities are identified by the Executive Committee as part of the annual Company-wide business strategy setting process and are reported to the Board. Opportunities are also discussed at business division quarterly review meetings where

key Executive Committee members attend. Going forward, identification of climate-related business opportunities will be supported by the new ESG Environmental Committee.

The Company's key climate-related opportunities are the funding of green assets, predominantly in the area of vehicle electrification in the Vehicle Solutions division. Development of the charging infrastructure is vital to the success of vehicle electrification and pioneering the change to UK transport. The Business Finance division funds this through companies and organisations who provide this infrastructure. The Company's investment in GRIDSERVE (as detailed in the Renewable Energy section of this report), has been a significant part of this development.

Code of Ethics and Code of Conduct

MHCUK aims to maintain a culture of customer focus, social responsibility and compliance with laws and integrity.

The Company adheres to the Mitsubishi HC Capital (MHC) Group Code of Ethics and Code of Conduct which consists of the values to assist employees in making decisions that are in line with the Company's mission.

The Code of Conduct and Code of Ethics were established in 2021 and the Company continues to adhere to the principles set out in the code.

[These can be found on the MHCUK website.](#)



Human Rights including Modern Slavery



MHCUK ensures that appropriate focus is given to meeting its obligations with respect to Human Rights.

In September 2022, the Company published the latest version of its [Human Rights policy](#) in line with the MHC Group Policy. Specific reporting is reviewed on a quarterly basis at the CSR Committee (to be replaced by the ESG Social and Human Committee in FY2023/24) and tracks metrics as well as monitoring key actions taken to ensure legal obligations are met.

In FY2021/22 the Company participated in a Modern Slavery Assessment via the Government's Modern Slavery Assessment Tool (MSAT). In FY2022/23, the Sustainability Team reviewed the results of the assessment against best practice to highlight any gaps. The results and recommendations have been shared with the Legal Director, Group Director of Human Resource and Group Head of Procurement for review and where feasible, implementation in FY2023/24.

Suppliers

In FY2022/23, 100% of MHCUK Group Procurement managed suppliers had the MHCUK Supplier Code of Conduct (or equivalent) in their contracts.

This requires suppliers to comply with the Modern Slavery Act specifically and/or with all applicable UK legislation. All contracts managed via Group Procurement continue to include relevant clauses in relation to modern slavery, human trafficking and ensuring that the Real Living Wage is being paid. Additionally, as part of the procurement activity suppliers are asked to provide details including evidence as appropriate in regard to their Environmental Policy and what they are doing with regards to reducing carbon.

The Company's Governance Policies can be found in [the FY2022/23 Annual Report](#) on the MHCUK website.



Appendix

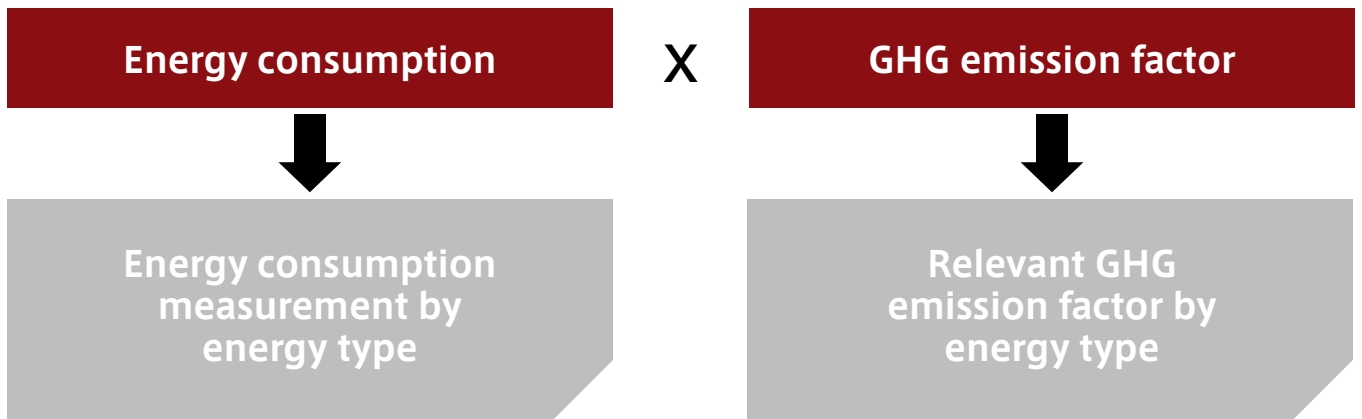
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Methodology for Calculation of GHG Emissions

According to GHG Protocol, GHG emission factors applied to measure energy consumption.

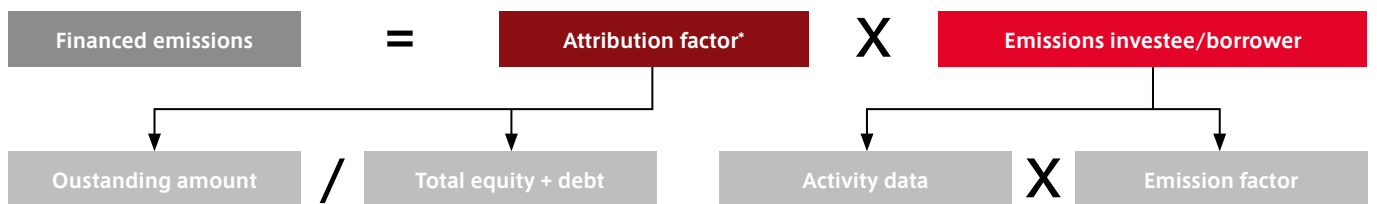
Figure 34 – Methodology for Calculation of GHG Emissions



- Scope 2 emissions including MHCUK’s electricity consumption related GHG emissions.
- Scope of GHG accounting exercise covered only UK sites (5 sites). European offices are outside of Scope.
- Period in Scope: In principle, from April 1, 2022 to March 31, 2023.
- Scope of measurement is an operational control approach.

GHG calculation of Scope 3 “Investments” from business loans, project finance, motor vehicle loans, leased assets and other consumer loans calculated as financed emissions in line with PCAF Standard based on the formula in Figure 35.

Figure 35 – Formula for Calculation of Scope 3 Investments



*The attribution factor is calculated by determining the share of the outstanding amount of loans and investments of a financial institution over the total equity and debt of the borrower or investee company.

GHG Accounting Methodology Improvement

MHCUK is constantly working to develop its GHG accounting model. There are improved areas in the Company's current emission calculation methodology which are described below by each scope and categories. The Company uses Greenhouse Gas Protocol to measure its emissions across Scopes 1, 2 and 3, where latter is split to 15 categories. There are no method changes in Scope 2 calculations.

Scope 1

Mobile Combustion (employee commuting in company cars): the Company has improved the method to account for the different fuel types in the company car fleet. The Company collects data on the percentage of company cars by fuel type breakdown as electric, hybrid, petrol, and diesel. This allows the Company to attribute a percentage of total miles to each corresponding fuel type to enable more accurate emission factors to be used as opposed to emission factors for unknown fuel type having been used for the base year calculation.

Scope 3

Category 2, Capital Goods: The monetary value for company cars now taken from the Vehicle Solutions division's nominal ledger which is the exact number instead of an estimation of total fleet value multiplied by the percentage of the Company's owned fleet leased to its colleagues.

Category 5, Waste Generated in Operations: Confidential waste is now included as part of solid waste and is accounted for under mixed commercial to ensure all waste generated from the Company's sites is included in its GHG emissions and reporting.

Category 6, Business Travel: Train mileage has been categorised into international, domestic, and underground which allows more relevant emission factors to be used to increase accuracy in accounting.

Category 6, Business Travel: Employee expense claims for taxi, public transport, plane, and train are now included in the Company's business travel GHG emission calculations to ensure the Company account for all emissions. The distance-based method from the GHG Protocol has been used to calculate the emissions by converting the monetary value spent on each transport mode to distance using the average mileage per pound.

Category 15, Investments: The method for calculating the GHG emissions of investments for the Business Finance and European Vendor Finance divisions has been updated to exclude assets without operational emissions. Smaller asset categories such as renewable energy and other assets without operational emissions had been aggregated under 'Other Smaller Categories' and their combined total outstanding amount was used to create an emissions figure. The change involved categorising these asset classes as having no operational emissions so that their outstanding amount would remain the same, but those values would not factor into the emission calculation, thereby not incorrectly inflating the GHG profile of those 'Other Smaller Categories'.

Data Quality Improvements

As per the GHG accounting methodology, MHCUK is working on data quality improvement. A common theme across all sector models relates to data limitations, including lack of published emissions data and granularity of customer information. As a result, the estimates included in this section are premised on use of assumptions, extrapolations, or aggregation at subsector levels.

Based on these limitations, the Company expects its estimates of emissions to change as the Company improves the granularity and coverage of customer climate data and develop its methodologies further. Improvements are listed below (there is no update for Scope 3).

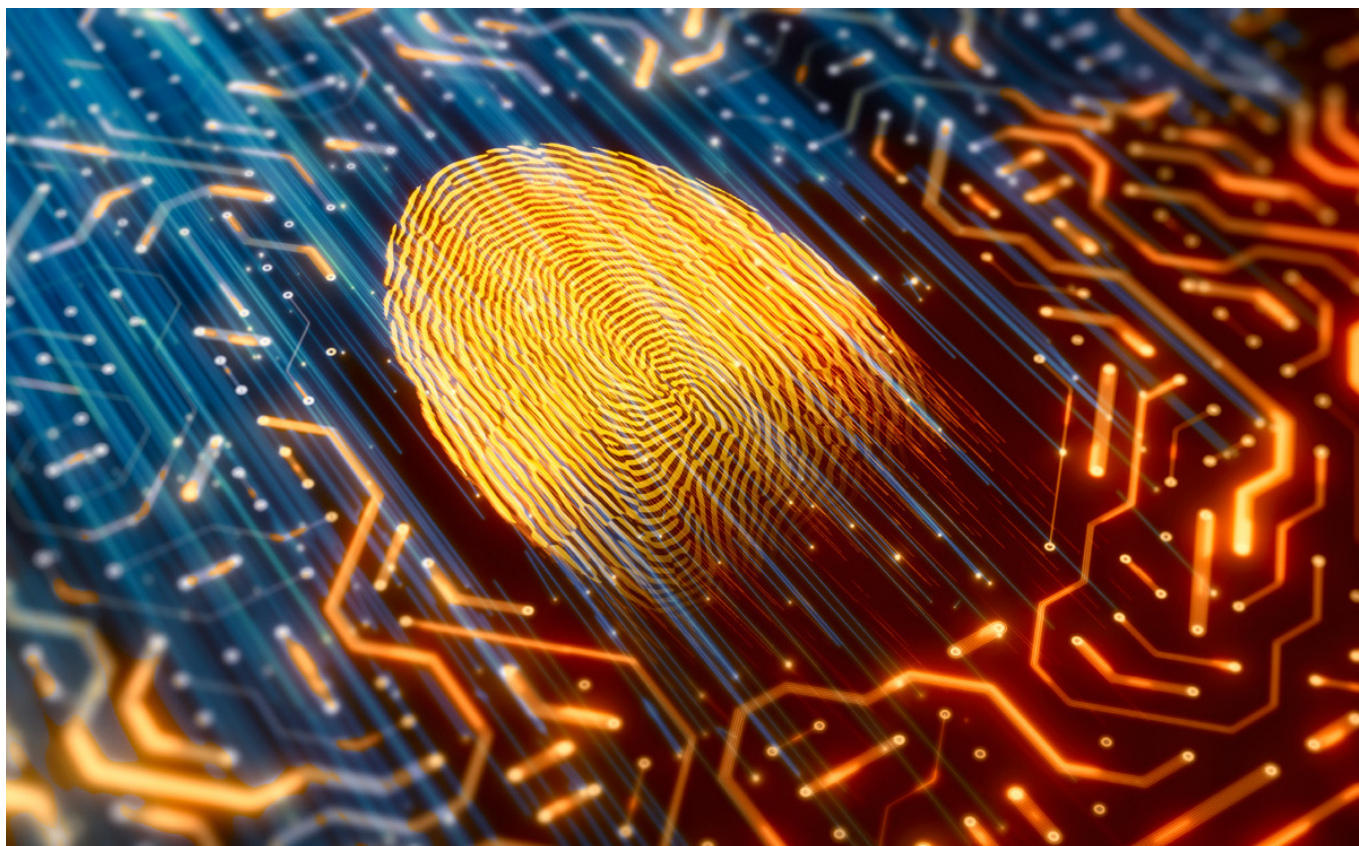
Scope 1

Employee Commuting (company cars): From July 2020, the average number of employees on site per day has been captured which allows for greater accuracy on the number of days employees commute to the office as opposed to an estimation. This improvement is also reflected in Scope 3.7 employee commuting (personal cars).

Scope 2

Purchased Electricity: Data quality has been improved through the use of half hourly meter readings at each site (excluding one site only as the Company does not have direct control over energy use because of tenancy terms) as opposed to data sourced from electricity invoices for the FY2019/20 base year accounting.

The Company will continue to engage with customers and stakeholders, and participate in wider initiatives, to help enhance the availability of granular climate-related data.



MHCUK List of Awards in FY2022/23

Date	Years Won in a Row	Award	Division
2023	4th year	Feefo - Trusted Service Award (Platinum) - same as PF	VS
2023	1st year	Greenfleet 100 most influential - Jonny Berry (92nd)	VS
2023	1st year	Fleet News and Commercial Fleet Awards - Leasing Company of the Year (Highly recommended) (more than 20,000 vehicles)	VS
2023	1st year	Institute of Customer Service UK Customer Satisfaction Awards - Strategic Leadership Award - Sue Cashmore Thorley	VS
2022	1st year	Electric Vehicle Innovations and Excellence (EVIE) Awards - EV Marketing/ Branding Campaign of the Year	VS
2022	4th year	Fleet News and Commercial Fleet Awards - Leasing Company of the Year (more than 20,000 vehicles)	VS
2022	1st year	Greenfleet 100 most influential - Jon Lawes (38th)	VS
2023	1st year	Feefo - Trusted Service Award (Platinum) - same as VS	PF
2023	9th year	Your Money Awards - Best Personal Loan Provider	PF
2023	2nd year (on list)	Glassdoor Best Places to Work - 15th Place	Group
2022	1st year	Ise Awards - Best School Leaver and/or Apprentice Development Programme	Group
2022	4th year (on list)	Inclusive Companies - 37th Place (Bronze Standard Accreditation)	Group
2022	1st year	Learning Awards - People Development (Bronze) & Apprenticeship Programmes (Silver) of The Year	Group
2023	1st year	The Forum Awards - Quality, Knowledge Management & Learning - Learning & Development Team of the Year	CF
2022	1st year	Forum Awards - Hero Award	CF
2022	1st year	Forum Awards - Rising Stars Planning Award	CF
2022	1st year	Contact Centre Awards - Contact Centre Manager of the Year 2022 (Silver)	CF
2022	1st year	Credit Awards - Outstanding Leader in Risk	CF
2022	1st year	Credit Awards - Rising Star of the Year	CF
2022	1st year	Women in Credit Awards - Team Leader of the Year (Gold)	CF
2022	1st year	Women in Credit Awards - Team Player of the Year (Bronze)	CF
2022	1st year	Institute of Customer Service - ServiceMark with Distinction	CF
2022	1st year	British Banking Awards - Customer Service Champion	CF

MHCUK List of Awards in FY2022/23 (cont.)

2023	1st year	Forum Awards - Operations Manager of the Year 2023	CF
2023	1st year	Business Moneyfacts - Best Leasing & Asset Finance Provider	BF
2022	2nd year	Business Moneyfacts - Best Service from an Asset Based Finance Provider	BF
2022	1st year	Credit Awards - SME Lender of the Year	BF
2022	1st year	Asset Finance Connect Summer Awards - ESG Standards of the Year	BF
2022	1st year	Lending Awards - Company Award for Sustainability	BF
2022	1st year	The Leasing World Gold Awards - SME Champion	BF
2022	1st year	Asset Finance Solutions - Meet the Funder 2022 Soft Asset Funder of the Year	BF
2023	1st year	Business MoneyFacts - Best Factoring and Invoice Discounting provider 2023	BCF
2023	1st year	Business Moneyfacts - Commended - Innovation in the SME finance sector 2023	BCF
2022	2nd year	Business Moneyfacts - Best Service from an Invoice Finance Provider	BCF
2022	1st year	Credit Awards - Winner SME lender of the year award	BCF
2021	1st year	RFX 22 - winner invoice discounting provider of the year	BCF



Summary of Sustainability Key Performance Indicators – FY2022/23

ESG	Key KPI	Data Point
Environmental	MHCUK commits to reduce absolute scope 1 and 2 GHG emissions by 50% by 2030 from a FY2019 base year and commits to continue to annually source 100% renewable electricity by year end 2030	GHG Accounting
Environmental	MHCUK commits to reduce absolute scope 3 emissions from business travel, employee commuting, and waste by 30% by 2030 from a FY2019 base year	GHG Accounting
Environmental	MHCUK commits to reduce absolute scope 3 GHG emissions from downstream leased assets by 30% by 2030 from a FY2019 base year	GHG Accounting
Environmental	MHCUK commits to continue providing project finance in the power sector for only renewable electricity, through 2030	100%
Environmental	MHCUK aims to fund 20% of assets towards climate change by 2025	9.1%
Environmental	MHCUK has committed to electrify 100% of its car and small van (3.5 tonne and under) fleet, and 50% of its larger van fleet by 2030 to support the UK goal of banning the sale of petrol and diesel cars by 2030 and hybrid cars by 2035	28%
Social & Human	Roles filled via Internal Mobility	26%
Social & Human	Recruitment experience sentiment score	4.4 out of 5
Social & Human	% of colleagues who confirmed they would recommend MHCUK as a great place to work	91.2%
Social & Human	Wellbeing Index results from companywide survey	90.1%
Social & Human	Inclusion and Diversity Index from company-wide survey	87.9%
Social & Human	% of women in senior management roles, against at 35% target by 2025	31%
Social & Human	£ amount donated to charity, maintaining target of 0.25% of profit before tax (PBT)	£340k
Governance	% Board members who are independent	75%
Governance	% Suppliers with MHCUK Supplier Code of Conduct (or equivalent) in their contracts	100%
Governance	% colleagues (incl. on-site contractors) being paid the Real Living Wage or above	100%
Governance	% Right to work checks completed on colleagues (incl. on-site contractors) before they start work for MHCUK	100%
Governance	% colleagues completing mandatory e-learning on Modern Slavery	99.8%



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