Task Force on Climate-related Financial Disclosures Report

We present our third Task Force on Climate-related Financial Disclosures ("TCFD") report. Our disclosures comply with the FCA's Listing Rule 9.8.6R (8) and are consistent with the 2017 Recommendations of the Task Force on Climate-related Financial Disclosures. We have also considered the additional 2021 Annexes where practical to do so.

TCFD recommendations	Our progress	Future focus
Sustainability and Climate Governance Describe the board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities. See pages 46 to 47	• Board monitoring of climate-related risks and opportunities enabled through clear roles and responsibilities for the board and board committees. • Ongoing ESG and climate-specific training delivered to board and all group employees. • Group chief risk officer accountable under the Senior Managers and Certification Regime for identifying and managing the financial risks associated with climate change. • Continuous review of climate risk governance framework to ensure that ongoing embedding of climate risk within our risk management framework is fully encompassed. Climate risk actively embedded within management decision-making.	• Board to oversee the ongoing development of transition pathway. • Continue to build climate knowledge at board and senior management level. • Enhance data provision by decentralising to each business, maximising data provision, modelling and integration into decision-making. • Advance climate skills and competencies across our staff and stakeholders – with specific focus on the rapid evolution in technologies and deployment in the UK market.
Climate Strategy Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term. Describe the impact of climate risks and opportunities on the organisation's business strategy and planning. Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario. See pages 36 to 37	• Net zero roadmap developed with our main facilities management partner for our office estate to support our 2030 Scope 1 and 2 net zero ambition. • Climate engagement with some of our largest suppliers across the group. • Continued development of climate-related scenario analysis to inform commercial development and strengthen risk management. • Focused ESG lending team developing new products and partnerships across green assets. • Enhanced data capabilities across our carbon-intensive sectors. • Assessment of intermediate net zero ambition in key transport sectors. • New product development to support five-year ambition for funding battery electric vehicles. • Climate risks and opportunities considered within financial and strategic planning processes, using the firm's standard one to three-year time horizon.	• Advance our net zero transition plan for our Scope 1 and 2 emissions to 2030. • Build on our climate supplier engagement strategy to address our operational emissions. • Development of our transition plan for our financed emissions. • Continue to address key challenges related to the availability of climate data. • Respond to evolving regulatory requirements and developments in the broader industry, including the emergence of best practice. • Continue to develop capabilities to assess the resilience of our business model.
Risk Management Describe the organisation's processes for identifying and assessing climate-related risks. Describe the organisation's processes for managing climate-related risks. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. See pages 38 to 41	• Further enhancements to data capabilities to deliver oversight, visibility and measurement of climate risk exposures. • Embedded processes to continually assess and monitor climate risk as a cross-cutting risk to our principal risks. • Transitional risk impacts monitored regularly within our emerging risk management and reporting processes. • Evolving reporting capabilities of credit exposure relative to climate-related risk impacts with further exposures captured in-year. • Other climate risk impacts embedded in the group-wide Enterprise Risk Management Framework. • Continued tailoring of climate risk within risk appetite statements. • Enhancement of standards and policies documents. • Maturing climate risk culture and acknowledgement of corporate responsibility.	• Determine opportunities to further develop data to support quantitative risk measurement and commercial strategic development. • Continue the exercise to explore expanded scenario analysis to align and support our stress-testing processes. • Broaden our work with customers, partners and suppliers, assessing climate-related impacts. • Continued assessment of climate impacts within our resilience framework. • Ongoing review of the analysis of internal and external risks and opportunities. • Continued horizon scanning to monitor for changes within the regulatory landscape.

TCFD recommendations	Our progress	Future focus
Metrics and Targets Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Disclose Scope 1 and 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. *See pages 42 to 45*	• Broadening of our climate strategy and targets to cover both net zero and Scope 1 and 2 operational targets, as well as specific targets relating to our financed emissions. • Enhanced capabilities to measure the carbon footprint for our operations, including measurement across Scope 3 operational emission categories. • Further enhanced assessment of Scope 3 financed emissions (primarily our loan book) using evolving Partnership for Carbon Accounting Financials ("PCAF") methodologies. • Developing transition plans as part of our commitment to net zero through the NZBA. • Continued collaboration with industry body forums including active engagement in PCAF specialist working groups. • Published our first sector-based intermediate 2030 emissions reduction pathways for cars and vans representing some of our largest carbon-intensive sectors of our loan book. • Received a 'B' management rating from CDP, a 'AA' ESG rating from MSCI, and a 22.8 ESG risk score from Sustainalytics.	• Build on our current operational emissions targets to cover our wider Scope 3 operational emissions. • Improved customer climate data capabilities across our portfolios to improve accuracy of financed emissions reporting, risk assessment and business strategy. • Progress further targets across our lending and investment activities to support our transition pathway.

Climate strategy

As a group supporting many sectors of the UK economy through our lending products and investment services, we understand our role in helping to enable the transition to a low carbon future.

We are committed to working with all of our stakeholder groups to meet the goals of the Paris Agreement. In 2022, we became a signatory to NZBA, committing to transition all operational and attributable greenhouse gas ("GHG") emissions from our lending and investment portfolios to align with pathways to net zero by 2050 or sooner.

We provide expert financing solutions for UK SMEs, and will need to align our lending with the transition pathways of our customers. As businesses in the UK develop and deliver their own transition plans to adopt clean technologies, greener assets and new business models, we are ready to support them by providing appropriate financing solutions; in doing so, facilitating change and supporting the wider transition of the economy.

Across the organisation we recognise the importance of addressing the threat of climate change, and the urgency needed in tackling the environmental, economic and social impacts that it brings, noting that these extend across all sections of society, affecting all key stakeholder groups.

Our ongoing work to identify the risks and opportunities of climate change to our business model remains a key area of strategic focus for the board and senior management.

The Three Pillars of our Climate Strategy

1. Achieving net zero operations

Achieving net zero emissions and reducing supply chain emissions, working with our partners and suppliers to minimise operational impacts.

Addressing the impact our own emissions have on the environment remains a key focus for us, demonstrating our commitment to our wider net zero ambition.

We have previously set ourselves challenging net zero aligned targets for our buildings and fleet – becoming operationally net zero through our Scope 1 and 2 emissions by 2030, and we have continued this year in developing our plans across our buildings to meet these.

Further to meeting all of the mandatory reporting requirements under the Streamlined Energy and Carbon Reporting ("SECR") standards, we provide enhanced disclosure across our wider operational impacts. As set out in our emissions reporting on page 43, we have assessed our full operational footprint, covering Scope 1 and 2 as well as all relevant Scope 3 categories.

We continue to advance our monitoring and calculation of these operational impacts – improving the data quality and availability. For example, this year, we have sourced reported Scope 1 and 2 emissions for 27% of our supplier spend to improve the quality of our Scope 3 category 1 disclosures.

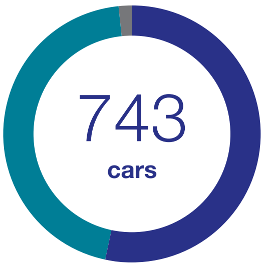
We are seeing the benefits of supply chain engagement on climate action both through our own engagement with our largest suppliers as well as engagement with some of our own business customers, where we represent a proportion of their supply chain emissions.

Our workplace team continue to work closely with our facilities management contractor to progress our net zero strategy for all of our properties (covering offices as well as our industrial sites operated by our brewery keg rental business). This has culminated in the team finalising our net zero strategy to 2030 for our estate and to develop a business case and investment options for the group to cover energy efficiency, heating electrification and renewable energy investments through this decade.

Our drive towards having a net zero emission car fleet has continued this year though the pace of change has slowed a little due to market dynamics in the UK's electric car market. With a recognised leading strategy of adopting battery electric vehicles ("BEVs") onto our fleet, this year we have passed the 50% mark and, at July 2024, our car fleet is 53.6% fully electric vehicles.

Our efforts to transition our car fleet have driven our fleet average emissions down further this year. The average CO_2 emissions for our car fleet is now 19.1 gCO_2/km (2023: 23.5 gCO_2/km).

Our car fleet



Battery electric	53.6%
Plug-in hybrid	44.9%
Petrol or diesel	1.5%

2. Reducing our financed emissions

Supporting the goals of the Paris Agreement through re-alignment of our financing and by assisting our customers in meeting their transitional targets.

Understanding the climate impacts across all of our lending and investments, alongside developing new green growth opportunities in our current and future markets, are crucial steps in us developing our climate transition plan and aligning our financing to our net zero commitments.

This year, we have continued to develop our climate assessment of the assets and businesses in our lending and investment activities. A summary of our assessed Scope 3 financed emissions is set out on pages 44 to 45.

As members of PCAF, we work closely with other peer banks to develop best practice data sourcing and carbon accounting for our range of financing activities – improving our understanding of the impacts of these assets and businesses and supporting our ongoing development of our climate strategy.

In 2022 we became a signatory to NZBA. We committed to develop sector-based intermediate 2030 emissions reduction pathways for the most carbon-intensive sectors in our loan book. In March this year, we set out our initial sector ambition covering road transport, specifically cars and light commercial vehicles/vans ("LCVs"). In the coming financial year, we will continue to expand our assessment across other carbon-intensive sectors in our loan book with likely next priorities in the power generation and construction sectors.

During FY 2024, our Asset Management division has continued to develop its climate strategy. In June, it published its inaugural TCFD-aligned entity report as well as TCFD-aligned reports for each of its funds. Through its sustainability strategy, raising awareness, holistic decision-making and continual sustainability assessment, it is progressing towards embedding ESG principles across all of its operations, reflecting a commitment to long-term development in sustainability.

3. Financing the transition

Enabling the deployment of cleaner technologies and business model adaptation through our green growth lending strategy, leveraging our expertise and ensuring alignment with agreed risk appetite.

We recognise the significant growth opportunities for green asset lending across several of our existing asset classes, as well as new ones. As a specialist, adaptable lender, with deep understanding of our customers' needs, we can support our clients in their transition to new, cleaner technologies to meet their own sustainability targets.

One of our largest lending sectors is road transport and we are already seeing deployment of BEVs by our fleet customers in both passenger and goods vehicles, as they seek to reduce their costs, carbon emissions and local air pollution.

In 2022, we set ourselves our first green growth ambition, which was to provide funding for at least £1.0 billion of BEVs in the five years from 2023 to 2027. In the first two years, we have funded £316.4 million for BEVs, putting us close to target to meet this ambition.

Risk management

How we Identify, Assess and Manage Climate-related Risks

Our group Enterprise Risk Management Framework, as outlined on page 74 of the Risk Report, facilitates a consistent application of all features of the group's risk management approach to the risks associated with climate change. This extends to both the physical risks, which are considered a cross-cutting risk impacting across our suite of principal risks, as well as transitional risks, which are additionally measured and monitored in line with our emerging risks.

Description		Timeline	Potential impacts
Physical Climate Impacts			
Extreme weather events (including persistent heat and severe flooding events) as well as long-term shifts in climatic conditions. Increased frequency and magnitude of weather events.	Physical damage to customers' assets. Disruption to sector productivity (such as labour impacts in our construction sector customers, crop yields in our agriculture customer base).	Medium to long term	Credit risk – counterparty and collateral.
	Disruption or damage to our own properties or those of our suppliers/ partners (such as data centres and call centres).	Long term	Supply chain risk. Business continuity impacts and disruption to customers.
Transitional Climate Impacts			
Changing markets through the transition to a low carbon economy – driven by new regulation, policy, technologies and customer appetites.	Significant shift in a sector's technology – such as the current impacts on some of our existing transport activities.	Medium to long term	Credit risk – counterparty and collateral. Uncertainty around new and legacy asset values.
	Uncertainty and change in many sectors in the UK where our SME customer base operates. Changing demands and expectations from their customers. A growing focus on energy efficiency and environmental performance.	Medium to long term	Credit risk – counterparty and collateral. Uncertainty in markets could lead to reduced investment activity by customers in the short term.
	Changing operating models for customers and higher capital investments in clean assets – such as growing opportunity for businesses to adopt onsite renewable generation, energy storage and electric vehicle charging assets. Leading to the need for new products and underwriting approaches.	Medium term	New business models. Need for new skills and capabilities across the bank.
Changing stakeholder climate expectations.	Our stakeholders (including our investors, customers, staff) scrutinising our climate transition plan and delivery against targets. Evolving market appetites towards lending to high carbon sectors (including fossil fuel extraction, carbon intensive transport).	Medium to long term	Reputational risk – ability to attract or retain talent. Impact on attractiveness to investors and savers.

Alignment of Group-wide Framework with Climate-related Risks and Opportunities

The alignment of our risk management framework with climate-related risks and opportunities remains a priority as we continue to develop ongoing risk assessment and monitoring of our banking book and impacts across other principal risks. Continual enhancement of standards and policies supports the increasing maturity of climate risk within our end-to-end risk processes.

We recognise that this is a multi-year journey with the impacts of physical and transitional risks, and supporting frameworks to assess these, still evolving across the industry. The impact of climate change across time horizons and our proportional response will continue to be considered within our wider risk assessment, financial planning and strategy development.

Our business planning time horizons

Short term (0-1 year)	Time horizon for annual budgeting and capital assessment.
Medium term (1-3 years)	Time horizon for business strategy and financial planning. Also aligns with typical ICAAP scenario analysis horizon.
Long term (more than 3 years)	Time horizon beyond typical financial planning cycle. Impacts primarily assessed through the use of long-term scenario analysis noting most material climate risks will crystallise in this horizon.

Risk culture and awareness

A risk culture with strong foundations runs throughout the group, consistent with the group's purpose, strategy, cultural attributes and values. The management of climate risk and opportunities is enveloped within this.

Specialist role-specific training on climate change impacts is undertaken and all colleagues are offered training and webinars to ensure they are kept abreast of regulatory developments, expectations of corporate responsibility and wider market sentiment.

Internal controls

To support ongoing embedding of climate risk in our control environment, in-year enhancements have focused on continuing to reinforce climate risk within our policy documentation and on ensuring that internal process is complemented by the activities of our key suppliers and partners.

Governance

A key component of embedding climate risk into our group-wide framework is a coherent three lines of defence model. As our climate risk framework continues to mature, it has afforded additional opportunities to further refine our governance structure to manage an integrated approach to both climate risks and opportunities and to ensure that recent enhancements are fully encompassed. The structure currently in place is on page 46.

Stress testing

Furthering our previous work on long horizon scenario analysis, recent activities recognise the short tenor of our loan book (15 months), and accordingly our focus is on further integrating climate exercises into wider group stress testing exercises, e.g. Internal Capital Adequacy Assessment Process ("ICAAP") and resilience scenarios. Specific concentration focus is being placed on transport and energy sectors.

Risk appetite

Consideration of climate risk is integrated into the group's risk appetite statements, which align risk management with group strategy. While quantitative measures are, in the main, currently included for monitoring purposes, we are continuing to develop more tailored, formal risk appetites, particularly for credit risk where measurement of quantifiable metrics against limits specific to business considerations is more readily achievable. We expect these to be based on sectoral transition risk assessments, aligned to our ambition to meet the goal of the Paris Agreement to reach net zero by 2050.

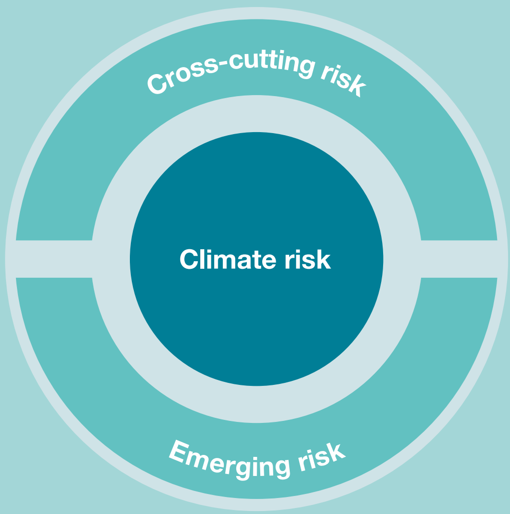
Addressing Data and Future Enhancements

Data quality remains a key challenge and we are committed to developing enriched climate risk data that will support more accurate measurement and monitoring. In turn, this will support effective risk mitigation and strategic alignment.

Making progress in our climate and broader sustainability reporting and management information capabilities will facilitate more decision-useful insights, supporting the evolution of the group's strategy for managing risks and opportunities and the development of more tailored risk appetites.

Climate Cross-cutting Risks

Impacts arising from the physical nature of climate change have the potential to affect several of our existing principal risks.



Noting the longer time horizons for some transitional climate impacts to crystallise (such as on policy and regulation) we track climate risk as one of our core emerging risks.

See page 84

Risks identified across the group with potential climate-related impacts

- **Credit**
  Counterparty and collateral impacts
- **Operational**
  Premises, people and third-party partners
- **Traded market**
- **Regulatory**
- **Conduct**
- **Business/strategic**
- **Reputational**
- **Funding/liquidity**
- **Climate-related data**
  (enhancement in progress)

A Cross-cutting Risk Impacting Across Multiple Principal Risks

In assessing both the risks and opportunities of climate impacts and in preparing our TCFD disclosures, we have sought to provide sufficient granularity, proportionate to the materiality of the climate-related risks identified across the group. An extensive analysis of risks has been completed across our risk universe which indicates we are not materially exposed to loss or disruption over the short to medium term. Over the long term, increased risk has been identified, primarily driven by potential transitional impacts. In respect of physical risk, we consider severe impacts are only likely to present in the long term, albeit we recognise acute physical events are already happening. Risks identified are largely mitigated through our resilient business model, benefiting from an average tenor of 15 months, and a customer base that is predominantly in the UK and Republic of Ireland, with strategic management actions to support our customers and strategic partners on their own transition pathways.

Our focus remains primarily centred on credit and operational risk impacts consistent with our view that these represent greatest potential impact. We acknowledge that developments which may have a transitional impact over the medium to longer term could carry additional exposure should appropriate, timely management actions not be taken to maintain the resilience of our business operating model. For more details of our management of emerging risks please see page 84 of the Risk Report.

We anticipate incremental enhancements to assessment, monitoring and reporting to support a greater quantitative lens, augmenting the qualitative assessment already established.

Credit risk

The focus remains largely on credit risk, given its materiality to the Banking division and wider group, and importantly its sensitivity to potential climate impacts, noting that both physical and transitional drivers have the potential to impact both counterparty and collateral risk.

Our current methodology deployed across £9.0 billion (88%) of the Banking division loan book continues to identify exposures deemed to have the most sensitivity to climate change, noting it does not account for time horizons over which climate impacts are expected to crystallise. It does, however, prove useful in identifying those exposures deemed as having the most potential sensitivity to climate change, including energy-consuming assets such as motor vehicles in our Motor Finance and Asset Finance businesses, non-renewable energy generation assets, and general business lending in high-impact sectors.

Sensitivity dashboards continue to be presented at regular risk committees, ensuring engagement in the climate risk agenda occurs vertically throughout the organisation. For an overview of risk committees see pages 76-77.

Operational risk

Recognising the potential for climate change to impact buildings and service provision capabilities, the group has conducted a review of its existing business continuity plans as well as its broader approach to crisis management to ensure potential impacts on our people, customers and infrastructure have been assessed and that the group is adequately prepared.

Relevant operational risk standards consider the causal impacts presented by climate change, while work continues to incorporate climate impact considerations within our assessment of operational resilience for critical services and change management risk assessments.

The group also recognises the potential for key third parties and suppliers to be impacted by climate change (due either to physical or transitional factors), causing disruption to day-to-day business operations. To maintain pace with the evolving regulatory landscape, the group's third-party management framework has been strengthened to include enhanced supplier due diligence questionnaires to gather climate and ESG data for all of our Tier 1 and Tier 2 suppliers, while our tendering process has been updated to consider environmental and climate considerations alongside sustainability innovation and performance. Our suppliers are increasingly focused on reducing carbon emissions, aiming for at least 50% reductions by 2030 as well as supporting a low-carbon global economy.

Other risks

Work to integrate consideration of climate risk across other identified risk areas continues to progress in line with climate change, and the group's response to it, forming an integral part of our business strategy. This includes continued assessment of the resilience of our model, to ensure we are sufficiently prepared to manage the risks posed by it. As outlined in the Governance section (pages 46-47) strong oversight of strategic delivery is maintained through our committee framework, with consideration of climate risks now embedded within our strategic planning.

The rapidly evolving regulatory landscape also presents risk and we recognise our responsibility to comply with new and emerging requirements. Horizon scanning capabilities have been enhanced in response, to ensure new requirements are identified and assigned to the relevant functions.

Climate impacts are considered part of our overall commitment and conduct responsibilities to deliver good customer outcomes.

Funding and liquidity impacts are subject to ongoing reassessment with regular updates provided to relevant Treasury committees. Primary focus areas include implications for debt capital markets, potential behavioural changes in our investor base, and possible direct and indirect reputational impacts, including those related to evolving disclosure requirements.

We continue to assess traded market risk implications for Winterflood, although the role of the business as a market maker means we do not take long-term positions, mitigating potential risk exposure.

Meanwhile, our Asset Management division has integrated responsible investment practices into our investment process to aid us in creating long-term value for clients and beneficiaries. The practices include explicitly considering and integrating the impact of material environmental, social and governance factors on the long-term financial risk and return of our investments. Our Asset Management division is a signatory to the Principles for Responsible Investment and has been accepted as a signatory to the Financial Reporting Council's Stewardship Code for the third year running, illustrating our commitment to strong stewardship of our clients' capital.

The product offering for clients who wish to further align their investments to their values continues to grow; we offer ethical screening, sustainable funds and our socially responsible investment service. Following its commitment to NZAM in 2022, our Asset Management division set out its climate strategy and ESG risk management in June 2024 when it published its inaugural TCFD disclosures.

Over the longer term, increased reputational risk could crystallise, primarily driven by failure to address transitional impacts such as changes to regulation, technological advancement and the evolution of customer preferences. We will continue to assess the climate impacts across the whole spectrum of principal risks to ensure we meet the expectations of our people, customers, clients, investors, shareholders, regulators and other key stakeholder partners.

Metrics and targets

Our climate strategy, led by our commitment through the NZBA, spans both our operational emissions as well as the emissions related to our lending and investment portfolios. Set out in this section are our targets, measurement and reduction of our operational emissions on pages 42 to 44, followed by our assessment and ambitions for our financed emissions on pages 44 to 45.

Operational Emissions

Our approach to developing our carbon reduction plan to achieve these net zero targets is set out in our strategy section on pages 36 to 37.

Our methodology for calculating and disclosing our GHG emissions and energy use is in accordance with the requirements of the World Resources Institute GHG Protocol Corporate Standard, GHG Protocol Corporate Value Chain Accounting and the SECR standards. We report on all material Scope 1 and 2 emissions associated with our operations. Scope 1 includes fuel emissions from buildings and company vehicles and Scope 2 includes our emissions from electricity. We have also reported our indirect Scope 3 operational emissions across all categories where we have any material emissions.

For our building emissions (including our industrial processes in our Brewery Rentals sites) we have continued to develop our energy efficiency plans for our sites, working with our facilities management partner. These plans consider our 2030 net zero ambition, ensuring we make investment choices for each of our sites that lead us towards that ambitious goal. Important considerations include energy-efficient equipment, control and monitoring infrastructure, electrification solutions and renewable energy options.

We have continued to electrify our company car fleet (total of 743 cars). At the end of this financial year we have a car fleet where 53.6% of the cars are fully electric, and with 98.5% being either fully electric or plug-in hybrid.

Through this financial year, we have greatly enhanced our in-house climate data capability, allowing us to enhance our operational footprinting across all Scope 1 and 2 as well as relevant Scope 3 categories. Our climate data working group is working closely with all relevant departments internally to fully operationalise these carbon accounting processes and to allow more frequent climate-related management information to be used across the group.

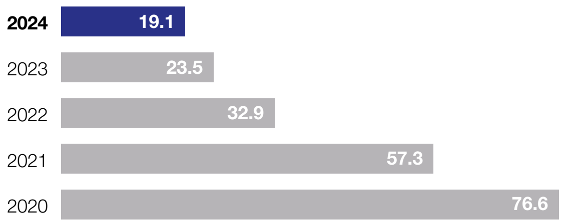
Our ambitions

Become operationally

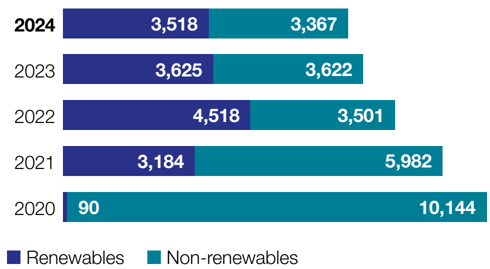
net zero

through our Scope 1 and 2 emissions by 2030

Company car fleet (gCO_2/km)



Proportion of renewable energy used in our offices and Brewery Rentals sites (MWh)



Our operational impacts

Greenhouse gas emissions[1,2,4]	Emissions source	Market-based 2024 tCO_2e	Market-based 2023 tCO_2e	Location-based 2024 tCO_2e	Location-based 2023 tCO_2e
Scope 1	Buildings – fuel and refrigerants[3]	**341**	373	**370**	417
	Owned vehicles – fuel[3]	**1,713**	1,496	**1,713**	1,496
Total Scope 1		**2,054**	1,869	**2,083**	1,913
Of which UK total Scope 1		**2,030**	1,845	**2,059**	1,889
Scope 2	Buildings – electricity[3]	**366**	371	**984**	966
	Owned vehicles – electricity[3]	**159**	144	**159**	144
Total Scope 2		**525**	515	**1,143**	1,110
Of which UK total Scope 2		**496**	487	**1,108**	1,075
Total Scope 1 and 2 (Operational)		**2,579**	2,384	**3,226**	3,023
Of which UK total Scope 1 and 2		**2,526**	2,332	**3,167**	2,964
Scope 3 (Operational)	Category 1 – Purchased goods and services[3]			**24,124**	44,176
	Category 2 – Capital goods[3]			**9,507**	3,921
	Category 3 – Fuel and energy-related emissions[3]			**449**	474
	Category 4 – Upstream transportation and distribution			**94**	278
	Category 5 – Waste generated in operations[3]			**30**	44
	Category 6 – Business travel			**829**	750
	Category 7 – Employee commuting[3]			**4,828**	4,907
	Category 9 – Downstream transport and distribution[3]			**391**	448
Total Scope 3 (Operational)				**40,252**	54,998
Total Scope 1, 2 and 3 (Operational)				**43,478**	58,021

Energy use	2024 GWh	2023 GWh
Total energy use	**15.86**	15.21
Of which UK total energy use	**15.17**	14.79

Emissions intensity	Market-based tCO_2e per employee 2024	Market-based tCO_2e per employee 2023	Location-based tCO_2e per employee 2024	Location-based tCO_2e per employee 2023
Operational Scope 1 and 2 emissions intensity	**0.65**	0.59	**0.81**	0.74
Operational Scope 1, 2 and 3 emissions intensity			**10.89**	14.29
Calculated using: Average number of employees in year	**3,994**	4,060	**3,994**	4,060

1. We have reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our reporting year runs from August 2023 to July 2024. The emissions reporting boundary is defined as all entities and facilities either owned or under our operational control.
2. Emissions have been calculated using the Greenhouse Gas Protocol Corporate Standard and cover all greenhouse gases (converted to tCO_2e). We have used emissions factors published by the UK government's Department for Business, Energy & Industrial Strategy, and the International Energy Agency.
3. During the year-end carbon accounting process we identified some adjustments needed to our 2023 comparable Scope 1,2 and 3 emissions. The 2023 Scope 1, 2 and 3 emissions above have been restated to ensure consistency with this year's disclosed emissions methodologies as well as to address some issues with the quality of the data collected last year for 2023.
4. These reported emissions have not been audited by a third party.

Our ongoing approach across our operations of energy efficiency and sourcing of renewable energy continues to drive down our Scope 1 and 2 emissions. We have now achieved a reduction of 41.6% in our Scope 1 and 2 emissions since 2019 under a market-based approach, which demonstrates good progress towards becoming operationally net zero by 2030.

In the 2024 financial year, our total Scope 1 and 2 location-based GHG emissions were 3,226 tonnes of carbon dioxide equivalent (tCO_2e), equating to 0.81 tCO_2e per employee, up 6.7% overall and up by 8.6% per employee from 2023. This increase is primarily due to increased activity in our transport fleets, covering both our car fleet and our commercial vehicles in our Brewery Rentals business.

Throughout the 2024 financial year, our premises have continued to source renewable energy wherever under our control. This has helped our market-based building emissions to track 48% lower than our location-based building emissions at just 707 tCO_2e.

The continued challenge of rising energy prices and our strategic journey towards a net zero portfolio of premises has increased the focus on responsibly reducing our energy consumption. Across the 2024 financial year, energy audits have been completed within larger premises and are being used to develop our carbon reduction roadmap out to 2030. During the past year, our energy efficiency programme has implemented a number of energy-saving initiatives across our office estate, including:

- Disposal of our oversized Brighton office with a move to a premises 50% smaller. This office is a modern, sustainable build achieving BREEAM Excellent rating with solar photovoltaic and low energy heating, ventilation and air-conditioning ("HVAC") systems. We anticipate a reduction of emissions for this business by 60%.
- Full building modernisation and decarbonisation of our Dundonald office. This has seen the removal of gas from the property, substantial insulation improvements and upgrade of our HVAC systems to fully electric heat pump solutions. All lighting has been replaced with modern LED. We expect to see an energy reduction of 40% for this property.
- Replacement of the 10 Crown Place building management system has enabled us to control our building services closer, monitor consumption in more detail and identify peaks in energy consumption for action.

Financed Emissions – Banking

The greatest opportunity we have to support reductions in greenhouse gas emissions is by working with our customers on their transition to a low carbon economy – helping them to adopt energy-efficient and low carbon technologies. To measure our progress requires us to measure the attributable emissions of the assets and businesses in our loan book, enabling us to meet our targets and ambitions within our climate strategy.

Over the past three years we have developed our financed emissions, improving our data quality and data availability. Set out below is our assessment of financed emissions relating to our loan book at 31 July 2024 and our initial assessment of investee emissions relating to the activities of our Asset Management division (at 31 July 2023).

Financed emissions in our Banking activities

In the past year, working alongside our peers in PCAF, we have continued to improve our methodologies in assessing our financed emissions – combining our own loan book data with a number of external data sources, providing a more accurate assessment of these emissions, especially across our carbon-intensive sector of transport.

In our assessment of our loan book this year, we have used the PCAF methodologies, applying their latest guidance from their Financed Emissions Standard 2nd edition, and drawing on three of their developed methodologies: business loans, project financing and motor vehicle loans. On review, 94.6% of our loan book is in scope of GHG assessment under the current PCAF standard. Of this, 56.1% has been assessed under the business loans methodology, and we have apportioned an amount of emissions from these businesses which is in line with the value we finance. A further 2.7% of our total loan book has been assessed under the project finance methodology. Here, we have accounted for the apportioned emissions of the project due to our contribution. The final 35.8% of our loan book has been assessed using the motor vehicle loans methodology, and covers the annual in-use emissions of the vehicles that we finance.

Our financed impacts – Banking[2,4]

Financed emissions in loan book – bank	PCAF methodology	Proportion of loan book	Financed emissions[1,2] tCO_2e	PCAF data quality score (1-high, 5-low)	Economic emissions intensity $ktCO_2e$/£m
Scope 3 (category 15 – loan book only)	Motor vehicle loans	35.8%	595,124	2.8	0.17
	Business loans	56.1%	326,655	5.0	0.06
	Project finance	2.7%	242,849	5.0	0.91
	Not assessed/out of scope[3]	5.4%	n/a	n/a	n/a
Scope 3 (category 13 – downstream leased assets)	Relating to vehicle hire		270,948	1.0	
	Total emissions		**1,435,576**		

1. Currently, our financed emissions calculations only include the customer or asset's Scope 1 and 2 emissions. In the future, we will consider the wider emissions related to financed assets and businesses. Initial sectors are likely to include (i) motor vehicles (upstream embedded emissions of manufacture) and (ii) property construction finance (embedded emissions from materials and in-use emissions of housing).
2. PCAF data quality score in our first assessment in 2022 was around 5. We have made significant improvements to our data sourcing from both internal systems and third-party sources. In particular, for motor vehicles, we have sourced vehicle-specific emissions and actual mileage from UK government agencies.
3. A small proportion of our loan book has not been assessed this year (or is out of scope) due to lack of market-agreed carbon accounting methodologies. We continue to work with PCAF and other banks to consider these areas.
4. These reported emissions have not been audited by a third party.

In March 2024 we published our initial sector-based intermediate 2030 emissions reduction ambitions, covering cars and vans. To align our ambition to a credible scenario, and as the vehicles we finance are predominantly in the UK, we chose the UK Climate Change Committee's Balanced Net Zero Pathway ("CCC BNZP") from the Sixth Carbon Budget.

The average emission intensities of both cars and LCVs in our loan book in 2023 are lower than the CCC BNZP.

The average emission intensity (gCO_2e/km) for cars in our loan book in 2023 is 130 gCO_2e/km. This would need to reduce by 41% to reach an average of 76 gCO_2e/km by 2030 to align with the CCC BNZP.

The average emission intensity (gCO_2e/km) for LCVs in our loan book in 2023 is 190 gCO_2e/km. This would need to reduce by 39% to reach an average of 116 gCO_2e/km by 2030 to align with the CCC BNZP.

Our ambitions

To reach net zero emissions

by 2050

across attributable GHG emissions from our lending and investment portfolios.

Provide over

£1 billion

of lending for zero emission battery electric vehicles over the five-year period 2023 to 2027.

Intermediate 2030 Sector Ambition (surface transport)

	Baseline 2023 – financed emissions			Intermediate ambition 2030	
Sector	Emission intensity gCO_2e/km	Total financed emissions $ktCO_2e$	PCAF score	Sector ambition	Emission intensity aligned to CCC-BNZP gCO_2e/km
Cars	130	263	1.9	Reduction in the average emission intensity of cars by 41% by 2030	76
LCVs	190	157	2.1	Reduction in the average emission intensity of cars by 39% by 2030	116

Financed Emissions in our Asset Management Activities

In 2023, our Asset Management division made its inaugural climate target disclosure to the NZAM initiative. The disclosure was based on the Net Zero Investment Framework. 18% of the division's AuM was initially committed to its climate targets. The targets disclosed were:

- **Portfolio coverage target** – 100% of AuM in material sectors will be considered net zero, aligned or aligning by 2050.
- **Portfolio decarbonisation reference** – target weighted average carbon intensity 50% below relevant benchmarks for each portfolio by 2030 from a 2019 baseline.
- **Engagement threshold target** – by 2025, 70% of financed emissions (Scopes 1 and 2) are either aligned to a net zero pathway or subject to direct or collective engagement and stewardship actions.

Our financed impacts: Asset Management

Other emissions related to investments – Asset Management		Proportion of investments	Financed emissions tCO_2e	Scopes	Economic emissions intensity $tCO_2e/£m$
Scope 3 (category 15 – investments only)	Listed equity and corporate bonds	99%	410,754	1 and 2	59
		99%	3,916,763	1,2 and 3	563

Sustainability and climate governance

The Integration of Climate into our Governance Structure

The group has an established governance framework into which climate has been integrated. This ensures effective oversight and delivery of our sustainability and climate strategy, as well as climate risk.

As our climate risk framework matures and becomes further embedded, during the year we have further refined our governance structure to manage an integrated approach to both climate risks and opportunities.

Oversight of climate-related risks and opportunities continues to be supported by the establishment of clear roles and responsibilities, extending across board and executive committees, and the three lines of defence more generally. Integral to this is the provision of regular framework status updates to appropriate committees and forums.

Reporting and management information are provided to relevant committees, providing important insights to enable climate considerations to be embedded within both strategic planning and the setting of group-level risk appetites.
An established link exists between the delivery of the group's climate strategy and executive remuneration through the inclusion of climate/ESG objectives within both the Executive Committee's scorecard and Long Term Incentive Plan.

Board Oversight

Board

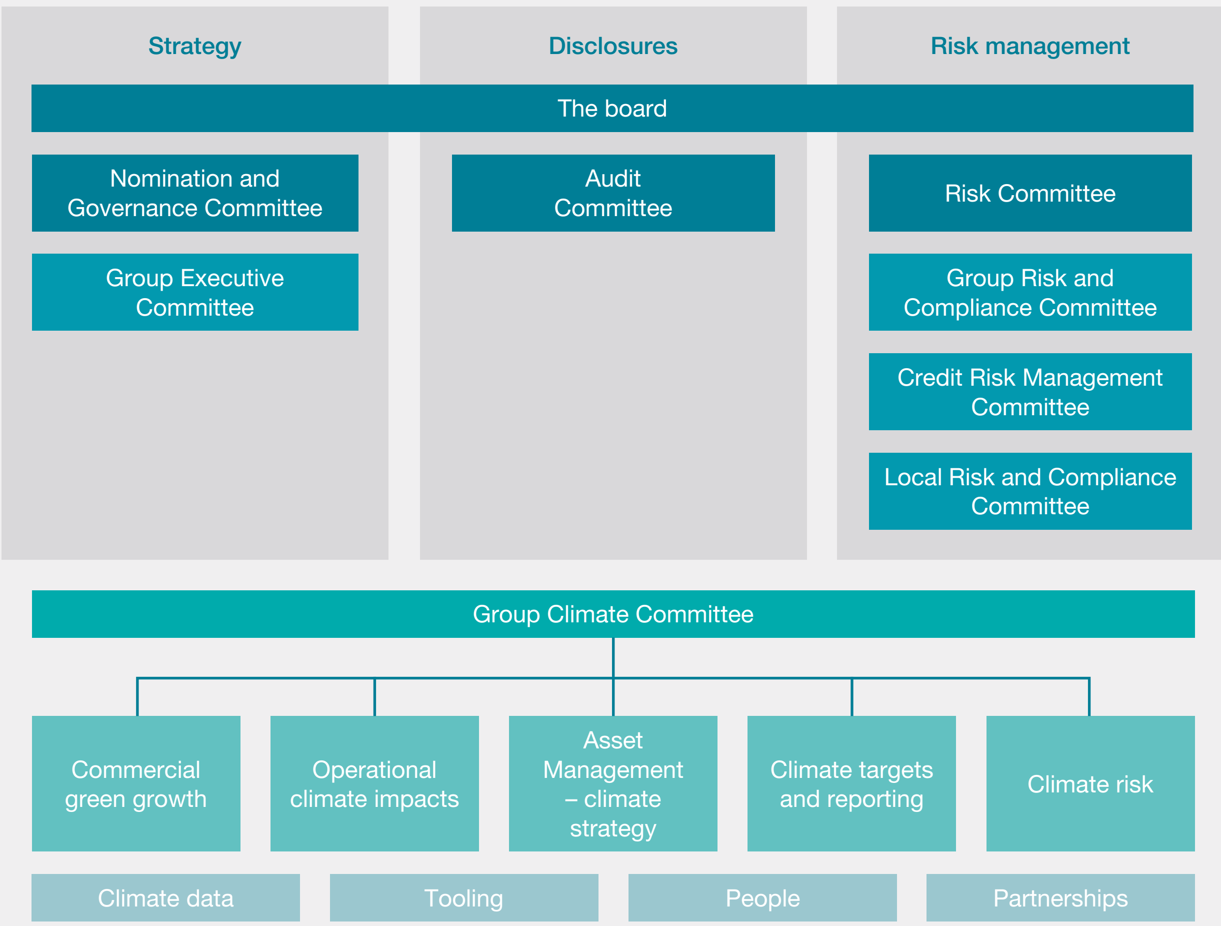
The board is responsible for the long-term success of the group and the delivery of sustainable value to its shareholders and wider stakeholders. It discharges some of its responsibilities directly and others through its subsidiary committees.

In ensuring the long-term sustainability of the group, the board is also responsible for the overall delivery of the firm's climate and ESG strategy. It reviews and approves the strategy and receives regular updates on its execution from relevant members of the executive team. The board is also responsible for approving the group's risk appetite statements, including risk appetites associated with climate risk.

Board Risk Committee

Operating on authority delegated by the board, the Board Risk Committee ("BRC") oversees the management of risk across the group, including the risks presented by climate change.

Sustainability and Climate Governance



The BRC provides oversight of the measures taken to manage climate risk and receives regular updates on the development and subsequent embedding of the firm's climate risk framework. This includes the ongoing review of emerging portfolio management information, monitoring the evolution of associated risk appetites and the consideration of climate-related risks and opportunities via scenario analysis exercises.

Audit Committee

Operating on authority delegated by the board, the Audit Committee oversees the management of financial and regulatory reporting across the group, as well as the firm's internal financial controls. The committee is responsible for ensuring the clarity and completeness of environmental and sustainability disclosures and climate commitments included within the group's Annual Report.

Nomination and Governance Committee

The Nomination and Governance Committee monitors environmental, social and governance ("ESG") and sustainability developments relevant to the group (including developments relating to climate change).

The role of management

The chief executive has ultimate responsibility for climate-related issues affecting the group and its customers and overall accountability to the board and shareholders for ensuring sustainable and responsible practices, including those associated with the environment. Accountability for the group's climate and ESG strategy similarly rests with the chief executive, albeit with various responsibilities delegated to members of the executive team as appropriate to ensure strategic delivery and embedment within ways of working.

Within the Banking division, and in line with expectations under the Senior Managers Regime, the group chief risk officer ("GCRO") is specifically responsible for climate risk management. This includes:

- embedding climate change risks within business planning and risk appetite statements;
- conducting scenario analysis over different time horizons;
- ensuring sufficient board-level visibility and a clear allocation of roles/responsibilities; and
- considering risk materiality as part of the annual Internal Capital Adequacy Assessment Process ("ICAAP").

The GCRO is supported by the board and the executive team who collectively oversee delivery of the firm's climate risk objectives and are also responsible for challenging and approving the firm's broader climate and ESG strategy.

Executive Committee

The Executive Committee evaluates and implements initiatives to ensure a sustainable business model that considers all risks and opportunities, including ESG and climate.

Group Climate Committee

The Group Climate Committee oversees the development of the group's climate strategy, including the advancement of climate ambitions, and associated operational and financing activities, targets and metrics. It supports the group chief executive and Executive Committee in their recommendations to the board for approval.

The Group Climate Committee is supported by five working groups focused on the different aspects of the group's climate strategy, each with its own Executive Committee sponsor.

Working group	Executive Committee sponsor
Commercial green growth	Divisional chief executive officer
Operational climate impacts (including supply chain emissions)	Group chief operating officer
Climate strategy of the group's Asset Management business	Asset Management chief executive
Climate risk	Group chief risk officer
Climate targets and reporting	Group finance director

Group Risk and Compliance Committee

At an executive level, climate risk management is primarily overseen by the Group Risk and Compliance Committee ("GRCC"), which is responsible for reviewing and challenging the risk framework employed to manage the financial risks from climate change. To support this, regular framework updates are presented to the committee with relevant climate risk MI also embedded within its long-established risk reporting mechanisms.

Credit Risk Management Committee

The Credit Risk Management Committee ("CRMC") is specifically responsible for monitoring the group's credit risk profile. Accordingly, it is responsible for overseeing the management of climate-related credit risk considerations.

Over the last year it has received regular updates on the embedded Banking division's credit risk assessment framework, as well as the initial MI reporting stemming from this, designed to illustrate the potential climate risk sensitivity of different sectors and asset classes.

The committee has also periodically reviewed and approved the integration of climate considerations within credit risk policies and standards.

Training and competency

Both the board and executive team are committed to building and embedding a requisite skill set across climate and ESG competencies. The regular updates provided to the board and management committees over the course of the last year have played a key role in this regard, helping to educate key populations on the risks and opportunities that climate change presents, as well as the firm's progress in addressing these. This year, the board received training sessions on (i) updates on sustainability reporting and disclosures, and (ii) insights on the evolution of the UK energy mix and electrification of road transport.

To support awareness more broadly across the organisation, a new mandatory training module was issued to all UK-based staff across the group during the year to support the development of a core level of understanding of climate risk considerations. Tailored updates on the group's sustainability and climate strategies were delivered to relevant business and function-specific forums.

Going forward, additional capability and expertise will be enabled through further training of our people, including the undertaking of accredited climate qualifications where relevant. This year, our climate data manager completed the new PCAF academy's learning programme for PCAF signatories to deepen their knowledge of the application of the PCAF standards and elevate their understanding of financed emission accounting.