Climate-Related Disclosures and Transition Plan 2024

Leeds Building Society
It's better to belong.

Contents

	Page
1 Introduction	
Foreword from the Chief Executive Officer	3
About Leeds Building Society	4-5
2 Ambition	
Our climate strategy	7-8
Implementation strategy and dependencies	9-12
3 Action	
Implementation plans	14
Scope 1 and 2 emissions	15
Scope 3 operational emissions	16
Scope 3 financed emissions	17-19
Engagement strategy	20-21
4 Accountability	
Climate accountability, roles and responsibilities	23-24
Climate related appetite and risks	25-27
Climate risk impacts	28-30
Climate metric and targets	31-38

Forward looking statements

This report outlines our strategies and goals for addressing climate change. These future-focused statements are based on what we currently know and assume, using terms like "believe," "intend," "estimate," "ambition," and "target." However, they come with risks and uncertainties due to potential statutory/ regulatory changes, technological advancements, market dynamics, and economic or social developments.

Readers should not rely solely on these forward-looking statements, which are only valid as of the date of the publication of this report and we aren't obligated to update them unless required by law. This document isn't meant to provide professional advice; stakeholders should evaluate their own requirements and consult with qualified advisors where needed.

Assurance approach

These disclosures have been subject to internal review and validation and have been reviewed by the Society's Audit Committee before approval by the Board. Our greenhouse gas emissions are also subject to annual validation and accreditation by independent third parties. Production of these disclosures is governed by a policy standard which covers, amongst other things, adequacy, verification, frequency and medium of publication of the disclosures. There is currently no external audit requirement in relation to these disclosures and they have not been reviewed by our external auditors.

Supporting frameworks

TPT Transition Plan Taskforce

TCFD Task Force on Climate-Related Financial Disclosures

Related disclosures

Annual Report and Accounts

Impact Report

Foreword from the Chief Executive

Turning ambition ***into action***

I'm pleased to introduce our first ever integrated climate related-disclosures and transition plan. It sets out our ambitions towards net zero emissions in support of international climate goals such as the Paris Agreement and the UK's target of reaching net zero by 2050.

Our Transition Plan is an important step because we're entering the next crucial phase of the response to the climate crisis. The last two years have been the hottest on record, with average temperatures exceeding the crucial threshold of 1.5°C* above those in pre-industrial times for the first time in 2024. This is contributing to the many extreme and devastating weather events that are occurring more frequently across the world. Progress has stalled and bold ambitions must now be turned into urgent action if we're to avoid the further profound societal, economic and humanitarian impacts posed by climate change.

At Leeds Building Society, supporting the orderly transition to net zero is a core part of our purpose. We believe we have a responsibility, not just to our members, but to the wider communities we serve and the generations that follow. The actions we take today will define the legacy we leave for tomorrow.

We've structured the contents of this report with reference to the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and the Transition Plan Taskforce (TPT) disclosure frameworks, to provide an integrated and transparent view of how we are responding to climate change and the impacts it has on our business.

Our Transition Plan will act as our blueprint for future ambition and action, setting out the steps that we intend to take in the transition to net zero, the risks, opportunities and dependencies that underpin our ambitions, and the measures that we have in place to help guide us in implementing our plans.

We remain committed to transparency and accountability as we work towards net zero. Our plans will evolve over time, and we intend to regularly update our disclosures and ambitions as the external environment changes, regulatory frameworks develop, and government policy and market dynamics change in the coming years.

During 2024, we revised our climate ambitions and targets to align them with the latest science-based guidance, changing our base year from 2021 to 2024 and updating the required emissions reductions.

While we continue to take steps to reduce our emissions, we were off track on three of our existing (2021-2030) climate targets in 2024. We expect to bring the emissions that are under our control back on track over the longer term in line with our revised targets, but we won't be able to achieve all of our ambitions alone and there are several challenges and difficult trade-offs to overcome. Based on the current pace of collective change and external uncertainties that we face, it's highly unlikely all our revised targets will be met without further urgent action across government, society and industry.

Richard Fearon
CEO, Leeds Building Society

*https://climate.copernicus.eu/global-climate-highlights-2024

About Leeds Building Society

1. Our purpose

Everything we do is focused on our purpose of putting home ownership withing reach of more people – generation after generation.

Since we were founded in 1875, home ownership has always been an important focus for our business. This purpose is delivered by providing a safe and rewarding place to save and supporting home ownership by providing a range of mortgages to our members.

Put simply, we believe everyone deserves a place to call home.

We're committed to supporting our members onto and up the housing ladder, as well as helping them to remain in their home when faced with an uncertain external environment, including the impacts of climate change.

Our drive to support home ownership is underpinned by four priority areas, including climate and the environment and supporting the orderly transition to net zero.

2. Who we are

We're the fifth largest building society in the UK[1], with assets of £31.6 billion. As a mutual organisation we're owned by our members and we act in the best interests of our members and wider stakeholders, over the long term.

We provide residential mortgages in the UK, through a network of approved mortgage brokers and directly to members, through online and telephone channels, to help members into homes of their own. We offer mortgage products across mainstream residential, buy to let and a range of other segments, such as shared ownership and interest only. We have no direct exposure to carbon-intensive industries such as fossil fuel extraction, manufacturing and energy production.

We fund the majority of mortgage lending with members' savings, through a range of channels. The remainder is funded from wholesale markets on competitive terms, as well as reserves of previous profit, and government-supported funding schemes aimed at increasing the level of lending across the market.

Putting home ownership within reach of more people - ***generation after generation***

Sustainable Communities
Helping people in need of a safe and secure home

Trust and transparency
Being a business members and colleagues can rely on

Inclusion and Diversity
Building a Society for everyone

Climate and Environment
Helping to achieve long-term net zero targets

1. https://www.bsa.org.uk/information/consumer-factsheets/general-information/building-society-assets

3. Our Greenhouse Gas Emissions (GHG) Footprint

We generate direct and indirect GHG emissions from business activities under three different scopes:

- **Scope 1** includes direct emissions from the operation of our buildings, such as gas boilers for heating, diesel generators for back-up power and fugitive emissions from our heating and cooling systems.
- **Scope 2** includes indirect emissions from the electricity that we purchase as part of our operational activities. Under the GHG protocol, Scope 2 is measured using two different approaches. The market-based approach reflects emissions from energy that the Society has purposefully chosen e.g. renewable electricity.

The location-based approach reflects emissions from purchased energy based on the average emissions intensity on the grids upon which consumption occurs.

- **Scope 3** includes other indirect emissions from our upstream and downstream value chain. Scope 3 includes 15 separate categories of emissions. Categories 1-14 relate to indirect emissions from our operational activities, such as those linked to the goods and services that we purchase from our suppliers, and activities of our employees such as business travel, commuting and homeworking.

Scope 3 category 15 relates to emissions linked to our financing and investment activities i.e. residential mortgage lending.

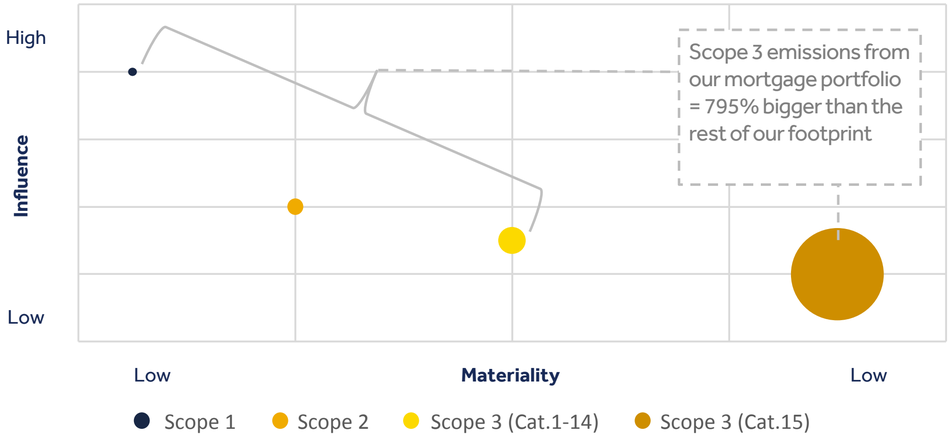
That includes the proportion of emissions linked to the heating, lighting and operation of the properties that we finance.

As shown in the diagram opposite, the different sources of emissions have varying degrees of materiality and relevance to us based on our business model. Our Scope 3 category 15 emissions from residential mortgage lending are significantly greater than our Scope 1, 2 and 3 operational emissions (795% times higher). Additionally, we have greater influence and control over our Scope 1 and 2 emissions versus Scope 3. Both factors are reflected in our Transition Plan ambitions and actions. Refer to sections 1 and 2 where this is discussed in greater detail.

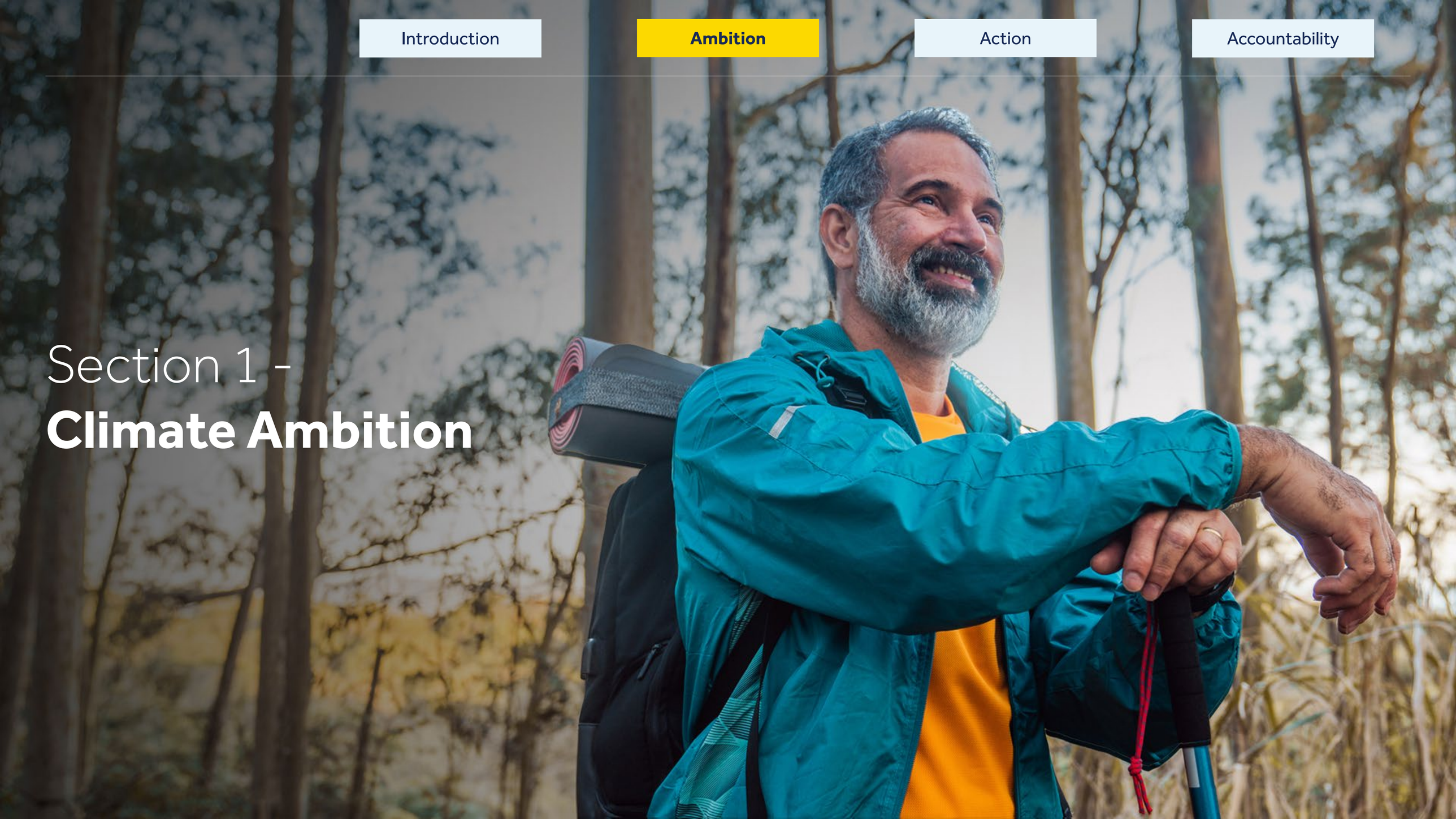
Leeds Building Society Value Chain

Scope 1 Emissions	Scope 2 Emissions	Scope 3 Emissions
Direct emissions from sources owned or controlled by the Society	Indirect emissions from purchased energy (e.g. electricity)	Indirect emissions from the Society's wider value chain
2024: 266 tCo_2e	2024: 471 tCO_2e*	2024: 238,856 tCO_2e

GHG Emissions Influence and Materiality



*Reflects our Scope 2 location-based emissions. The equivalent on a market-based approach was 9 tCo_2e for 2024.



Section 1 - **Climate Ambition**

1. Our climate strategy

The board has approved a climate strategy based around the aim of supporting the orderly transition to a greener, net zero economy by 2050 (or sooner). This strategic aim is underpinned by our Transition Plan, setting out our strategic pillars, targets, and capabilities that will be required to reach net zero.

Strategic pillar 1- Our carbon footprint

Reduce the Society's own operational emissions

↓ 90% by 2034
Targeted reduction in our absolute Scope 1 & 2 market-based emissions of 90% by 2034, from a 2024 base year.

↓ 42% by 2034
Targeted reduction in our absolute Scope 1 and 2 location-based emissions of 42% by 2034, from a 2024 base year.

We're committed to reducing the climate change impacts from our Scope 1 and 2 emissions in line with the Paris Agreement goal to limit future temperature increases to 1.5°c. During 2024, we rebaselined our near-term targets to reduce our absolute Scope 1 and 2 emissions in line with a 1.5°c science-based pathway, which would see us reach net zero for these emissions by 2034 on a market-based approach.

We already purchase all our electricity from renewable sources where possible* and will now focus on removing gas from our remaining properties and completing a refurbishment programme across our branch estate to enhance the efficiency of the buildings and reduce energy consumption.

Climate change strategic aim

Support the orderly transition to a greener, net zero economy by 2050 or sooner

Transition plan

Climate strategic pillars

Our carbon footprint	Support transition to net zero	Climate-related risks
Reduce the Society's own operational emissions	Help key stakeholders reduce emissions across our value chain	Measure, manage and disclose climate risks and opportunities

Climate ambitions and targets

1
Targeted reduction in our absolute Scope 1 and 2 market-based emissions of 90% by 2034, from a 2024 base year.

2
Targeted reduction in our absolute Scope 1 and 2 location-based emissions of 42% by 2034, from a 2024 base year.

3
Targeted reduction in our absolute Scope 3 operational emissions (categories 1-14) of 35% by 2034, from a 2024 base year.

4
Ambition to reduce the Scope 3 emissions physical intensity of our residential mortgage book (category 15) 70% by 2034, from a 2024 base year.

Climate capabilities and enablers

Green finance | Data | Disclosure | Engagement & education | Governance | Operating model | Risk management

*Excludes three sites for part of 2024 while energy supplies were being transferred to a new supplier following a relocation.

Strategic Pillar 2- Supporting the transition to net zero

Help key stakeholders reduce emissions across our value chain

We're also committed to reducing the indirect emissions from our full value chain (referred to as Scope 3 emissions), in line with a 2050 science-based net zero pathway. We acknowledge the potential size of these emissions and importance of taking action to reduce them in order to reach net zero, but many of the levers to do so are outside our direct control and there are a number of barriers that need to be overcome.

We've agreed a revised target to reduce our absolute Scope 3 operational emissions (categories 1-14) 35% by 2034, from a 2024 base year, in line with requirements of the Science Based Targets initiative (SBTi)[1]. To achieve this, we'll work with our suppliers to reduce emissions from the goods and services that we buy and look for opportunities to eliminate operational waste and emissions from employee business travel, commuting and homeworking.

We have also revised ambitions to align the attributed Scope 3 emissions from the residential mortgages that we finance (category 15) with a near-term 1.5°C aligned science-based reduction pathway over the next decade (70% reduction in physical emissions intensity by 2034). Refer to section 3.4 for further explanation of this ambition.

Achieving this reduction will be extremely challenging based on the current rate of progress and we won't be able to do it alone. As we move into the medium-term phase of our Transition Plan, we believe it's right to set appropriately stretching Scope 3 ambitions to drive the necessary change, but it's unlikely that we'll be able to meet our targets without urgent UK-wide co-ordination, government support and broader industry alignment to address the current barriers to progress. We believe that net zero must be delivered in an equitable way to ensure nobody is unfairly disadvantaged or left behind. Our aim is to avoid, where possible, taking any actions to restrict finance for less energy efficient homes where it is not feasible or cost-effective to meet increased energy efficiency standards.

↓ 35% by 2034

Targeted reduction in our absolute indirect operational Scope 3 emissions (categories 1-14) of 35% by 2034, from a 2024 base year.

↓ 70% by 2034

Ambition to reduce the physical intensity of our Scope 3 financed emissions (category 15) from our residential mortgage book 70% by 2034, from a 2024 base year.

Strategic Pillar 3 – Managing the risks from climate change

Measure, manage and disclose climate risks and opportunities

Whilst the transition to a low carbon economy creates opportunities, it will also be accompanied by risks, which must be understood and effectively managed. We've integrated climate change into our Enterprise Risk Management Framework (ERMF), which facilitates the appropriate identification, management, monitoring and reporting of climate-related risks. Our approach to climate risk management is set out further in section 3.

Capabilities and enablers

We continue to build our capabilities to support our strategic ambitions and develop the internal and external enablers that will be required to drive action. We recognise that net zero will not be achieved in silo, therefore education and engagement, data quality and collaboration with our key stakeholders will be key to the success of our Transition Plan. We continue to invest in our capabilities on a number of fronts to ensure we have the right tools and approaches in place to deliver our future ambitions. Refer to section 2.5 for further details about our engagement approach.

1. https://sciencebasedtargets.org/resources/files/SBTi-Buildings-Criteria.pdf

2. Implementation strategy and dependencies

Stakeholders

Our climate strategy and ambitions have been designed to consider requirements of the key stakeholders across our full value chain.

Central to our strategy is ensuring there is a fair and equitable transition to net zero and that our actions don't lead to any unintended consequences.

We'll work closely with our members through development of compelling green finance propositions and educational tools to support them in understanding and reducing their carbon footprint.

We'll also continue to engage with our colleagues and key suppliers to reduce the impact of our operational emissions, and work with the government and other industry bodies to ensure the right policies and support measures are in place to deliver a just transition. Refer to section 2.5 for further details on our stakeholder engagement plans.

Implications for our business model, value chain and financial planning

Delivery of our climate ambitions closely aligns with our strategic purpose of putting homeownership within reach of more people – generation after generation.

By aligning our value chain to support the net zero transition, we'll help to ensure that our operations and financing activities are sustainable and resilient to future climate-related risks.

As a UK-based mutual focused on mortgage lending and savings, our business model and financial plans are expected to be impacted by both physical and transitional climate-related risks and opportunities. Refer to sections 3.2-3.4 for a full assessment of the impacts and our response plans.

Stakeholder considerations

Climate-related risks and opportunities

Our Transition Plan is set in the context of several risks and opportunities (summarised in the table opposite) from climate change and the delivery of net zero, which will need to be carefully managed to successfully deliver our strategic ambitions.

Time horizons

Impacts from climate change and the transition to net zero are uncertain and are likely to occur outside of traditional strategic and financial planning horizons. We have therefore designed our Transition Plan based on short-term (0-3 years), medium-term (3-5 years) and longer-term (5 years+) horizons to ensure we plan for the full range of climate change risks and opportunities.

Climate-related time horizons

Time horizon		Description
Short term	0-3 years	Our horizon for assessing business model viability
Medium term	3-5 years	Our financial planning horizon
Long term	5-30 years	Our climate risk stress testing horizon

Climate-related risks

Climate risk factor	Key drivers	Relevance[1]	Horizon
Physical risks	Flooding	High	Long term
	Subsidence	Medium	
	Coastal erosion	Medium	
	Heatwaves	Medium / low	
	Wildfires	Medium / low	
	Hurricanes	Low	
	Water stress	Low	
	Desertification	Low	
Transition risks	Government policy	High	Short / medium term
	Electricity decarbonisation	High	
	Carbon pricing	Medium	Medium / long term
	Consumer sentiment	Medium	
	Investor sentiment	Medium	
	Technological change	Low	Long term

Climate-related opportunities

Opportunities	Description	Stakeholders	Horizon
Green finance	Development of innovative new financial products to help members reduce their carbon footprint.	• Members • Communities • Investors	Short / medium term
Resilience	Increased operational and financial resilience from investment in measures to protect against physical and transitional risks and reduce cost of energy use.	• Members • Colleagues • Third party suppliers	Medium / long term
Partnerships	Collaborate with key organisations to increase knowledge, develop good practice and lobby for change.	• Third party suppliers • Industry bodies • Government and regulators	Medium term

1 Based on our assessment of the current potential impacts on our business model.

Climate Risks

Climate-related risks arise through two primary channels:

- **Physical risks:** Relate to the increased severity and frequency of extreme climate and weather related events because of rising temperatures. Includes flooding, ground movements, heat stress, fire and storm damage.
- **Transition risks:** Stem from the process of adjusting towards a low-carbon economy, including impacts from changes in government policy, customer and investor sentiment, technological change, carbon pricing, and energy decarbonisation. The extent of the impacts will depend on whether there is an orderly or disorderly transition to net zero.

Our assessment of the relevance of each physical and transitional risk factor based on our business model are summarised opposite together with a view of when the impacts are expected to materialise.

Climate opportunities

We've also identified several potential climate-related opportunities (summarised opposite) as part of our role in supporting the transition to a net zero economy.

We've reflected these opportunities in our Transition Plan roadmap and will continue to work with stakeholders in the coming years to deliver the benefits on a test and learn basis, refining our plans as new opportunities emerge.

Dependencies and external factors

Most of the key actions in our Transition Plan are outside our direct control and will be reliant on changes in government policy and wider corporate and societal change. As a UK-focused business, our climate ambitions are inextricably linked to the UK's targets, plans and progress towards net zero. Whilst the UK is generally leading the way in terms of ambition and has a successful track record in reducing emissions, several key government actions and policy areas are delayed or off-track. According to the UK's Climate Change Committee (CCC)[1], only a third of the emissions reductions required to achieve the government's near-term targets are currently covered by credible policy and plans. Specific key examples of our dependencies are summarised opposite. Refer to section 2 for further details of how they impact our targets and actions.

H ● ● ●

1. Energy efficiency of UK housing

The UK's housing stock is one of the least energy efficient in Europe[2] and more rapid decarbonisation of existing buildings will be required for us to meet our Scope 3 financed emissions ambition.

Clear and joined up policy changes will be required from government in the coming years to stimulate action. This includes reform of existing Minimum Energy Efficiency Standards (MEES) and Energy Performance Certificates (EPCs); phase out of fossil fuel heating systems; and further financial grants to support retrofit activity and installation of heat pumps. Changes to energy efficiency standards for new homes are also required through the government's Heat and Buildings Strategy and Future Homes Standard, to ensure they are built net-zero ready. We continue to work with government and other industry bodies to encourage the required changes. Refer to section 2.5 for details of our engagement and advocacy plans.

Customer behaviour and awareness of energy efficiency and take-up of green finance remain in their infancy. Further education and support for homeowners will be another key dependency to ensure the steps that homeowners need to take are clearly understood. Whilst financial firms will have a key role to play in that, purposeful change and greater momentum will require a joined-up approach across government and the wider retrofit ecosystem.

Materiality = **H**igh, **M**edium, **L**ow
● = Government dependancy
● = Corporate dependancy
● = Societal dependancy

1.https://www.theccc.org.uk/wp-content/uploads/2024/07/Progress-in-reducing-emissions-2024-Report-to-Parliament-Web.pdf"Progress in reducing emissions: 2024 Report to Parliament

2. https://committees.parliament.uk/committee/664/energy-security-and-net-zero-committee/news/204117/how-do-we-retrofit-uk-homes-for-net-zero/"How do we retrofit UK homes for net zero? - Committees - UK Parliament

H ● ●

2. Decarbonisation of the electricity grid

Decarbonisation of the UK's electricity network will have a significant impact on our ability to reduce our own emissions and those of our suppliers and mortgage customers. The current government has an ambition to fully decarbonise the electricity grid by 2030 by phasing out use of fossil fuels and increasing the mix of renewable energy. However, this remains highly uncertain despite the ambition, with a number of barriers to overcome, including grid capacity; stretched supply chains; planning blockages; and public engagement / support.

M ●

3. Supply chain decarbonisation

Our Scope 3 operational emissions target has a significant dependency on our supply chain taking the required actions to align with a net zero pathway. Whilst a significant proportion of our key suppliers are making progress and investing in the required changes, further alignment is required. We continue to regularly engage with our suppliers to discuss progress, share data, and agree mitigation plans where required. Refer to section 2.3 for details.

M ● ●

4. Technology innovation

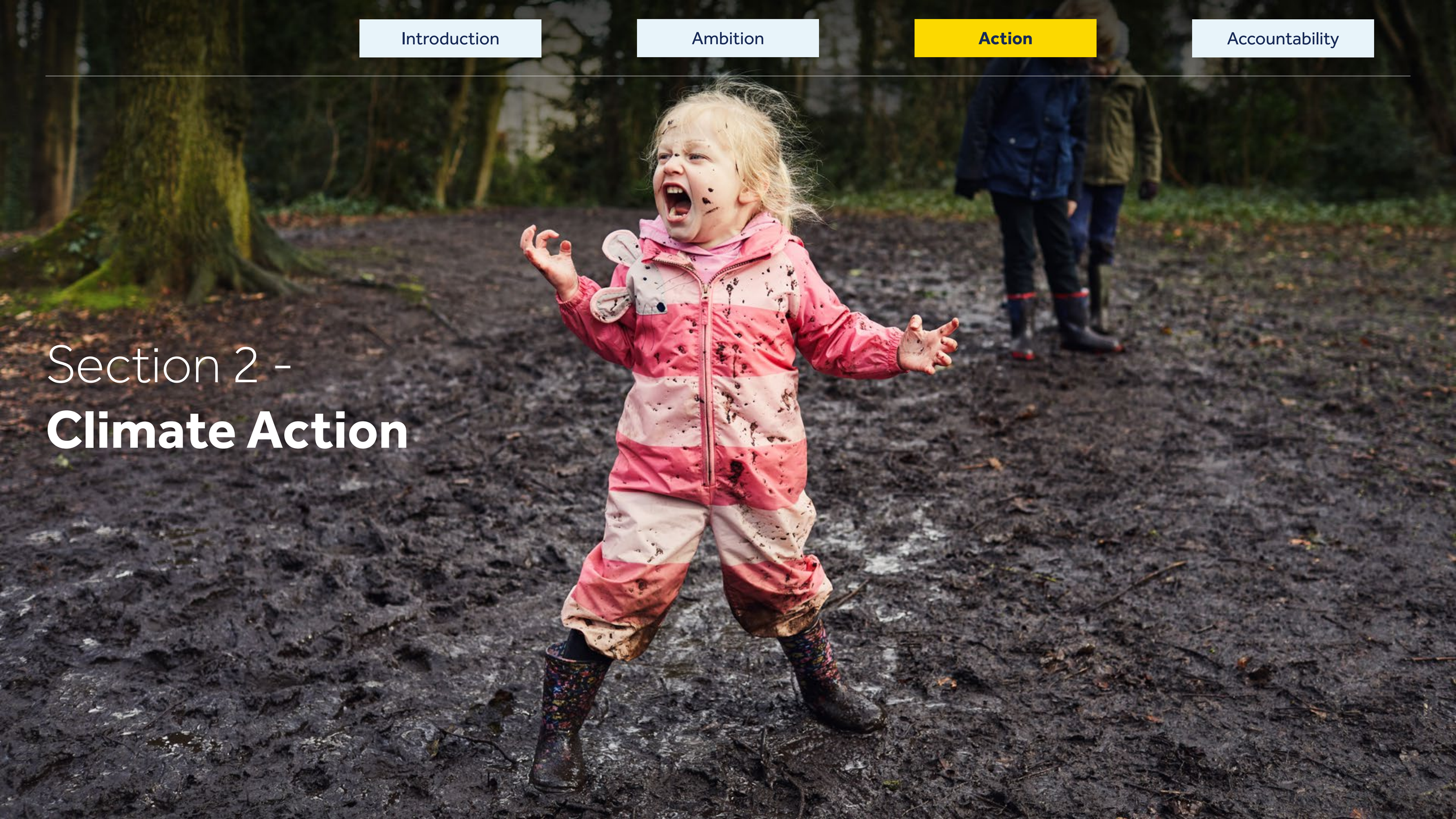
Achieving some of our targets relies on advances in decarbonisation technologies, such as electric heat pumps, energy storage solutions, natural refrigerants, low-carbon building materials and robust carbon capture schemes. We will continually monitor technological developments and adapt our plans accordingly as new innovations are introduced.

H ● ●

5. Data availability

The availability of reliable emissions data is crucial for achieving our targets. Our ability to accurately measure our Scope 3 category 15 emissions and influence action depends on the availability and accuracy of EPCs and energy metered data, which is not currently available for all homes. Our measurement of Scope 3 operational emissions also depends on suppliers measuring and reporting their own emissions. Carbon accounting is a relatively new discipline, and data remains incomplete and difficult to verify. We continue to invest in improving our data collection processes and will update our strategies as new data sources become available.

Materiality = **H**igh, **M**edium, **L**ow
● = Government dependancy
● = Corporate dependancy
● = Societal dependancy



Section 2 - **Climate Action**

1. Implementation plans

Transition plan at-a-glance

The roadmap opposite shows our short, medium and long-term targets, together with the key actions and material dependencies to achieve them.

Our focus to date has been on building the necessary foundations to develop our future climate strategy, ambitions and targets.

As we enter the medium-term phase of our plans, we will now mobilise the key steps to turn our ambitions into actions.

Our plans will continue to evolve over time and we intend to regularly update our disclosures as the external environment evolves in the coming years.

	Short-term (complete)		Medium-term		Long-term	
	2016	2020 / 2024	2030	2035	2040	2050
Ambitions	**Baseline Scope 1 and 2 emissions by 2021**	**Baseline Scope 3 emissions (all categories) by 2022**	**Net zero for Scope 1 and 2 (market-based) by 2034**	**Reduce Scope 1 and 2 (location-based) 42% by 2034**	**Net zero for Scope 1 and 2 (location-based) by 2050 (or sooner)**	
	Carbon neutral for Scope 1 and 2 market-based emissions by 2021	**Agree near-term targets for full value-chain by 2023**	**Reduce Scope 3 (Cat.1-14) 35% by 2034**	**Reduce Scope 3 (Cat.15 residential mortgages) intensity 70% by 2034**	**Net zero for Scope 3 (all categories) by 2050 (or sooner)**	
Key Actions	● Establish governance, responsibilities and risk management. ● Agree climate strategy, targets and transition plan. ● Measure Scope 1, 2 and 3 emissions and understand data gaps. ● Procure Renewable Energy Guarantees of Origin (REGO) backed electricity for all sites. ● Consolidate three offices into one 'A' rated head office. ● Identify and engage with material suppliers. ● Agree refurbishment programme for our branch network. ● Establish offsetting scheme (high-quality, verifiable credits). ● Employee, member and government engagement.		● Complete branch refurbishment programme by 2032. ● Decarbonisation of the UK electricity grid by 2035. ● Maintain zero Scope 2 emissions (market-based). ● Review options to reduce reliance on REGO backed electricity. ● Suppliers reduce emissions in line with net zero pathway. ● Enhance calculation of emissions and data quality. ● Develop green mortgage proposition (focus on retrofit). ● Decarbonisation of UK housing stock. ● Develop engagement and educational tools. ● Assess nature and biodiversity impacts and agree actions.		● Achieve net zero for our full value chain. ● Full decarbonisation of UK housing stock. ● Implement carbon removals offsetting strategy for residual emissions. ● Full decarbonisation of supply chain. ● Leverage new technologies.	
Dependancies	• Availability and quality of emissions data. • Government and industry policy/standards. • Member sentiment. • Availability and price of REGO backed electricity contracts. • Skills and capabilities. • Availability, price and quality of carbon credits.		• Government policy and support for housing decarbonisation. • Member sentiment and take-up of green finance. • Actions by suppliers. • Speed of decarbonising the UK electricity grid. • Technological change.		• Governement policy and support for housing decarbonisation. • Speed of decarbonising the UK electricity grid.	

● Action complete
● Action within our direct control / high confidence
● Action partly in our control / medium confidence
● Action outside our direct control / low confidence

2. Scope 1 and 2 emissions

Ambitions and Actions

Long-term

Net zero for our Scope 1 and 2 emissions by 2050 (or sooner)

Near-term:

Reduce absolute Scope 1 and 2 market-based emissions 90% (net zero) by 2034 from a 2024 base year

Reduce absolute Scope 1 and 2 location-based emissions 42% by 2034 from a 2024 base year.

Control: Medium
Confidence: High

Key Actions:

1. Complete branch refurbishments by 2032
2. Decarbonisation of the UK electricity grid by 2035
3. Maintain zero Scope 2 emissions (market-based) and reduce reliance on REGO backed contracts

To achieve our near-term Scope 1 and 2 targets, we've agreed several actions that will be progressed over the course of the next 10 years. Most of the actions are in our direct control, therefore we currently have a greater degree of confidence in delivering the required reductions versus our indirect Scope 3 targets and ambitions.

Materiality = (**H**igh, **M**edium, **L**ow)
Influence = (**H**igh, **M**edium, **L**ow)
Confidence = (**H**igh, **M**edium, **L**ow)

1. https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.neso.energy%2Fdocument%2F199921%2Fdownload&wdOrigin=BROWSELINK"FES 2021 Scenario Framework Assumptions V01.xlsx

2. https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fmedia%2F649c5340bb13dc0012b2e2b6%2Fghg-conversion-factors-2023-condensed-set-update.xlsx&wdOrigin=BROWSELINK"ghg-conversion-factors-2023-condensed-set-update.xlsx

3. https://www.theccc.org.uk/wp-content/uploads/2024/07/Progress-in-reducing-emissions-2024-Report-to-Parliament-Web.pdf"Progress in reducing emissions: 2024 Report to Parliament

*Excludes three sites for part of 2024 while energy supplies were being transferred to a new supplier following a relocation.

H | H | H

1. Complete branch network refurbishment program

We've agreed a multi-year investment to refurbish our property estate to make the buildings more energy efficient and remove fossil fuel energy used for heating and hot water. Our head office in Leeds is already 'A' rated so our focus will be on retrofitting our estate of 51 branches to remove remaining gas boilers from 5 properties, upgrade heating and lighting systems and install energy saving measures such as building controls, LED lighting, and insulation / heat loss prevention.

We plan to remove remaining gas boilers from all sites by 2028 at the latest and replace them with electrified heating. In completing the renovations, we'll seek to follow the blueprint for our head-office and use sustainable building materials and methods where feasible and cost-effective to reduce embodied carbon and waste. We'll also look to trial lower emission alternatives to diesel and refrigerants for use in our back-up generators and air conditioning systems.

H | L | M

2. Decarbonisation of the UK electricity grid by 2035

Achieving our near-term location-based ambition will be heavily dependent on the speed the government can decarbonise the UK's electricity grid, which is out of our direct control. Our current target is modelled based on NESO's 'Consumer Transformation' Future Energy Scenario (FES)[1], and whilst good progress has been made to date, significant investment in renewables and infrastructure changes are still required to fully decarbonise the grid by 2035. The average emissions intensity of the grid increased c7% in 2023[2], the first time there has been an increase since 2014. Whilst this was likely a temporary anomaly due to the use of fewer renewable sources in the energy mix, it highlights the material uncertainties that are faced.

As reported in the UK CCC's 2024 progress update to Parliament[3], the pace of change needs to increase, with annual installations of offshore wind needing to more than treble, onshore wind more than double and solar increase by a factor of five to hit the government's targets.

H | L | M

3. Maintain zero Scope 2 emissions (market-based)

We have been purchasing renewable electricity for our buildings from Renewable Energy Guarantees of Origin (REGO)-backed sources since 2017 where possible*, and we will continue to do so on our path to net zero whilst also exploring other sources of renewable energy. We recognise that REGO contracts currently have a number of limitations and do not always lead to additional renewable energy production. In line with the UK Green Building Council's guidance, we plan to review alternative options in 2025, such as Purchase Power Agreements and on-premises renewable generation.

3. Scope 3 operational emissions (categories 1-14)

Ambitions and Actions

Long-term

Net zero for Scope 3 operational emissions by 2050 (or sooner)

Near-term:

Reduce absolute Scope 3 category 1-14 emissions 35% by 2034 from a 2024 base year

Control: Medium / Low
Confidence: Medium / Low

Key Actions:

1. Suppliers reduce emissions in line with a net zero pathway
2. Enhance calculation of Scope 3 emissions and data quality
3. Encourage employees to make greener choices
4. Reduce operational waste

The majority of the actions to decarbonise our Scope 3 operational emissions are outside our direct control and will be reliant on our suppliers and employees playing their part to align with net zero.

Materiality = (**H**igh, **M**edium, **L**ow)
Influence = (**H**igh, **M**edium, **L**ow)
Confidence = (**H**igh, **M**edium, **L**ow)

H | M/L | M

1. Reduce supplier emissions

During 2024, we completed a materiality and maturity assessment of our supplier emissions to identify emissions hotspots and agree mitigation strategies. This has identified that around 80% of our supplier emissions are attributed to the goods and services that we purchase from just 80 suppliers. We have completed initial engagement with our most material suppliers to understand their plans and progress, explain our expectations, and identify opportunities to reduce our attributed emissions. We have also taken steps to embed the assessment and management of supplier emissions into our third-party management processes, requiring suppliers to align with a set of agreed principles. Refer to section 2.5 for further details on our engagement process. To date, 49% of our top 80 suppliers have committed to net zero and set near-term science-based targets. We aim to increase that to 60% by 2027 and 80% by 2030. We will continue to work with our key suppliers to track progress, collaborate and encourage further action in the coming years.

M | M | H

2. Enhance emissions calculations and data quality

Our Scope 3 emission calculations continue to be based on a high proportion of estimates due to the lack of available and accurate actual data, which is an industry-wide challenge. For example, our supplier emissions are calculated based on estimated emissions for 80% of our supplier spend because not all suppliers disclose the required data. Our colleague commuting and homeworking emissions are also based on estimates from periodic surveys. We're aiming to enhance our data quality through use of additional data collection tools and working with our suppliers and colleagues to fill data gaps.

M | M | H

3. Encourage employees to make greener choices

We have taken a number of steps to engage colleagues on how their activities contribute to the Society's carbon footprint and provide training and incentives to help them reduce their impact. For example, during 2023 a climate training module was rolled out to all colleagues and in 2024 we launched a new electric vehicle (EV) salary sacrifice scheme to encourage colleagues to switch to an EV car. We aim to ensure that at least 50% of colleague business travel and commutes by car are completed using an EV vehicle by 2030. The Society has a colleague-led green champions network throughout the business to promote green awareness and initiatives. We'll continue to look for ways to further embed climate education and action through targeted campaigns and interventions.

L | M | H

4. Reduce operational waste

Our operational waste, including food, water, paper and IT equipment make up a small proportion of our emissions footprint, reflective of our business model. We currently recycle 100% of our operational waste (food and paper) and use a third party to responsibly dispose of redundant IT equipment via recycling or reuse. Refer to section 3.4 for further details. Our focus for future action will be on reducing the volume of waste through process efficiencies and colleague education.

4. Scope 3 financed emissions (category 15 - residential mortgages)

Ambitions and Actions

Long-term

Net zero for our Scope3 financed emissions by 2050 (or sooner)

Near-term:

Reduce physical intensity of Scope 3 emissions from our residential mortgages by 70% by 2034 from a 2024 base year.

Control: Low

Confidence: Low

Key Actions:

1. Decarbonisation of UK housing stock
2. Develop green finance proposition
3. Decarbonisation of the UK electricity grid by 2035.
4. Member engagement and education
5. Enhance calculation of emissions and data quality

As with our Scope 3 operational emissions, decarbonisation of the residential properties that we finance is largely outside of our direct control. There are a number of barriers to progress that need to be overcome, and our ambitions will be heavily reliant on new government policy, societal change and industry innovation to achieve the required decarbonisation pathway and net zero.

There is reason for optimism, and we remain committed to playing our part in driving the necessary change, but based on the current external dependencies, challenges and lack of progress, we think it's unlikely we'll be able to meet our ambitions without urgent change.

Materiality = (**H**igh, **M**edium, **L**ow)
Influence = (**H**igh, **M**edium, **L**ow)
Confidence = (**H**igh, **M**edium, **L**ow)

1. https://www.ons.gov.uk/peoplepopulationandcommunity/housing/datasets/energyefficiencyofhousingenglandandwalesfiveyearsrolling

2. https://www.theccc.org.uk/wp-content/uploads/2024/07/Progress-in-reducing-emissions-2024-Report-to-Parliament-Web.pdf"Progress in reducing emissions: 2024 Report to Parliament

H | L | L

1. Decarbonisation of UK housing stock

The UK's housing stock is currently one of the oldest and least energy efficient in Europe, with just 47%[1] of properties in England with an EPC currently rated A-C at the end of 2023. As highlighted in the CCC's latest report to Parliament, progress in decarbonisation is being made, with a 26%[2] reduction in emissions from residential buildings observed between 2008-2022. However, the pace of change needs to significantly increase in the coming years to achieve net zero. Most of the recent progress happened in the previous decade, due to a range of government policy measures to support investment in energy efficiency. Government funding has since been cut, and challenges posed by the recent cost of living crisis in the UK has resulted in emissions from the sector largely flatlining since.

Concerted effort is required collaboratively across all stakeholders to drive the necessary pace of change. Firstly, the government should implement appropriate policy changes to ensure the right directive measures and support are in place to encourage further decarbonisation. That includes:

- Urgently reforming EPCs to ensure they are fit for purpose, accurately measure the efficiency of buildings and provide the necessary information to allow homeowners to make informed choices about the energy savings measures to implement.
- Introducing more stringent minimum requirements for the efficiency of existing buildings to ensure they are retrofitted to meet potential levels of improvement.
- Reforming standards for new buildings to ensure they are built net zero ready using better quality and lower carbon materials, and renewable energy solutions such as solar panels, where appropriate.
- Ensuring that the appropriate infrastructure, skills and guidance are in place to support homeowners in implementing appropriate retrofit measures to a high standard.

Underpinning that, the government should introduce further funding and guidance through appropriately targeted grant schemes and education campaigns that support those that need it most and ensure that vulnerable homeowners are not unfairly or disproportionately disadvantaged.

4. Scope 3 financed emissions (category 15 - residential mortgages)

1. Decarbonisation of UK housing stock cont.

Secondly, further efforts are required to reduce and remove reliance on fossil fuels used for the heating of homes. That will require a significant increase in the use of heat pumps and other low-carbon solutions to replace gas boilers and oil-powered systems. The CCC estimates that by the end of the decade, around 10%[1] of existing homes will need to be heated by heat pumps, up from around 1% today.

Finally, innovation and investment are required across the buildings sector to develop and implement wider use of new lower-carbon technologies (such as smart building controls and appliances) to change behaviours and drive down electricity consumption and the cost of decarbonisation.

We're playing our part in encouraging this change through engagement with government, our members and partners. For example, we're working with Keepmoat to support the first large scale development of houses built to the UK's proposed Future Homes Standard.

M | H | L

2. Develop green finance proposition

The estimated cost of retrofitting the UK's existing housing stock to meet an EPC grade of C is around £250 billion[2], which is significantly greater than the current grant funding committed by the government (around £4 billion). We recognise that lenders have an important role in supporting homeowners to finance the work, but further efforts are required to increase customer awareness and develop seamless customer journeys to encourage the uptake.

We're part of the Green Finance Institute's (GFI) coalition for the Energy Efficiency of Buildings and we've previously launched pilots for a range of new green mortgages that follow the GFI's Green Home Finance Principles. We were one of the first lenders in the UK to introduce revised mortgage affordability requirements so members can borrow more to buy the energy efficient property they want. The green finance market remains nascent with generally low take-up and awareness across the industry. We will continue to develop our green finance offering using a test and learn approach aligned with industry good practice and regulatory requirements (e.g. the Financial Conduct Authority's new anti-greenwashing rule and the Consumer Duty).

H | M | M

3. Member engagement and awareness

Customer understanding and awareness of building decarbonisation requirements and options remains low. Our market research conducted throughout 2021-2024[3] shows that only 4% of the UK population claim to know a lot about EPC ratings and an average of 45% don't know what the EPC rating for their home is. There is also low awareness (25%) of government grant schemes and intentions to complete decarbonisation measures (43% for mortgaged homes and 34% for owner-owned).

Further action is required by government and industry to engage customers, increase understanding and drive change. To be effective, this must be led top-down by government with support from lenders and other market participants, such as mortgage brokers and estate agents.

We have developed several initiatives for our members, including working with the Energy Saving Trust to launch an online tool to help members assess the energy performance of their properties. We'll continue to look for opportunities for further engagement and support the government in amplifying understanding and education.

H | L | M

4. Enhance calculation of emissions and data quality

Whilst we have made significant improvements in our assessment and quantification of our mortgage emissions, we will continue to refine our approach in line with the latest industry guidance and methodologies to ensure our ambitions are based on appropriate reduction pathways and data. That includes addressing remaining data gaps and exploring new technologies for capturing more accurate emissions data.

1. https://www.theccc.org.uk/wp-content/uploads/2024/07/Progress-in-reducing-emissions-2024-Report-to-Parliament-Web.pdf"Progress in reducing emissions: 2024 Report to Parliament

2. https://www.ukfinance.org.uk/system/files/2022-10/Net%20Zero%20Homes%20Report%202022.pdf"Net Zero Homes Report 2022.pdf

3. Based on a sample of 6000 households, 200 landlords and 200 mortgage brokers.

4. Scope 3 financed emissions (category 15 - residential mortgages) cont.

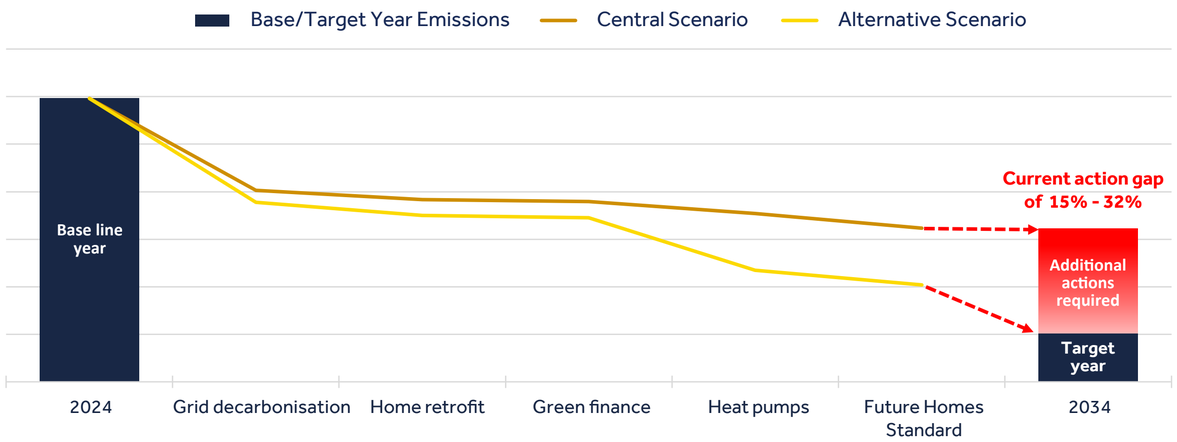
Ambition gap

To support the formulation of our Transition Plan, we've modelled our view of the current trajectory of emissions reductions based on expected progress with decarbonising the UK housing stock (the central scenario) and an alternative scenario based on the potential trajectory using assumptions derived from the CCC's 2022 balanced net zero pathway (updated for current government policies and market conditions). As illustrated in the chart opposite, our assessment of future progress highlights a potential action gap of between 15%-32% versus our 2034 emissions reduction ambition.

While this analysis is exploratory and subject to a high degree of sensitivity depending on future actions, it underlines the current uncertainties within which our Transition Plan is set and why we currently have low confidence in meeting our ambitions without more stretching policies, as well as wider societal change to drive the required outcomes.

Based on these challenges, we expect our Scope 3 residential mortgage emissions to track above target over the immediate horizon. We will continue to monitor this position and refine our analysis to inform progress against our ambitions and update our Transition Plan accordingly.

Residential mortgage emissions trajectories under our modelled scenarios



Key modelling assumptions

Central Scenario

- **Grid decarbonisation:** the UK electricty grid reaches near zero carbon (95% reduction from current levels) by 2035
- **Home retrofit:** All BTL properties reach EPC C (or above) by 2030 (in line with expected new MEES standards). Additionally 40% of owner-occupied properties rated D-G improve one rating band by 2034 (in the absence of further changes to MEES standards for these properties in line with BTL)
- **Green finance:** encourages 40% of owner-occupied borrowers to improve their property by one band (in addition to above)
- **Heatpump:** 400,000 properties p.a. in the UK replace fossil fuel heating systems with a heat pump by 2034
- **Future Homes Standard:** implemented in full from 2026. New homes being built in the UK continues based on the current trajectory (200,000 p.a.)

Alternative Scenario

- **Grid decarbonisation:** the UK electricty grid reaches near zero carbon (95% reduction from current levels) by 2030 (in line with the government's current ambition)
- **Home retrofit:** All BTL properties reach EPC C (or above) by 2030 (in line with expected new MEES standards). Additionally all owner occupied properties rated D-G improve one rating band by 2034 (in the absence of further changes to MEES standards)
- **Green finance:** encourages 60% of owner-occupied borrowers to improve their property by one band (in addition to above)
- **Heatpump:** 1,700,000 properties p.a. in the UK replace fossil fuel heating systems with a heat pump by 2034 (in line with the government's ambition)
- **Future Homes Standard:** implemented in full from 2026. New homes being built in the UK increases in line with the governement's current ambition of 300,000 p.a.

5. Engagement strategy

Supply chain

We've engaged with 40 of our suppliers that collectively account for 37% of our Scope 3 supply chain emissions, to explain our expectations and get an update on their ambitions, targets and progress. We've agreed a set of expectations for all material suppliers, which we'll use to drive ongoing discussions, agree actions and track progress.

Discussions have demonstrated that good progress is being made, with the majority either aligned with our requirements or committed to doing so in the coming years. We'll continue to regularly engage with our most material suppliers to influence further action where required.

Our expectations for material suppliers:

- Be committed to reduce emissions to net zero by 2050 at the latest
- Set near-term science-based targets to reduce emissions
- Measure and disclose emissions for the full value chain
- Agree a transition plan setting out the actions that they will take
- Sign-up to EcoVadis or CDP platforms to support our ongoing due diligence and enable us to track progress

ecovadis CDP

Members and mortgage brokers

We continue to develop our engagement approach to support the decarbonisation of our residential mortgage properties, including customer research to inform our product offering and tools to help members and external mortgage brokers navigate the challenges and support the uptake of green finance.

To date, over 600 of our members have used our online tool powered by the Energy Savings Trust to understand the EPC rating of their property and devise a decarbonisation plan.

Powered by energy saving trust

5. Engagement strategy cont.

Political advocacy

We continue to engage with central and local government (bilaterally and through our membership of trade bodies such as UK Finance and the Building Societies Association), to help shape future net zero policy proposals and highlight our dependencies and requirements. We support UK Finance's recommendations as part of their Net Zero Homes report[1], which remain vital foundations to achieve a just and orderly net zero transition.

Our policy priorities

- Implement revisions to the Future Homes Standard (FHS) in full to ensure that all new homes being built in the UK are net zero ready
- Reform the Consumer Credit Act (CCA) to ensure it supports financial services in making the UK a global hub for green finance activity
- Ensure EPC methodologies for buildings are fit for purpose
- Provide certainty for firms involved in retrofitting homes with long-term public policies that support new jobs, skills and investment
- Provide additional support to vulnerable people with the cost of energy efficiency and environmental improvements to their home

We'll monitor progress against these initiatives and continue to use our voice to advocate for change and influence the implementation of appropriate policy measures.

Partnerships and affiliations

Implementation of our Transition Plan will require close collaboration with several third parties to collectively address current barriers to progress.

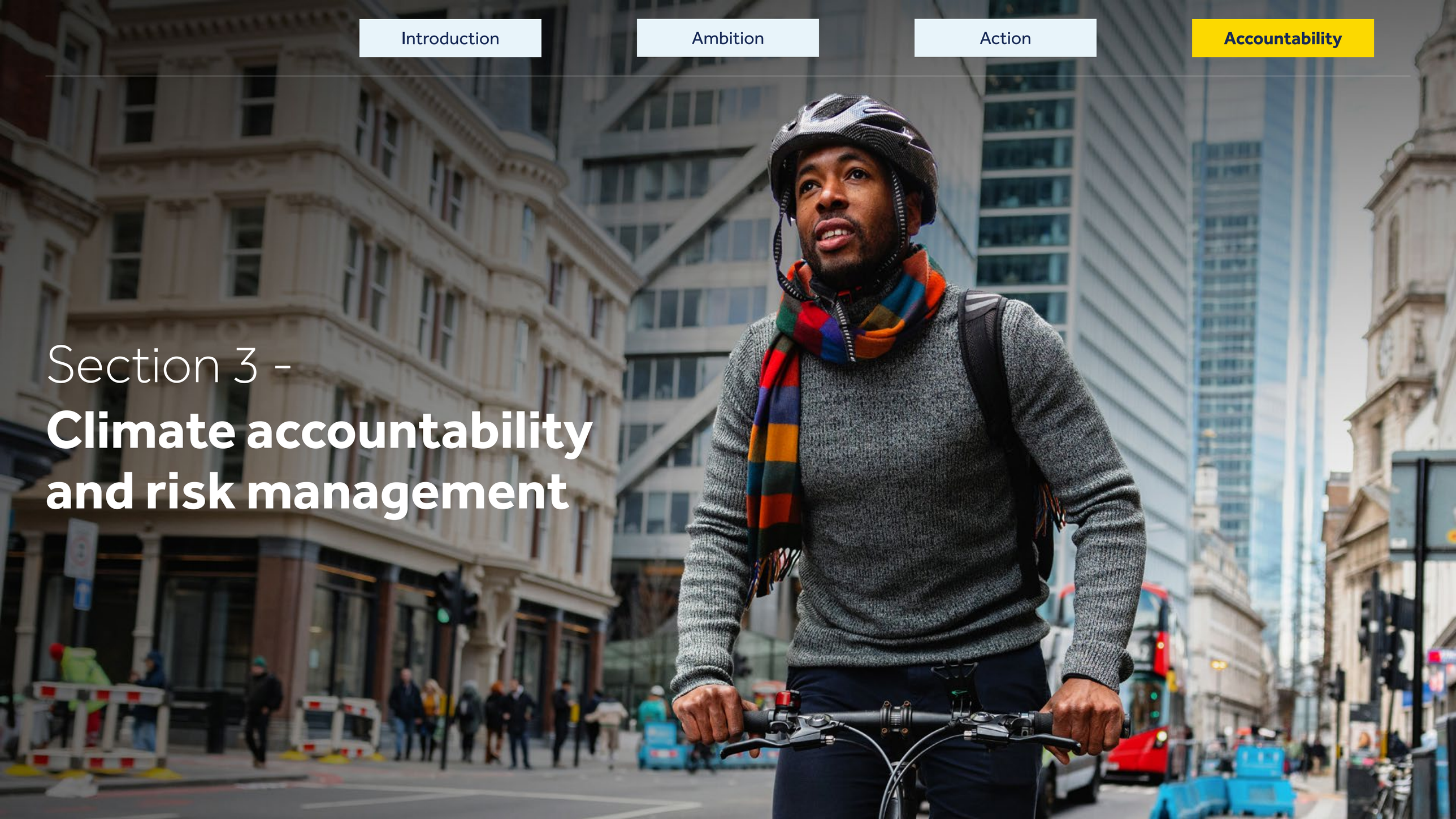
We'll leverage our existing partnerships and affiliations to share our experiences and challenges and look for new opportunities to develop innovative solutions.

Green Finance Institute | Coalition for the Energy Efficiency of Buildings

PCAF

accenture

1.https://www.ukfinance.org.uk/policy-and-guidance/reports-and-publications/net-zero-homes



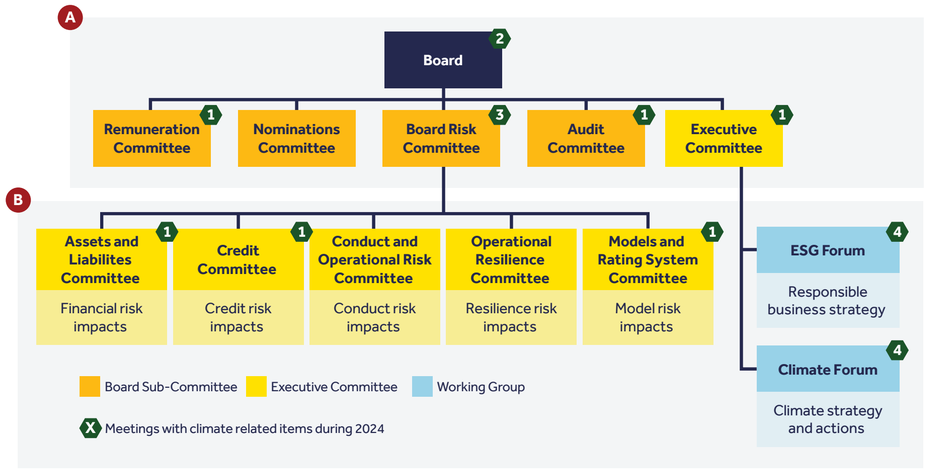
Section 3 -

Climate accountability and risk management

1. Climate accountability, roles and responsibilities

Governance

We have embedded appropriate governance arrangements to define our climate ambitions and Transition Plan and identify and manage the risks and assess the opportunities associated with climate change. Accountabilities are defined in board and management level committee terms of reference as set out below:



A. Board and senior management level

The board has ultimate accountability for approving our climate Transition Plan, strategy and ambitions and overseeing their delivery. Responsibility for specific elements of oversight have been delegated to the following board sub-committees:

- The Board Risk Committee oversees the identification and management of risks associated with climate change in line with its stated appetite.
- The Audit Committee oversees internal systems of control and external disclosures for climate risk, including approval of our transition plan on behalf of the board.
- The Remuneration Committee oversees the design and implementation of reward structures to ensure they appropriately motivate colleagues to achieve our climate ambitions.

During 2024, the board and its sub committees monitored progress against our targets and metrics, reviewed present and future risks, agreed accounting judgements, and approved our inaugural Transition Plan and amendments to targets.

B. Management level

The Board Risk Committee is supported by five Management Risk Committees, each of which focus on disciplines of the risk universe influenced by climate change factors. The ESG and Climate Forums support development of our climate strategy and targets and monitor progress under the oversight of the Executive Committee.

During 2024, management focus was on development of our Transition Plan, implementing supporting actions and monitoring the Society's climate risk profile, including outputs of scenario testing.

Senior Management Function (SMF)

Responsibility for managing climate-related risk has been assigned to the Deputy Chief Executive Officer, as the appropriate Senior Management Function under the Prudential Regulation Authority's Senior Managers' Regime.

This includes ensuring that climate-related risks are adequately reflected in risk management frameworks, that we can identify, measure, monitor and report on our exposure to these risks, and appropriate skills and resources are in place to deliver our Transition Plan.

In support of this, individual Executive responsibilities have also been defined to ensure relevant requirements are embedded at the individual business unit level.

Culture, training and awareness

Ensuring robust understanding of climate-related risks and opportunities is crucial for colleagues at all levels of the organisation. During 2024, both the board and senior leadership team were regularly updated on changes in the external environment, including changes to the SBTi's target setting criteria for financial institutions.

Mandatory climate risk training has also been introduced for all colleagues, and colleague engagement has been facilitated through a dedicated Green Champions network of colleagues.

Remuneration

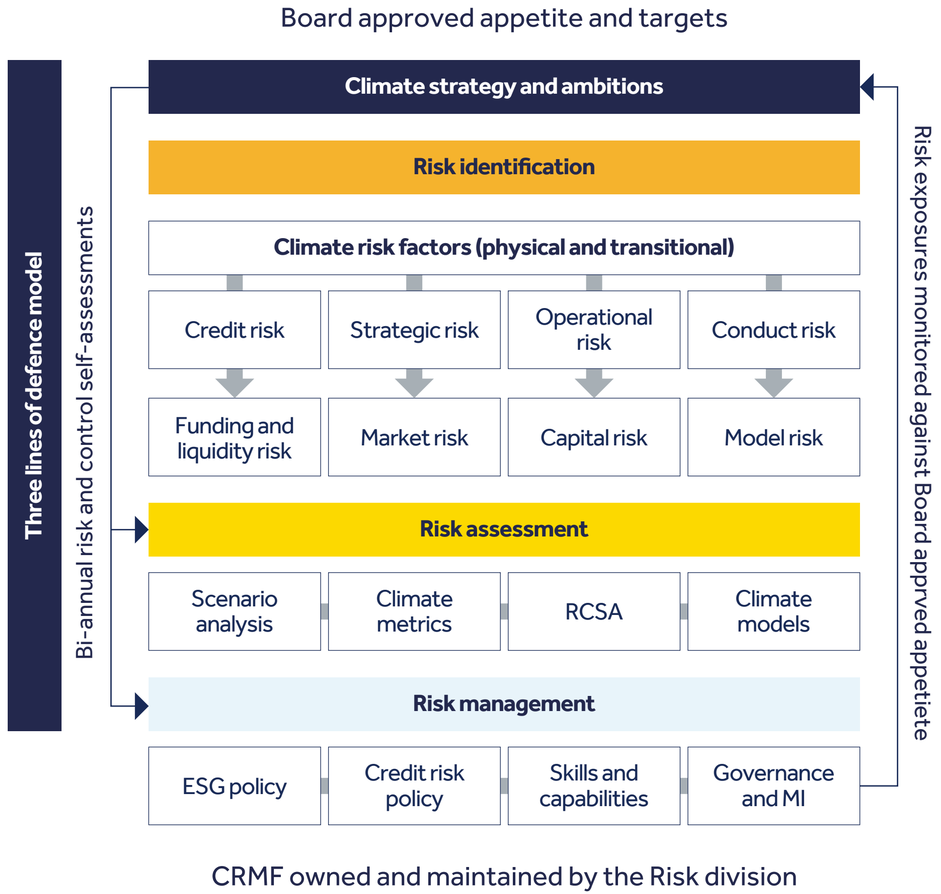
During 2024, climate factors and actions were reflected in our remuneration scheme with relevant members of the Senior Leadership Team required to have a personal objective linked to climate priorities within their area of responsibility.

Supporting the transition to net zero has also been included as one of our ten corporate priorities under our purpose blueprint.

Climate risk management framework

We've developed a Climate Risk Management Framework (CRMF) to integrate climate change into our broader ERMF and ensure that climate risks and opportunities are appropriately identified, measured, managed, monitored, and reported. Refer to the Risk Management section of our Annual Report and Accounts for further details of our ERMF.

We don't view climate related risks as a separate principal risk category, but as factors that have a bearing on existing risks across the Society's principal risks.



2. Climate related appetite and risks

Climate risk appetite

Our climate risk appetite has been defined in line with current good practice guidance, combining a qualitative statement with measures we use to assess adherence to appetite over a time period reflective of the risks from climate change.

Our risk appetite is expected to evolve over time and will be reviewed and updated in line with changes in the external environment, our wider business strategy and our Transition Plan.

Appetite

"We have a low tolerance for ESG risks in order to create long-term value for our key stakeholders and protect our brand and reputation."

Supporting Measures

Targets / Ambitions:

- Reduce absolute Scope 1 & 2 emissions by 90% (market-based) and 42% (location-based) by 2034.
- Reduce absolute operational Scope 3 emissions (Categories 1 – 14) by 35% by 2034.
- Ambition to reduce intensity of our financed Scope 3 emissions from residential mortgages (category 15) by 70% by 2034.

Risk Exposure:

- Maintain negligible / low aggregate exposure to physical climate risks (flooding, ground hazards, and coastal erosion), as defined under the ICAAP.
- Limit exposure to transition risks from our residential mortgage portfolio through our credit policy and criteria.
- Maintain zero appetite for the funding of fossil fuel and other carbon intensive industries.

Assessment and management of climate-related risks

We use our CRMF to assess how climate change risks could impact each of our principal risks. Our current assessment of the potential impacts against each of our eight principal risks is presented on the following pages (based on short and long-term view of the risk impacts) along with key mitigants and climate risk metrics in place to monitor the risks. The assessment is based on available data and insights and should be viewed in the context of the current complexity and high degree of uncertainty around future climate change. Risk scores reflect our assessment of the likelihood and impact of the risks occurring, based on a scale of 1-25 (with 1 being the lowest likelihood/risk and 25 being the highest).

PR = **Physical Risk**
TR = **Transition Risk**
(ST) = Short-term
(MT) = Medium-term
(LT) = Long-term

Principal Risk		Risk Description	Mitigants / Response	Impact Present	Impact Future	Recent Trend	Metrics
Credit	**PR** (LT)	• Impacts to the value of mortgaged properties that we finance due to more frequent and extreme flooding and ground risks events. • Increased default risk due to reductions in mortgage affordability (higher insurance or repair costs).	• Automated flood and ground risk assessment as part of credit decisioning process. • Credit policy controls and concentration limits. • Semi-annual back book assessment of physical risks under multiple climate scenarios.	**Medium (6)**	**Medium (12)**	→	• % mortgage balances with high physical risk. • Stressed credit losses.
	TR (MT)	• Impacts to the value of mortgaged properties that we finance due to new requirements for minimum energy performance ratings and/or economic shocks from the net zero transition. • Increased default risk due to reductions in mortgage affordability (retrofitting costs, rising energy prices or economic shocks).	• EPC data is incorporated into automated credit decisioning processes. • Credit policy controls and stressed affordability assessments. • Regular stress testing of the mortgage portfolio using multiple transition pathways.	**Medium (6)**	**Medium (6)**	↗	• % mortgage balances with current / potential EPC >C. • Stressed transitional credit losses.
Strategic and Business	**PR** (MT) (LT)	• Ineffective management of climate risks impacts our ability to deliver strategic objectives.	• Risks are identified, monitored and managed in accordance with our CRMF.	**Low (4)**	**Low (2)**	→	• External ESG ratings.
	TR (ST)	• Reputational damage from inaccurate / inappropriate disclosure or failure to meet carbon reduction targets. • Reputational damage from third party supplier relationships due to their climate credentials.	• Disclosures are aligned with good practice, regulatory requirements and are subject to appropriate internal review and sign-off. • Supplier due diligence and relationship management. Minimum contract expectations.	**Medium (9)**	**Medium (6)**	↗	• Climate targets • Complaints and adverse publicity. • Number of suppliers with climate targets.
Operational	**PR** (LT)	• Disruption to important business services due to physical risks impacting our operations.	• Corporate insurance policy. • Business continuity and operational resilience plans and disaster recovery testing.	**Low (2)**	**Low (4)**	→	• Number of Society properties with high physical risk.
	PR **TR** (LT)	• Disruption to critical third party services due to physical risks impacting their operations or a failure to transition their business model in line with net zero.	• Supplier due diligence, relationship management and contingency plans.	**Low (4)**	**Medium (6)**	→	• Number of supplier sites with high physical risk.

PR = **Physical Risk**
TR = **Transition Risk**
(ST) = Short-term
(MT) = Medium-term
(LT) = Long-term

Principal Risk		Risk Description	Mitigants / Response	Impact Present	Impact Future	Recent Trend	Metrics
Conduct	**TR** (ST)	• Customer detriment due to the design, marketing and sale of our green financial products. • Inappropriate treatment of customers in financial difficulty because of climate change.	• Product Governance Framework. • Credit risk appetite and policy. • Colleague training and oversight. • Complaints handling and resolution procedures.	**Low (2)**	**Low (4)**	↗	• % mortgage members with high physical or transitional risk. • Complaints.
Funding and Liquidity	**TR** (MT)	• Reductions in retail funding due to changes in customer sentiment or increased costs from net zero transition (retrofitting, energy bills and macro-economic impacts). • Increased wholesale funding costs due to changes in investor sentiment and central bank liquidity criteria.	• Daily monitoring of our liquidity position and early warning indicators. • Climate risk disclosures articulating the Society's approach to the management of climate risk. • Monitoring and stress testing of central bank liquidity collateral.	**Low (4)**	**Medium (6)**	↗	• External ESG ratings. • Central bank liquidity collateral limits.
Market	**TR** (MT)	• Impacts to our profitability due to increases in the price of carbon offset credits. • Changes in member behaviour impacting planned savings and mortgage flows.	• Monitoring and recalibration of behavioural life models for savings and mortgages. • Stress testing of carbon offset costs.	**Low (4)**	**Medium (9)**	→	• Carbon offset prices and availability.
Model	**PR** (MT)	• Incorrect or inaccurate decision making and reporting due to gaps in source data or errors in third party models used to assess climate risks.	• Model performance monitoring and validation. • Data quality checks and modelling of missing data.	**Medium (9)**	**Low (4)**	→	• Number of climate models with incomplete validation.
Capital	**PR** **TR** (MT)	• Reductions in capital from changes in risk weighted assets and impairment / credit losses.	• Our annual Individual Capital Adequacy Assessment Procedure (ICAAP) considers the impacts of climate change under a range of future stresses and climate pathways.	**Low (4)**	**Medium (9)**	→	• Stressed physical and transitional credit risk losses.

3. Climate risk impacts

Scenario analysis

We've developed a proportionate approach to climate risk scenario analysis as part of our Internal Capital Adequacy Assessment Process (ICAAP), to understand the potential future impacts of climate change on our overall risk profile and to inform strategic planning.

Aligned with the principles of the Bank of England's 2021 Climate Biennial Exploratory Scenario (CBES) exercise, we model three climate-related scenarios as part of our ICAAP. The scenarios assess the potential financial impacts from different combinations of physical, transition and economic risks over a 30-year time horizon (2024 to 2050s). Impacts on expected losses are modelled based on a static balance sheet (i.e. no runoff of assets and liabilities and no management actions).

2024 Climate change scenario descriptions and key assumptions

	Late policy action (LPA)	Early policy action (EPA)	No policy action (NPA)
Description	Disorderly transition to a net zero economy by 2050	Orderly transition to a net zero economy by 2050	No further climate policy leading to a 3.3°c rise in temperatures by 2050
Transition risk	High	Medium	Limited
Transition begins	2031	2023	N/A
Nature of transition	Late and disorderly. New climate policy from 2030	Early and orderly. New climate policy from 2024	Only climate policies in place pre-2024
EPC ratings	All properties reach their maximum potential rating by 2030s	All properties reach their maximum potential rating by 2020s	No change
Peak carbon price	£690 / tonne Co2	£580 / tonne Co2	N/A
Physical risk	Limited	Limited	High
Mean global warming[4]	1.8°c increase	1.8°c increase	3.3°c increase
Emissions RCP[5]	2.6	2.6	8.5
Economic impact (UK)	Sudden recession	Temporary downturn	Permanent downturn

Scenario conclusions

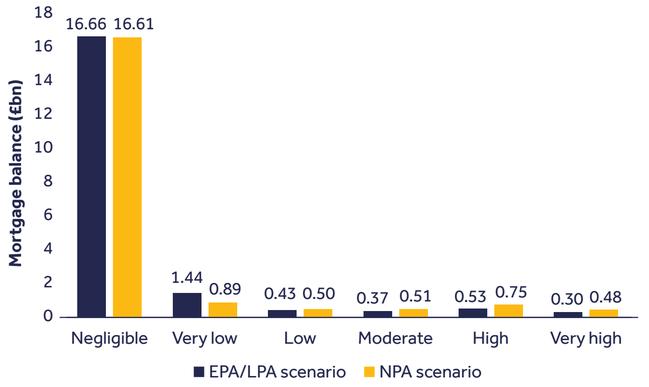
The exploratory climate scenario analysis that we completed during 2024 provided the following insights:

- Modelling of climate change impacts continues to be complex and highly uncertain. This is primarily due to the longer term time horizons that the risks are expected to materialise over (versus the relatively short behavioural lives of our mortgage book) and uncertainties around the timings and impacts of future government climate policies.
- Overall, we continue to have limited potential exposure to physical risk, both currently and under a range of future climate pathways modelled over the next 50 years, due to the geographically diversified and low LTV profile of our UK-focused mortgage portfolio.
- The biggest impact was observed under the NPA scenario (expected credit losses (ECL) increased by a factor of 10 vs the EPA scenario by 2050). This was largely due to the economic impacts of the scenario and amplified physical risk losses.
- More material potential impacts have been observed through transition risks. Transitional impacts were greatest under a LPA scenario, where actions to achieve net zero are disorderly and concentrated in a short time period. As a result, total ECLs under this scenario were more than two times higher than the EPA scenario.

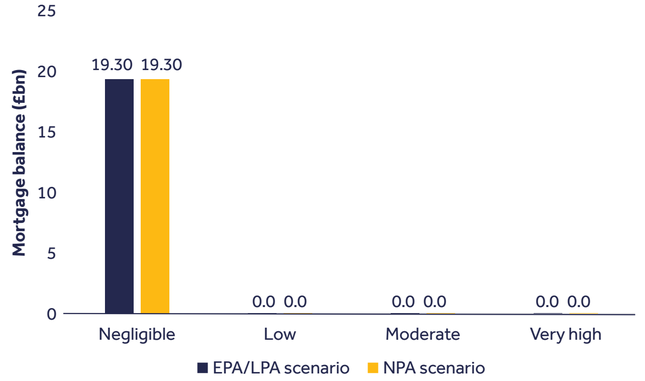
Scenario conclusions

- Despite these potential impacts, our business model and capital position were found to be resilient to the risks under all three of the scenarios modelled.
- Based on current progress there is an increased probability of a disorderly scenario materialising in the medium to long term.
- In this context, we are closely monitoring exposure to climate risks and factoring this into strategic decision making and accounting policies where appropriate.
- We intend to continue to refine and enhance our scenario testing capabilities in future years, including consideration of nearer-term scenarios, as additional data becomes available and further industry good practice emerges.

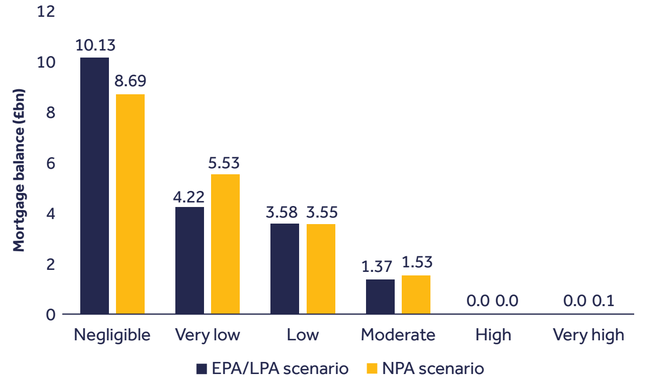
2050s flood risk profile[1]



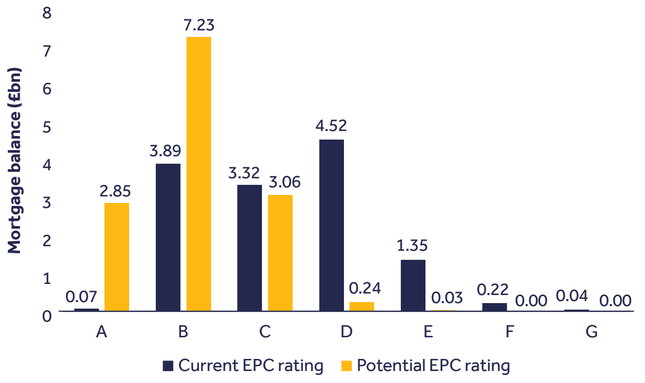
2050s coastal erosion risk profile[1]



2050s subsidence risk profile[1]



Current and potential EPC ratings[1]



1. Based on the mortgage portfolio as at 30th June 2024.

Impacts on our business model and financial statements

The impacts of climate-related risks and opportunities on our financial position and performance are regularly assessed and reflected in our financial statements where appropriate. Based on our current business model and exposure to climate risks, the overall immediate impact on our financial statements is not considered material but we will continue to monitor this as climate risks, policies and regulations continue to evolve.

While there is currently no single explicit standard on climate-related matters under International Financial Reporting Standards (IFRS), the most significant impact on our accounting judgements relates to the assessment of ECL from mortgage lending due to exposure to physical and transition risk factors. This is quantified based on the outputs of our risk assessments and scenario testing. We expect that the actions we are taking under our Transition Plan will help to minimise future ECL impacts from climate change by ensuring our mortgaged properties are resilient to physical and transition risks.

Balance sheet item	31 December 2024 (£'000)	Impact Assessment[1]
Loans fully secured on residential property	24,402,694	**M**[2]
Other loans (equity release)	145,002	**L**
Other loans (commercial)	2,795	**L**
Cash in hand and balances with the Bank of England	2,443,246	**L**
Loans and advances to credit institutions	152,315	**L**
Investment securities	3,950,008	**M/L**[3]
Derivative financial instruments	371,112	**L**
Fair value adjustment for hedged risk on loans and advances to customers	-173,059	**L**
Other assets, prepayments and accrued income	238,100	**L**
Current tax assets	8,307	**L**
Intangible assets	35,053	**L**
Property, plant and equipment	45,426	**L**

1 **H** = High imapct/materiality; **M** = Medium impact/materiality; **L** = Low impact/materiality.

2 An in-model adjustment is applied to our IFRS 9 ECL calculations to address the current and forecasted physical risk impacts, applying a house price index haircut to the affected residential properties based on risk exposure. Refer to note 2 (a) (ii) of our annual report and accounts for further details.

3 Climate risks are reflected in the valuations for our buildings. Refer to note 1 of our annual report and accounts for further details of our accounting policies for property, plant and equipment.

4. Climate metrics and targets

Greenhouse Gas (GHG) Emissions

We measure and report emissions using the World Resources Institute and the World Business Council for Sustainable Development GHG Protocol. This is the internationally recognised standard for the measurement, management, and reporting of GHG emissions across different emissions categories.

Our assessment of the relevance and materiality of the different categories to our business model is set out in the table opposite along with an indication of our ability to influence required reductions and the current quality of the data underpinning the calculations.

Category	Subcategory	Relevance[1]	Influence[2]	Data Quality[3]
Direct Emissions				
Scope 1 Emissions	Stationary combustion	H	H	H
	Mobile combustion	N/A	N/A	N/A
	Process combustion	N/A	N/A	N/A
	Fugitive emissions	H	L	M
Scope 2 Emissions	Purchased electricity - Market Based Approach	H	H	H
	Purchased electricity - Location Based Approach	H	L	H
Indirect Emissions (upstream)				
Scope 3 Emissions (categories 1-8)	Purchased goods and services	H	M	L
	Capital goods	M	M	L
	Fuel and energy related activities	L	M	M
	Upstream transportation and distribution	L	M	M
	Waste generated in operations	L	H	M
	Business travel	L	H	M
	Employee commuting and home working	M	H	M
	Upstream leased assets	N/A	N/A	N/A
Indirect Emissions (downstream)				
Scope 3 Emissions (categories 9-14)	Downstream transportation and distribution	N/A	N/A	N/A
	Processing of sold products	N/A	N/A	N/A
	Use of sold products	N/A	N/A	N/A
	End of life treatment of sold products	N/A	N/A	N/A
	Downstream leased assets	L	H	L
	Franchises	N/A	N/A	N/A
Scope 3 (category 15)	Financial emissions (residential mortgages)	H	L	M

1. High (H), Medium (M) and Low (L) ratings reflect our assessment of relevance / materiality to our business model.
2. High (H), Medium (M) and Low (L) ratings reflect our ability to influence reductions in the emissions.
3. High (H), Medium (M) and Low (L) ratings reflect the quality of data available to us to calculate the emissions

GHG emissions metrics, targets and reporting

Our GHG reporting has been completed in accordance with the requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK's Streamlined Energy and Carbon Reporting (SECR) regulations.

We've set our organisational GHG emissions boundary using the operational control approach, which captures GHG emissions linked to entities under our control. Reported emissions encompass the seven GHGs defined under the Kyoto Protocol.

Our GHG emissions for 2024 are summarised opposite, with comparison to 2023.

Scope 1 and 2 emissions

We have re-baselined and revised our existing Scope 1 and 2 targets from 2021 to 2024 in line with requirements of the SBTi to re-baseline targets at least every 5 years.

Our targets continue to be guided by the principles of an absolute contraction science-based net zero pathway and will align our Scope 1 and 2 emissions with the Paris Agreement goal to limit future temperature increases to 1.5°C.

This means we plan to reach net zero for our Scope 1 and 2 emissions by 2034 on a market-based approach (a reduction of 90% from our 2024 base year) and reduce our Scope 1 and 2 emissions by 42% over the same period on a location-based approach.

2024 GHG emissions reporting

Emissions Category		2024 (tCO_2e)	2023 (tCO_2e)	Change
Scope 1	Diesel	2	1	63%
	Gas	29	33	-13%
	Fugitive	235	59	300%
Scope 2	Electricity – Market Based	9	4	124%
	Electricity - Location Based	471	491	-4%
Total Scope 1 and 2 – Market Based		**275**	**97**	**183%**
Total Scope 1 and 2 – Location Based		**737**	**584**	**26%**
Scope 3	Purchased goods and services[1]	22,802	21,083	8%
	Capital goods[1]	863	1,907	-55%
	Fuel and Energy Related Activities (FERA)	160	166	-4%
	Upstream transportation [1]	470	662	-29%
	Waste from operations[1]	9	2	314%
	Business travel	165	177	-7%
	Employee commuting and homeworking	1,526	1,477	3%
	Downstream leased assets[1]	25	42	-40%
Total Scope 3 emissions (categories 1-14)		**26,021**	**25,516**	**2%**
Scope 3	Financed emissions: residential mortgages[1]	212,835	312,569	-32%
Total Scope 3 emissions (categories 1-15)		**238,856**	**338,085**	**29%**
Total emissions – Market based		**239,130**	**338,182**	**29%**
Total emissions – Location based		**239,592**	**2,552**	**29%**
Energy consumption (Mwh)		**2,431**	**2,552**	**-5%**
Scope 1 and 2 market based emissions intensity (per FTE)		**0.2**	**0.1**	**175%**
Scope 3 category 15 emissions intensity ($kgCO_2e$ per m^2)		**12.4**	**19.4**	**-36%**

1. Categories which had a material change to their calculation methodology during 2024 and positions are therefore not directly comparable to the prior year.

Scope 1 and 2 emissions (cont.)

Our Scope 1 and 2 location-based emissions increased by 26% in 2024 vs. 2023 due to several unexpected leakages of fugitive gas emissions from the air conditioning system at one of our offices. Despite the increase, we remained below our existing (2021-2030) target trajectory (an overall reduction of 24% since 2021 vs a targeted reduction of 20% by 2024).

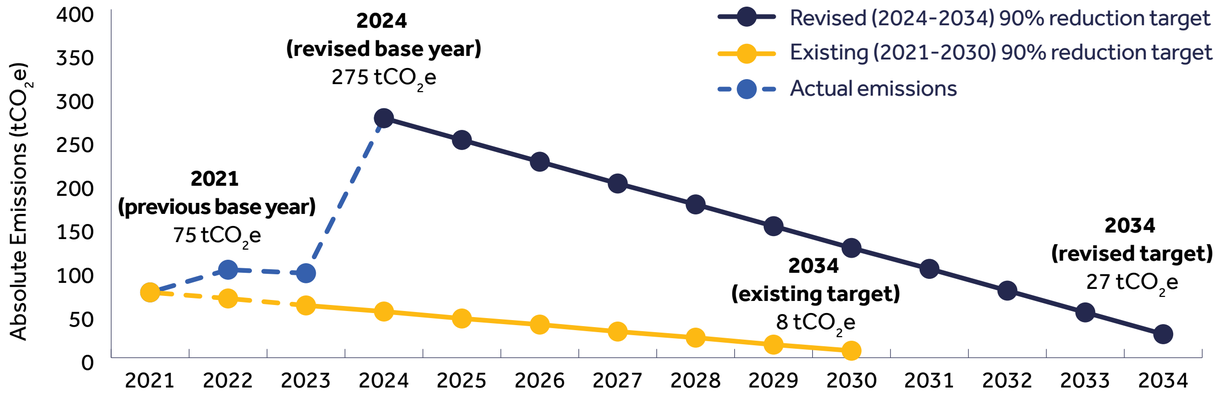
Previous reductions have predominantly been driven by the move to our new A rated head office in Leeds and the divestment of another legacy contingency site during 2022, as well as decarbonisation of the UK electricity grid.

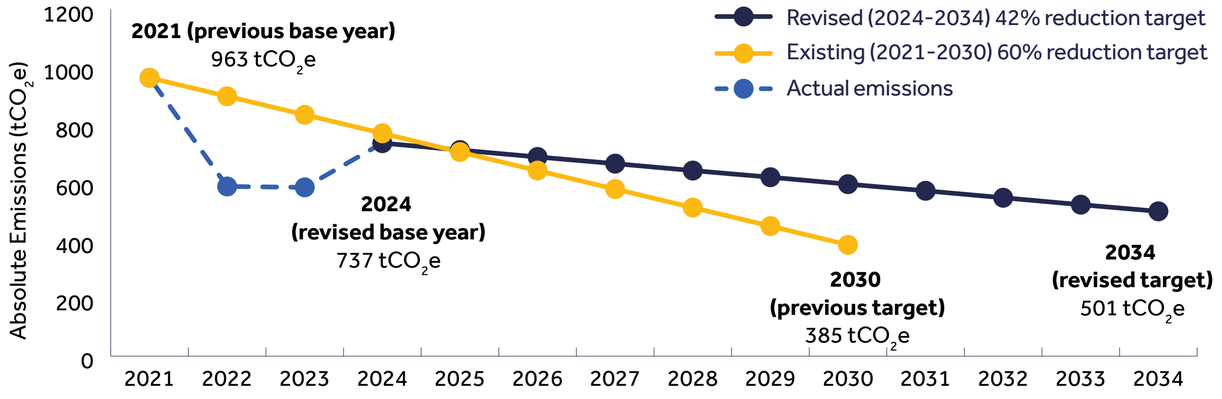
As a result of the fugitive gas leaks and the relocation of three branches during 2024, our market-based emissions also increased by 183% in 2024 vs. 2023 meaning we exceeded our existing (2021 to 2030) target trajectory (an overall increase of 265% since 2021 vs a targeted reduction of 30% by 2024).

We've taken action to minimise the risk of future leakages as far as is practical and expect our Scope 1 and 2 emissions to trend down in future years in line with our revised target trajectories, subject to the actions and dependencies in section 2.2.

We've calculated a data score of 2.06 for our Scope 1 and 2 market-based emissions and 2.02 for our Scope 1 and 2 location-based emissions using the PCAF methodology (with 1 being the highest data quality and 5 the lowest quality).

The data scores reflect the high proportion of actual vs estimated consumption data and use of average emissions factors provided by the Department for Energy and Net Zero for the purposes of SECR regulations.





Scope 3 operational emissions (categories 1-14)

Our Scope 3 operational targets are currently aligned with a well below 2°C future temperature pathway, in accordance with the principles of the SBTi.

Our most material Scope 3 operational emissions include our purchased goods and services, and emission linked to our employee activity (business travel, commuting and homeworking).

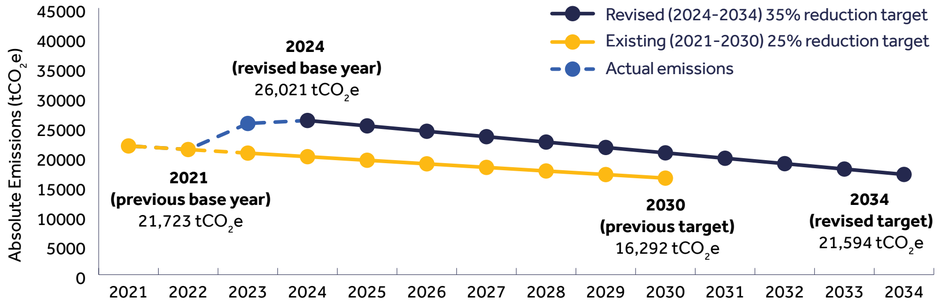
During 2024, we updated our methodology for calculating supplier emissions (Scope 3 categories 1, 2 and 4) to improve data quality. We now utilise a combination of Eora multi-region input-output data and actual supplier data (where available) to calculate the emission factors for our supplier emissions calculations. We have also updated our methodology for calculating waste from operations to include water and waste from the refurbishment / conversion of several of our branches.

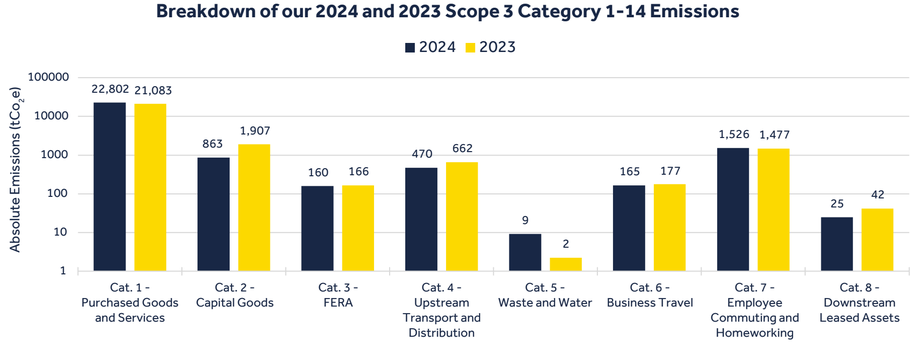
As a result of these methodology changes, the PCAF data score for these emissions has improved from 4.89 to 4.00. We expect the score to improve further over time as the proportion of actual supplier data in our calculations increases.

In accordance with requirements of the SBTi, we have re-baselined our existing target from 2021 to 2024 to reflect the methodology changes, and increased our targeted reduction from 25% to 35% by 2034.

Our 2024 emissions have increased 20% from 21,723 tCO_2e in 2021 (based on our existing methodologies) to 26,021 tCO_2e in 2024 using our revised methodologies. The main driver of this increase was a significant increase in supplier spend during the period as part of ongoing investment in our IT infrastructure, people and processes.

We expect our expenditure (and emissions) to continue to increase in the near-term in line with future investment plans, before reducing in line with our target trajectory towards the end of the decade, subject to the actions and dependencies set out in section 2.3.





Scope 3 financed emissions (category 15- residential mortgages)

Our revised near-term Scope 3 category 15 ambition for UK residential mortgages has been updated to align with a 1.5°C Sectoral Decarbonisation (SDA) pathway, as defined under the SBTi's new buildings sector target setting guidance for in-use emissions. That means we'll aim to reduce the physical emissions intensity ($kgCO_2e/m_2$) of the mortgage properties that we finance by 70% by 2034 from a 2024 base year.

Our emissions have been calculated using the PCAF methodology for residential mortgages, which multiplies an attribution factor (outstanding loan balance divided by indexed property value) by building emissions (energy consumption multiplied by an emissions factor). We include 100% of our UK residential mortgage balances but loans located in Gibraltar and Spain are excluded (these had a value of £4.6m and £34.3m at 31 December 2024) as these are closed books in run-off and are considered immaterial from an emissions perspective.

During 2024, we updated our methodology to improve data quality and accuracy. We now utilise aggregated property-level energy metered data (where available) and average emission factors to give an accurate view of consumption and associated emissions for our mortgaged properties. We believe that this approach provides a more accurate and robust view, addressing several of the known limitations from using EPCs under our existing methodology. Where we've been unable to match a property to an energy meter (3% of our portfolio), we have derived consumption from the government's National Energy Efficiency Data (NEED) framework.

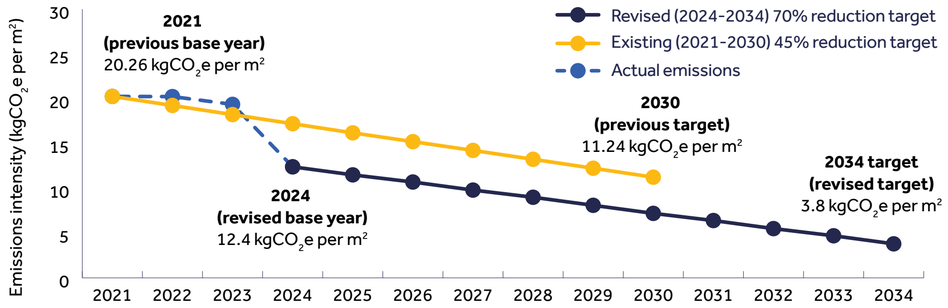
As a result of this methodology change, the PCAF data score for our mortgage emissions has improved from 3.40 to 2.13 based on the location-based approach (reflecting use of metered data and the UK grid average emission factors provided by the government). Given the materiality of the change, we have also re-baselined our target from 2021 to 2024 in line with SBTi requirements.

Using our new methodology, our location-based absolute attributed mortgage emissions (based on the LTV of the loans) was 212,835 tCo_2e as of 31st December 2024 versus 312,569 tCo_2e at the end of 2023 based on our existing methodology. On a physical intensity basis (based on $kgCo_2e$ per square metre of the properties that we have financed) our attributed emissions were 12.4 $kgCo_2e/m_2$ for 2024 versus 19.4 $kgCo_2e/m_2$ in 2023 under our existing methodology.

In addition, we are also now reporting our financed emissions based on the market-based approach (reflecting energy supplier specific emission factors reported to Ofgem). Use of supplier specific emission factors reduces our absolute and physical intensity emissions to 210,366 tCO_2e and 12.3 $kgCO_2e/m2$ respectively and improves the data score to 1.17. We expect our attributed mortgage emissions will trend above our required reduction pathway over the near-term due the dependencies and challenges set out in section 2 and the lack of progress in decarbonising UK homes.

Summary of the Scope 3 financed emissions for our mortage portfolio

Scope 3 category 15 emissions	31 December 2024		31 December 2023
	New methology		Existing methology
	Location based	Market based	
Total mortgaged properties	201,368	201,368	189,794
Total mortgage lending	£20.43 bn	£24.43bn	£21.92bn
PCAF data score	2.13	1.17	3.40
LTV attributed absolute financed emissions (tCO_2e/year)	**212,835**	**210,366**	**312,569**
LTV attributed absolute physical emissions intensity ($kgCO_2e/m^2$/year)	**12.40**	**12.25**	**19.37**
LTV attributed economic emissions intensity (tCO_2e/£m lent/year)	**8.71**	**8.61**	**14.26**



Physical risk climate metrics

We assess physical risks to our mortgaged properties from flooding, coastal erosion and subsidence at origination and biannually thereafter.

The assessments are based on third party climate catastrophe models which assess the risks based on the present day and under a range of future stress scenarios.

Results from our most recent assessment (30 June 2024) are summarised in the table and graphs opposite.

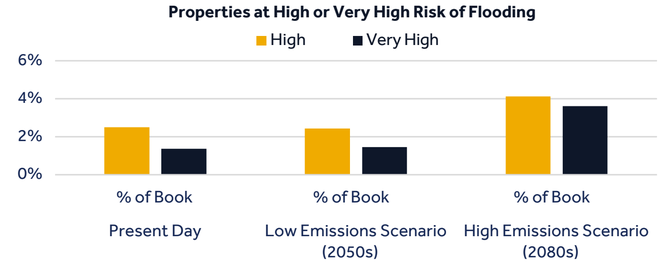
We continue to have low current and future exposure to physical risk perils, with 90% of our UK properties currently assessed as having negligible / low risk of flooding (85% under a future high emissions scenario). 93% have negligible / low risk of current and future coastal erosion and 88% currently have negligible / low risk of subsidence (87% under a future high emissions scenario).

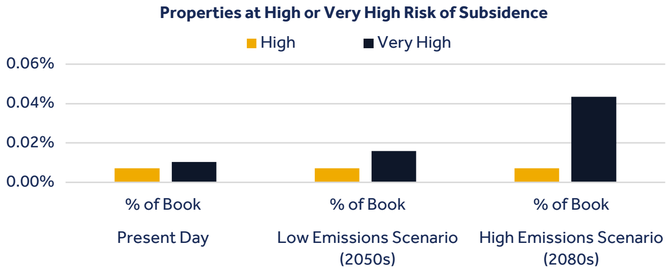
Summary of physical risk metrics as at 30 June 2024

	Present day			Low emissions scenario (2050s)			High emissions scenario (2080s)		
	Properties	Exposure (£M)	% of book	Properties	Exposure (£M)	% of book	Properties	Exposure (£M)	% of book
Flood risk									
Negligible	158,295	18,280	80.8%	158,642	18,321	81.0%	158,018	18,246	80.7%
Very Low	14,682	1,674	7.5%	13,407	1,550	6.8%	4,725	553	2.4%
Low	3,588	423	1.8%	4,006	457	2.0%	4,455	520	2.3%
Moderate	3,071	345	1.6%	3,566	395	1.8%	4,848	574	2.5%
High	4,919	544	2.5%	4,767	529	2.4%	8,103	932	4.1%
Very High	2,678	260	1.4%	2,845	275	1.5%	7,084	701	3.6%
Unmatched	8,667	1,081	4.4%	8,667	1,081	4.4%	8,667	1,081	4.4%
Coastal erosion									
Negligible	181,805	21,204	92.8%	181,787	21,201	92.8%	181,721	21,193	92.8%
Low	6	1.3	0.0%	4	1.0	0.0%	3	0.7	0.0%
Moderate	10	1.1	0.01%	19	3.1	0.0%	32	3.9	0.0%
Very High	5	1.0	0.0%	16	2.6	0.0%	70	10.1	0.0%
Unmatched	14,074	1,399	7.2%	14,074	1,399	7.2%	14,074	1,399	7.2%
Subsidence risk									
Negligible	95,695	11,144	48.8%	94,793	11,028	48.8%	83,303	9,461	42.5%
Very Low	44,972	5,231.2	23.0%	41,085	4,708.0	21.0%	51,470	6,126.8	26.3%
Low	31,958	3,326.5	16.3%	36,689	3,956.2	18.7%	36,493	3,921.5	18.6%
Moderate	9,167	1,501.9	4.7%	9,214	1,509.1	4.7%	10,461	1,684.7	5.3%
High Risk	14	2	0.01%	14	2	0.01%	14	2	0.01%
Very High	20	3	0.01%	31	4	0.02%	85	12	0.04%
Unmatched	14,074	1,399.4	7.2%	14,074	1,399.4	7.2%	14,074	1,399.4	7.2%

Notes:

1. Unmatched refers to properties where we have been unable to source physical risk data.
2. Low emissions scenario equates to a 1.8°c increase in global temperatures by 2050s. High emissions scenario equates to a 3.3°c increase in temperatures by 2090s.
3. Excludes de minimis legacy Commercial, Gibraltar and Spanish lending portfolios, which are closed books in run-off and have therefore been excluded from the analysis.





Transition risk climate metrics

We currently use EPC data as the primary way of assessing the potential impact of transition risk. An EPC shows how energy efficient a property is based on a traffic light rating from A to G (with A being the most efficient and G the least). Ratings show the estimated energy cost (heating and lighting) and associated carbon emissions for the property. Current and potential ratings (after considering available energy efficiency improvements) are provided on the EPC report.

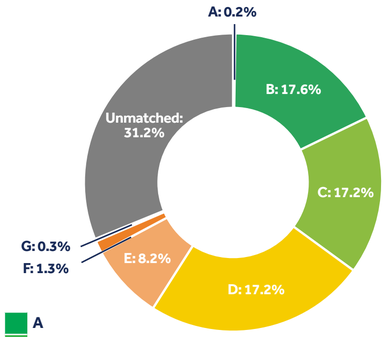
EPC ratings for our UK mortgage portfolio are monitored at origination and biannually thereafter to provide an overall view of the energy efficiency of our mortgaged properties and transition risk impacts from potential future changes to government policy. The table opposite presents the current and potential EPC profile of our UK residential mortgage portfolio as of 30 June 2024.

Summary of EPC ratings for our mortgage portfolio as at 30 June 2024

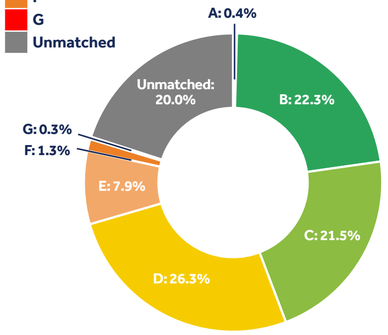
	Current EPC rating			Potential EPC rating		
EPC rating	Total mortgage book	Owner-occupied	Buy to let	Total mortgage book	Owner-occupied	Buy to let
A	0.4%	0.5%	0.1%	14.9%	18.9%	3.4%
B	22.3%	28.2%	5.6%	42.6%	40.3%	49.1%
C	21.5%	17.6%	32.5%	19.1%	15.5%	29.3%
D	26.3%	22.6%	36.6%	2.8%	2.5%	3.8%
E	7.9%	7.1%	10.3%	0.5%	0.5%	0.6%
F	1.3%	1.4%	1.0%	0.1%	0.0%	0.1%
G	0.3%	0.3%	0.3%	0.0%	0.0%	0.0%
Unmatched	20.0%	22.3%	13.7	20.0%	22.3%	13.7
Average	C	C	D	B	B	B

Overall, 80% of our total UK mortgage portfolio was matched with an EPC[1] (2023: 73%). Of those properties, 44% had a current EPC rating of A to C (2023: 39%). Excluding invalid[2] EPCs and properties without an EPC, the proportion of A-C increases to 58% (2023: 55%). The average rating for the total portfolio with a matched EPC was C (compared to a UK average of D[3]). Based on potential EPC ratings, 77% of properties could reach C or better (2023: 69%) and the average for the total portfolio would increase to B.

30 June 2022



30 June 2024



1. Only properties that are newly built, sold, leased or rented out are required to have an EPC under current UK regulations.

2. An EPC is only valid for 10 years from the date of completion.

3. Source: data provided by Hometrack

Other climate and environment-related metrics

We continue to send zero operational waste to landfill, with 64% of non-IT consumables (e.g. paper, glass and municipal waste) recycled in 2024 and the remainder sent to a waste-to-energy facility to generate Refuse Derived Fuel (RDF).

Through an agreement with Stone Group, we've also diverted 100% of our redundant IT assets (including PCs, laptops, monitors and TVs) from landfill during 2024 through recycling or reuse.

As part of our Transition Plan, we're committed to exploring options to reduce the volume of waste that we generate in our operational activities.

Carbon offsetting

On our journey to net zero we're committed to investing in high-quality and verified carbon offsetting solutions.

In the near-term, we'll use a mixture of reduction, avoidance and removal carbon credits, to offset our Scope 1 and 2 market-based emissions, and selected Scope 3 emissions[1]. A summary of the carbon credits that we have bought or retired between 2021 (when we first started buying offsets) and 2024 is provided in the table opposite.

Performance against our emission reduction targets is measured gross to ensure we are not using offsets to meet our ambitions. In the longer-term, we will only use verified carbon removal solutions to offset our residual hard to abate emissions to achieve net zero status in line with SBTi requirements.

We're working with Climate Impact Partners, a specialist in carbon market solutions for climate action, to purchase carbon credits that help to finance projects that are reducing and removing emissions now, while supporting the transition to a low carbon global economy.

All the projects are independently verified to assure emission reductions or removals are occurring. This ensures the highest environmental integrity in our commitment to have an immediate, positive impact on the climate.

CLIMATE IMPACT PARTNERS

CERTIFIED CARBON NEUTRAL Global Standard

Summary of our carbon offset activity

Offsetting Project Type	Offsetting Credit Type	Project Location	Verification Standard[2]	2024		2023		2022		2021		Credits remaining
				Credits purchased	Credits retired	Credits purchased	Credits retired	Credits purchased	Credits retired	Credits purchased	Credits retired	
Forest conservation	Avoidance/ reduction	Africa	VCS + CCB	0	0	0	-467	467	0	0	0	0
Reforestation	Removal	Uruguay	VCS	0	0	0	-467	467	0	0	0	0
Renewable energy	Avoidance/ reduction	India	Gold Standard	0	0	0	-233	233	0	0	0	0
Renewable energy	Avoidance/ reduction	Africa	Gold Standard	0	0	0	-233	233	0	0	0	0
Renewable energy	Avoidance/ reduction	China	VCS	0	-12,232	0	-31	2,352	0	10,588	0	677

Summary of our operational waste (volume and emissions)

Waste Metric	2024			2023		
	Volume (Kg)	Diverted from Landfill	Emissions (tCo_2/e)	Volume (Kg)	Diverted from Landfill	Emissions (tCo_2/e)
Non-IT Consumables[3]	106,310	100%	0.7	105,494	100%	2.2
IT Assets[4]	618	100%	0.0	Not measured		

1. Includes Scope 3 categories 3 (FERA transmission and distribution losses), 5 (waste), 6 (business travel) and 7 (home working).
2. VCS = Vera Verified Carbon Credit Standard; CCB = Vera Climate, Community and Biodiversity Standard.
3. Includes paper and cardboard, glass, dry mixed recycleables, and mixed municipal waste.
4. Includes PCs, laptops, monitors and TVs.