Task Force on Climate-Related Financial Disclosures

Listing Rule 9.8.6R (8) requires that the Group provides climate-related financial disclosures consistent with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD).

The Board confirms that it has disclosed sufficient information to comply with TCFD and Companies Act 2006 requirements as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. The Group will continue to enhance these disclosures over time in line with regulatory expectations and emerging best practice.

The Group remains committed to addressing climate change and achieving our ambition of net zero emissions across our broader business activities by 2050.

Through the Group's membership and involvement in several initiatives including the Net Zero Banking Alliance (NZBA), we continued to support the wider efforts of the financial services industry to minimise the impact it has on climate change.

Throughout the year, the Group focused on reducing the environmental impact of our own operational footprint and how we can support the decarbonisation of the UK housing stock we finance, publishing our first Climate Transition Plan.

The Board is conscious that regulatory expectations and industry best practices continue to evolve and further work is required to enhance our climate risk operating model.

The disclosures below were drafted to be consistent with TCFD recommendations aligned to the UK legislation on The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 – and provide transparent reporting to assist our stakeholders in understanding the impact of climate change on the Group. The current assessment indicates a low climate risk impact to the business, however we remain cognisant that climate risks may evolve over time.

In the table overleaf, we describe the progress made against each TCFD pillar during 2024 and where relevant ongoing considerations for 2025 and beyond.

Task Force on Climate-Related Financial Disclosures continued

1. Governance

Approach	Looking Ahead	Further details
1a) Board oversight of climate-related risks and opportunities:		
• All Committee and Board papers continued to include an assessment in relation to the Group's environmental commitments to allow the Directors to consider any climate-related risk impacts or implications to the Group's stated climate ambitions. Climate risk and Environmental, Social and Governance (ESG) matters are key considerations to the Group's strategy for which the Board assumes responsibility. • In addition to its direct oversight, the Board delegates responsibility for the Group's climate-related risk appetite, risk monitoring, provisioning and capital and liquidity management to the Group Risk Committee. The setting of climate risk appetite limits is a key tool utilised to ensure that the Group's risk profile continues to be managed to an acceptable level, whilst the inclusion of a climate risk assessment in the Internal Capital Adequacy Assessment Process (ICAAP) ensures that the Group continues to hold sufficient capital to address climate specific risks to which it may be exposed. • Kal Atwal (Non-Executive Director) maintains responsibility for championing ESG matters on behalf of the Board. • The Board considers and approves emission reduction goals and targets in line with the Group's net zero by 2050 commitment and receives monthly performance updates. • The Group Executive Committee meet on a periodic basis, receiving emissions performance information and updates on ESG opportunities. Additional papers from the ESG Committee are submitted where approvals and escalations are required. • The Group Audit Committee continues to monitor the Group's compliance with TCFD requirements. • The Group Risk Committee is a Board level committee which oversees the Group's climate risk management and provides advice to the Board on climate risk exposures and metrics relative to the climate risk appetite. • During 2024, the Group's Executive Risk Committee which oversees other Principal Risks for the Group (e.g. Operational risk) was appointed to oversee and approve the Group's Climate Risk Management Framework on an annual basis (previously approved at the Group Risk Committee), aligning the oversight approach followed by other sub-level frameworks. • The Group Remuneration and People Committee integrated greenhouse gas (GHG) emission reduction targets into the Performance Share Plan with performance against these targets presented to the Board. • For further details on how climate-related risks and opportunities are linked to Executives and Senior Management's remuneration, see Directors' Remuneration Report on pages 154-179.	• Ongoing enhancement to ensure effective oversight of climate-related risks and opportunities • Ongoing monitoring and assessment of performance targets aligned to the Group's climate risk strategy • Ongoing review of the Group's climate risk appetite in accordance with the Group's Risk Appetite framework • Educate and create awareness via workshops, internal training and external gatherings to support the Group's Climate Transition Plan and to improve internal expertise	Directors' Remuneration Report – pages 154-179

Task Force on Climate-Related Financial Disclosures continued

1. Governance continued

Approach	Looking Ahead	Further details
1b) Management's role in assessing and managing climate-related risks and opportunities:		
• The ESG Committee is a Management Committee which reports into the Group Executive Committee. During 2024, the Committee met on a periodic basis, ensuring effective identification and management of climate-related risks and goals. The Committee's output is summarised and shared annually with the Board for consideration. Management information and analysis on climate-related topics are presented to the ESG Committee and subsequent committees relating to greenhouse gas (GHG) emission reductions and climate risk appetite limits. • Senior management level responsibility is held by Non-Executive Director on the Board, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Chief Sustainability Officer (CSO) who are part of the relevant committees overseeing climate-related issues to review and guide the Group's strategy. • The Chief Sustainability Officer is responsible for ensuring the Group's strategy is aligned and consistent with the various climate-related initiatives across the Group as well as ensuring that the Group is well positioned to meet its ESG reporting requirements. • The Climate Transition Working Group acts as the forum that oversees the implementation of the Group's Climate Transition Plan, whilst providing regular updates to the ESG Committee. • Climate risk is recognised as an Environmental, Social, Governance Risk and forms part of the Group's Business & Strategic principal risk under the Group's Enterprise Risk register. The Group Climate Risk Management Framework articulates how the Group identifies, monitors, and manages climate risks. The Framework, implemented in 2020, is subject to annual review and has been further enhanced in 2024. • A review of existing risk management frameworks across principal risk areas were conducted to ensure climate risk is appropriately embedded and monitored in line with existing risk tools and frameworks. Any changes or updates to the Group's suite of Risk Management Frameworks are approved at the Group Risk Management Committee. • During 2024, cross-functional workshops were established internally and externally (provided by external third parties) to educate and increase the Group's awareness on climate-related risks and opportunities. As an example, analytical insights driven by data to support the Group's Transition Plan. • Between 2023 and 2024, the Group increased its headcount to strengthen climate-related expertise within the risk and finance function. As a result, enhanced specialist knowledge has provided support to management in monitoring climate-related issues, provide horizon scanning on regulatory outlooks, and enhancing the Climate Risk Management Framework.	• Consider further embedding of climate-related risks within the Group's other sub-risk management frameworks, where required. • Continue to monitor and manage performance against emissions reduction targets for financed (mortgages) and direct emissions.	

Task Force on Climate-Related Financial Disclosures continued

2. Strategy

Approach

2a) Climate-related risks and opportunities identified over the short, medium, and long-term:

The Group determined the following as relevant and/or material risks to be reviewed annually:

Time periods considered are defined as short term 0-5 years, medium term 5-10 years and long term greater than 10 years. The short-term time horizon aligns to the Group's planning and ICAAP stress testing assessment periods. The long-term time horizon has been utilised within scenario analysis to assess climate risks which may occur over a longer time frame. The medium-term horizon therefore, relates to risks and opportunities which are inside our long-term assessment horizon, but sit outside of our short-term assessment period. The Group's lending is to individuals and small and medium enterprises in the UK, where the specific climate risks and opportunities are assessed. The Group's operational sites in both the UK and India (OSBI) are exposed to physical and transition risk. Currently, the Group does not deem it necessary to describe risks and opportunities by geography. The Group provides lending in the UK primarily against residential and commercial properties, with low exposure to non-property collateral backed funding lines or asset finance lending which is typically secured against hard assets, and therefore does not have significant credit exposure to carbon-related assets.

For further details on time horizons related to the Group's Principal Risks (financial and non-financial), please refer to the Risk Management section of the TCFD Report page 109.

Each of the following risks and opportunities (actual/potential) identified includes a time-horizon associated with it. Represented with:

S Short-term M Medium-term L Long-term

Identified risks – Lending
Physical risk L

Changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and rising sea levels

The Group primarily lends on residential assets, either for owner occupation or for investment by professional landlords. The Group undertook the annual scenario analysis of its portfolio using best-case and worse-case scenarios to determine the level of exposure to climate-related risks. The key physical risks used for scenario analysis are flooding, subsidence and coastal erosion in the long-term (> 10 years), which considers the behavioural and contractual life of the Group's primary lending types.

Transition risk S

Policy and legal – mandates on and regulation of existing products and services

Energy Performance Certificate (EPC) rating requirements are considered a key transitional risk in the short term (0-5 years). The Group's current exposure to transition risk as a proportion of the total lending is relatively small.

Uncertainty in market proposition

Commissioned research indicated varying levels of awareness amongst borrowers around climate change, mitigation, support available and understanding of EPC ratings. There is a potential risk that landlords might be leaving or not entering the market if climate risks make investment less attractive.

Policy and legal – exposure to litigation relating to greenwashing and also failing to comply with evolving regulations or standards that would impact the mortgage market. The uncertainty on governmental policies proves as a risk to the Group which will impact uncertainty in the market within the short-term time horizon.

Reputational – increased concern or negative feedback from the Group's stakeholders based on financed emissions and failure to meet the Group's emission reduction targets.

Looking Ahead

- Continue to seek opportunities relating to climate-friendly products, whilst being cognisant of any governmental changes and any conduct risks
- Consider climate financial risks within the Group's planning processes subject to governmental and regulatory changes (e.g. MEES – Minimum Energy Efficiency Standard)
- Enhance analytical approaches to assess climate change in conjunction with the Group's Principal Risk types

Further details

TCFD Report (Risk Management) – page 109

Sustainability Report – page 83

Task Force on Climate-Related Financial Disclosures continued

2. Strategy continued

Approach	Looking Ahead	Further details
2a) Climate-related risks and opportunities identified over the short, medium, and long-term continued **Identified risks – Operations** **Physical risk** L Increased severity of extreme weather events such as cyclones and floods. The Group's operations in the UK and OSBI could be impacted by an increased number or severity of extreme weather events. Increased costs may be incurred during the period in which operational processes are recovered. **Transition risk** L Increased pricing of GHG emissions, enhanced emissions-reporting obligations. The Group offsets some emissions on an annual basis, whilst it aims to reduce total emissions. It is expected that the cost of offsets from the voluntary carbon market will increase significantly towards 2030. In addition, it is reasonable to anticipate that the government may introduce policy mechanisms to penalise fossil fuel use in support of the government's net zero ambitions. **Policy and legal** Increase of emerging and evolving frameworks. The Group's operations, business strategy and risk management will be impacted if there are insufficient controls in place (e.g. horizon scanning) to identify the requirement(s) the Group may be obliged to comply with. **Reputational** – increased concern or negative feedback from the Group's stakeholders based on direct emissions and supply chain emissions as well as failure to meet the Group's emission reduction targets. **Identified opportunities – Lending** **Products and services** S Increased revenue through demand for lower emissions products and services. Improved competitive position to reflect shifting consumer preferences, resulting in increased revenues. Green financing and lending products have the ability to finance retrofit and new-build projects that increase carbon efficiency or reduce the carbon footprint of investments contributing to real economy decarbonisation, and the Group's ambitions and commitments. The Group continues to focus its lending opportunities via market research as part of the Group's business strategy. This ensures the Group fully understands broker and customer perceptions, attitudes and knowledge within the mortgage market and identifies any risks related to product development. Government and regulatory change remain as a challenge within the UK mortgage market (e.g. minimum EPC requirements and definitions of greenwashing), therefore, the Group will remain diligent via market insights to continue to identify climate-friendly products as an opportunity. Through the course of 2022 to 2024, various research had been conducted which has supported the Group's business strategy. The Group identified a range of opportunities that would support in reducing the Group's financed emissions (via a commissioned third-party consultancy). As a result, the key focus relates to retrofitting and cost-effective ways that can support our brokers and borrowers in this area (e.g. marketing communication). The assessment was a key driver in the Group's thought leadership in educating and providing awareness to our brokers and borrowers. **Resilience** S ***Increased revenue through new products and services*** Transition planning is a significant focus for regulators and continues to gain the attention of shareholders. Exploring revenue streams through new products and services supports the ongoing resilience of the Group as a specialist lender.		

Task Force on Climate-Related Financial Disclosures continued

2. Strategy continued

Approach	Looking Ahead	Further details
2a) Climate-related risks and opportunities identified over the short, medium, and long-term continued		
Identified opportunities – Operations **Resource efficiency** S ***Reduced operating costs (e.g. through efficiency gains and cost reduction)*** Increasing the Group's energy efficiency is an opportunity that will reduce the ongoing operating costs of electricity and natural gas, which are the key drivers of Scope 1 and Scope 2 emissions. Increased efficiency also provides a level of protection against the current uncertainty of energy security and pricing. **Energy source** S ***Use of lower-emission sources of energy, use of supportive policy incentives*** The use of low or zero carbon technologies is likely to reduce operating costs associated with carbon intense energy sources for the future and the need to fund offsetting. The Group will also be afforded a level of protection from fossil fuel price increases. **Resilience** S ***Data*** Explore evolving data availability in the market to enhance the assessment of climate-related risks providing additional value to Senior Management to support informed business and risk decisions. This will include the accuracy, timeliness and frequency of the data received (e.g. latest EPC ratings).		

Task Force on Climate-Related Financial Disclosures continued

2. Strategy continued

Approach	Looking Ahead	Further details
2b) Impact of climate-related risks and opportunities on the Group's businesses, strategy, and financial planning:		
• Climate-related risks and opportunities are considered during a wider ESG risk and opportunity analysis where the impact assessment must be consistent with the Group's risk culture and risk policies. The opportunities are determined based upon a quantitative assessment, where data is available, or a qualitative assessment, based on factors such as the potential impact, importance of risks, growth or cost management and the degree of importance to stakeholders. • The Group continues to progress in managing risks and developing potential areas of opportunity with respect to products and services, supply/value chain mitigation activities and operations. The Group's current strategy and simple business model mean that risks and opportunities relating to investment in research and development, acquisitions and access to capital are deemed non-material and therefore were not areas of focus. • The Group's financial plans are set on an annual basis and are reviewed and refreshed periodically. They consider, among other matters, the Board's risk appetite, macroeconomic outlook, market opportunity, the competitive landscape and sensitivity of the financial plans to volumes, margin pressures and any changes in capital requirements. For the 2024 financial plans, the Board considered all principal and emerging risks including climate risk, where the risk is likely to emerge, outside of the viability assessment horizon. • In 2024, the Group developed its first Climate Transition Plan which sets out the roadmap and steps the firm intends to take in progressing towards its committed emission reduction targets. For further details, please refer to the Group's Climate Transition Plan and the Just Transition pillar of the Sustainability Report page 76. • The Group considers the UK Climate Change Committee (CCC)'s sectoral scenario analysis as a key factor in driving the ESG strategy, targets and commitments. This is supported by quantitative assessment based on the Group's financial planning and financial risk assessment driven by stress testing from Bank of England's Climate Biennial Exploratory Scenario (CBES), where macroeconomic indicators are considered and recalibrated for each annual review of the ICAAP. • In 2024, notwithstanding the Group's existing refurbishment products for Buy-To-Let (launched in 2023), the Group has further expanded into EPC-based products as part of our Commercial lending. The Group remains diligent in approaching new climate-friendly products and therefore continues to focus market research to ensure the Group complies with regulatory standards. • Data insights and third-party consultancy remained a strong focus in 2024. This ensures the Group is well informed internally and externally when conducting business and risk decisions as part of the Group's strategic and financial planning. Results from data provided by third-party consultancy indicate areas of improvement to reduce the Group's financed emissions as well as potential cost-efficient solutions that can contribute towards the Group's emission reduction targets. Findings are presented at relevant committees or working groups to ensure management is well informed to support business and risk decisions from a forward-looking perspective. • During 2024, the Group Risk Committee approved a number of enhancements to the Group Vendor Management and Outsourcing Policy. The improvements placed a greater emphasis and a confirmed commitment to ESG with key considerations through each of the Procurement and Supply Chain key stages including: (i) Mandatory ESG questionnaire and selection criteria during the Sourcing stage for new vendors/new services (ii) during on-boarding due diligence, a confirmed commitment to OSB Vendor Code of Conduct and Ethics (or equivalent), (iii) contractual agreement negotiations (iv) Periodic reviews during the life of the contract e.g. annual checks/ attestations. • The Group calculates its Scope 3 financed emissions using the Partnership for Carbon Accounting Financials (PCAF) methodology in line with industry standards. The methodology supports the Group's progress in reducing emissions by benchmarking against its peers and comparison with market standards. The PCAF calculation covers the largest asset class within the Group which is mortgage portfolio. For further details, please see the Sustainability Report page 83.	• Increase awareness via internal and external market research to ensure impacts are appropriately assessed in line with the Group's business, strategy, and financial planning • Monitor and manage Scope 3 financed emissions against agreed targets • Ensure the Group's climate risk underwriting criteria complies with evolving governmental and regulatory standards • Ensure impacts related to changes in governmental and regulatory standards are considered as part of the Group's business, strategy, and financial planning • The Group remains optimistic in identifying new product opportunities resulting from the impacts delivered by the transformation programme.	Climate Transition Plan Sustainability Report – page 76 Sustainability Report – page 83

Task Force on Climate-Related Financial Disclosures continued

Portfolio profiling and scenario analysis insights (TCFD recommendations: Strategy 2a, 2c and Metrics and targets 4a)

OSB Group plc is a leading mortgage lender predominantly in the professional Buy-to-Let and specialist Residential market sub-segments secured against residential property. The Group also provides loans to limited companies and individuals secured against commercial and semi-commercial properties, residential development financing, funding lines to non-bank finance companies and asset finance lending.

At present the Group has identified the physical risks relating to flooding, subsidence and coastal erosion which could reduce the value of properties as well as the ability of borrowers to afford or refinance their mortgages, as the most material physical climate risks to be assessed and managed. The Group has also identified the transitional risks relating to changes in regulatory policy resulting in material levels of investment being required to ensure minimum EPC requirements are met. This spend, for example, may be required to ensure Buy-to-Let properties are eligible to let, loan-to-value levels are not adversely impacted, void periods and defaults do not materialise which would result in loan losses and higher capital requirements. As such, the Group considers the above risks as the most material and therefore focuses on their assessment, monitoring and management.

The climate risks relating to the Group's operational premises are considered less material than the physical and transitional risks to the properties which underpin the Group's loan portfolios.

Overview

The Group profiles the mortgage portfolio through both Physical and Transitional Risk measures, completing a full comparative analysis on an annual basis.

Physical risks

Exposure to flood, subsidence and coastal erosion are considered in the physical risk profiling.

Properties are geolocated within a one-metre accuracy for the purpose of physical peril impact considerations. This resolution is essential because flood and subsidence risk factors can vary considerably between neighbouring properties.

The Group's physical risk profile remained broadly stable during 2024, when compared to 2023.

Sensitivity analysis completed using Representative Concentration Pathway (RCP) scenarios on increases in global temperatures by 2100, compared the least severe scenario (RCP 2.6 – increase of 0.9°C to 2.3°C) to the most severe (RCP 8.5 – increase of 3.2°C to 5.4°C).

At a Group level, our flood analysis shows that the exposure to the probability of flood over the next decade increases by 0.04% (2023: 0.04%) from the best-case scenario to the worst-case scenario, only 0.44% (2023: 0.46%) of the Group's portfolio is in an area with a flood risk currently greater than 20%.

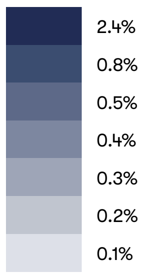
Regional mapping analysis (see diagram to the right) shows the proportion of the Group's mortgage portfolio that is exposed to a flood probability greater than 20% within each UK region. The highest regional concentration is to the South East, representing 20.4% of the Group's mortgage portfolio.

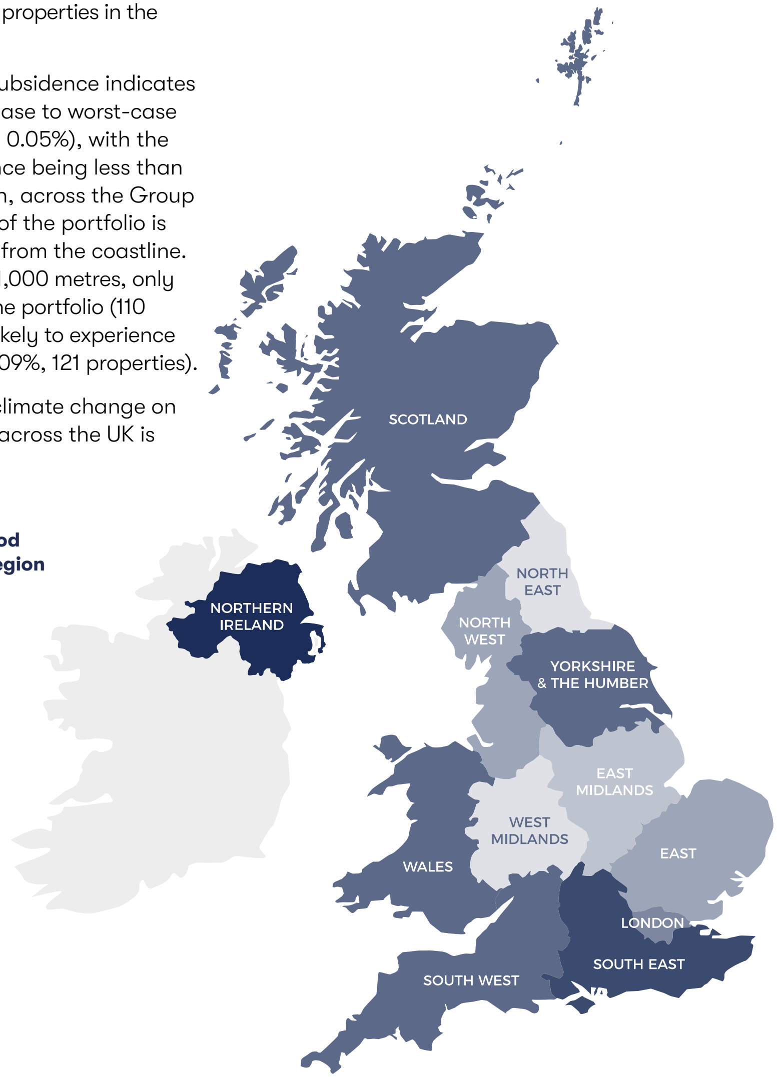
Only 0.8% of properties (219 properties) in this region are exposed to a flood risk currently greater than 20%. Northern Ireland has the highest proportion of properties with a flood probability of greater than 20%, however this amounts to only four properties in the Group's portfolio.

Sensitivity analysis for subsidence indicates the increase from best-case to worst-case increase is 0.05% (2023: 0.05%), with the portfolio risk of subsidence being less than 0.5%. For coastal erosion, across the Group over 92% (2023: 92.6%) of the portfolio is more than 1,000 metres from the coastline. Of the properties within 1,000 metres, only 0.09% of properties on the portfolio (110 properties) are in areas likely to experience coastal erosion (2023: 0.09%, 121 properties).

The physical impact of climate change on our real estate portfolio across the UK is expected to be limited.

% of properties with a flood probability >20% in the region





Task Force on Climate-Related Financial Disclosures continued

Transitional risks

Exposure by Energy Performance Certificate (EPC) rating is considered in the Transition Risk profiling.

For transitional risk, EPC ratings are based on a Standard Assessment Procedure calculation which uses a government methodology to determine the energy performance of properties by considering factors such as construction materials, heating systems, insulation and air leakage.

The Group observed marginal improvements in EPC ratings for existing stock assessed in both 2024 and 2023. In addition, enhancements in the climate data processes improved insight into the transitional risk profile.

At a Group level, c.42.8% of properties (2023: 40.8%) have an EPC rating of C or better, c.44.7% (2023: 45.7%) have an EPC rating of D, c.11.1% (2023: 12.1%) an EPC rating of E and c.1% (2023: 1.1%) have an EPC rating of F or G. Of the properties with an EPC rating of D or worse, c.92.7% (2023: 92.4%) have the potential to reach at least an EPC rating of C.

Adverse movements in the EPC rating distribution of the Group's loan portfolios and any potential change in government policy have the potential to result in larger future financial impact for the Group. To mitigate this risk, the Group actively monitors and assesses the possible financial risks associated with the EPC rating distribution of the Group's loan portfolios and horizon scans for any changes in regulatory or governmental policy.

Embedding scenario analysis

The Group's ICAAP assessment includes the financial impact of climate-related risks including flood, subsidence, coastal erosion and minimum EPC ratings. As part of the stress testing, the Group's ICAAP considers a range of scenarios aligned to the PRA's CBES (where the 2050 global temperature range is from 1.8°C to a 3.3°C) within the five-year financial planning and the 2024 ICAAP indicated that the Group has a low risk to climate change, and its strategy and business model performs resiliently across a number of climate scenarios.

97% of the Group's total lending is related to carbon-related assets (i.e. mortgages) excluding Development Finance, Funding Lines and Asset Finance portfolios and contributes to the Group's total emissions (indirect emissions, Scope 3 Category 15 – Financed Emissions). Details of the Group's strategic approach in transitioning into a low-carbon economy consistent with a 2°C or lower climate scenario is outlined in the Group's Climate Transition Plan and refer to the Sustainability Report – Just Transition page 76.

Governmental policies are key drivers impacting the Group's risk strategy and risk decisions to address climate-related risks and opportunities. The current UK governmental outlook remains uncertain for the mortgage market and how the changes will impact the Minimum Energy Efficiency Standard (MEES) Regulations which the Group's current lending policies comply with. Therefore, risk monitoring and analysis are established to monitor the EPC distribution of our lending portfolio aligned to the Group's Financed Emissions reduction targets (aligned to a 2°C or lower climate scenario).

The Group's climate risk management covers a wide range of risk analysis including; climate risk appetite monitoring, conducting scenarios and assumptions for the Group's ICAAP assessment and other ad hoc data analysis in order to support the Group in assessing climate-related financial impacts. The Group's current risk appetite, IFRS 9 and ICAAP (as of year end 2023*) climate risk assessments have all indicated that the Group is currently exposed to a low climate-related financial risk, using the materiality assessment scale which supports other financial disclosures within the Group's Annual Report and Accounts.

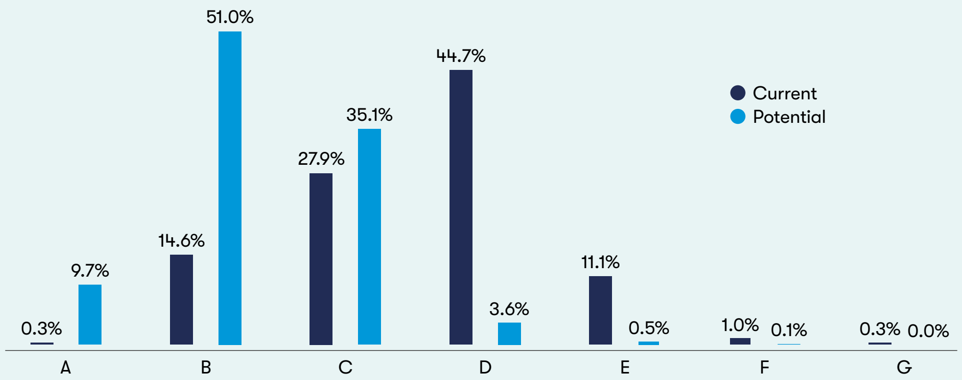
Looking ahead

The Group will continue to ensure climate risk assessments (e.g. ICAAP assessment or risk-related analysis) support the Group's management of the climate risk profile.

* There is a timing difference between the Group's annual disclosure and ICAAP process, therefore, conclusion is based on the 2023 ICAAP assessment (conducted in 2024)

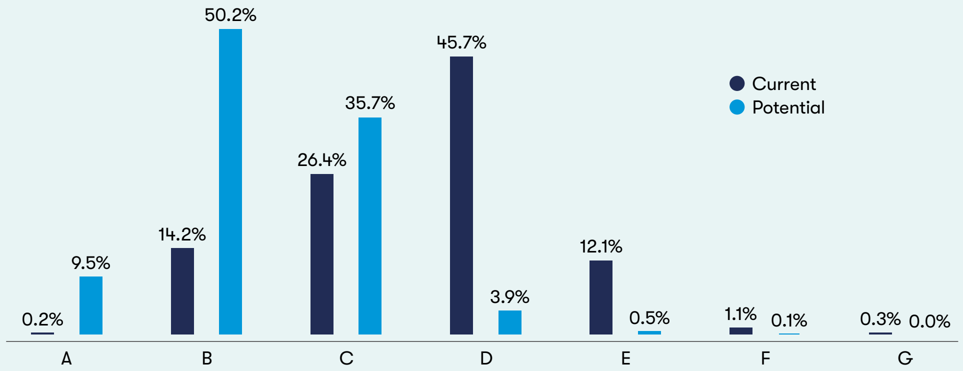
Task Force on Climate-Related Financial Disclosures continued

2024 Group EPC Distribution – Current vs Potential



2024 current proportion of EPC D to G which have a EPC Potential of C or above; D: 95.6%, E: 84.8%, F: 63.3%, G: 55.9%

2023 Group EPC Distribution – Current vs Potential



2023 current proportion of EPC D to G which have a EPC Potential of C or above; D: 95.5%, E: 84.2%, F: 62.4%, G: 55.4%

Potential climate-related impacts on Group's principal risks (financial risks):

Following from the Strategy section of the Group's TCFD(2a), the below outlines the time horizon and potential risk associated with each principal risk type.

Principal risk type	Climate risk type	Description	Time Horizon	Potential Risk
Credit risk	Physical	Extreme weather events (such as heatwaves, floods, wildfires, and storms) that can lead to physical damage to the value of assets or collateral held	Long-term	Low
	Transition	Arise from the process of adjustment towards a low-carbon-economy which could impact the value of the assets and lead to stranded assets	Short-term	Low
Market risk	Physical	Adverse movements impacted by climate change impacting interest rates	Long-term	Low
	Transition		Medium-term	Low
Liquidity and funding	Physical and transition	Adverse movements impacted by climate change impacting foreign exchange volatility	Short-term	Low
Solvency	Physical and transition	Climate-related risks which would require the Group to hold additional capital	Short-term	Low

Task Force on Climate-Related Financial Disclosures continued

3. Risk Management

Approach	Looking Ahead	Further details
3a) Processes for identifying and assessing climate-related risks:		
• Climate-related horizon scanning is in place to monitor regulatory or legislative changes which could impact the Group which feeds into the assessment of transition risks. • The Group's risk function continues to assess climate risks against its key principle (traditional banking) risks and considers credit risk as the key risk which could be adversely impacted by future climate change. • The enterprise risk register process allows the Group to consistently size, scope and reassess the relative significance of all risks including climate risk, considering the likelihood and potential impact of the risk emerging to provide an inherent risk rating. The risk terminology at an Enterprise Risk level remains consistent when applied to the Group's ESG Materiality Assessment related to impact assessment which includes Severe, Significant, Moderate and Minor. • The Group utilises Bank of England's Climate Biennial Exploratory Scenario (CBES), which includes the scenario narrative and corresponding climate and macro paths, which are then input into the Group's stress testing engine to assess the financial impact on the Group. • Scenario analysis is used as a valuable tool to understand and inform the potential impact of climate change on the Group's loan portfolios and contributes towards the Group's climate change portfolio analysis (covering both physical and transitional risks). The scenario analysis is fully embedded within the Group's Credit risk which supports the assessment on Solvency risk (i.e. ICAAP). Outside of the scenario analysis, the financial impact of climate change is considered within other principal risk types as outlined later in this section (Potential climate-related impacts on Group's principal risks), for non-financial principal risk types, the Group acknowledges the importance of climate change and the potential risk that may occur within the time horizons mentioned, however, further assessment will be required while processes and frameworks are maturing. • The outcome of the scenario analysis detailed within the Group's ICAAP provides an indication of the size and scope of climate-related risks. For further details on the scenario analysis outputs, please see page 108. • Climate risk is a key consideration in the Group's wider assessment of ESG risks and opportunities which uses the outputs of scenario analysis to support the assessment of material ESG risks and opportunities, which further informs the ESG strategy. Within the Group's ESG materiality assessment, climate-related topics are identified and the degree of importance to stakeholder groups are assessed. Collectively, the Group considers a wide range of global issues, industry, and sector-specific considerations (i.e. regulatory and disclosure requirements) to ensure consistency on the Group's values and risk culture (e.g. risk classifications) are reflected in the ESG Operating Framework and Climate Risk Management Framework.	• Support brokers/borrowers in educating and provide awareness of energy efficiency and their carbon footprint • Produce climate risk management information with trend analysis and alignment to the Group's scenario analysis selection	TCFD Report (Strategy) – page 108.

Task Force on Climate-Related Financial Disclosures continued

3. Risk Management continued

Approach	Looking Ahead	Further details
3a) Processes for identifying and assessing climate-related risks (continued): • During 2024, an ESG indicator was implemented within the Group's Operational Risk Management System as an added feature for the Group's Risk and Control Self-Assessments (RCSA) to support the ongoing visibility of ESG risks (including climate risk) and enhance the identification of ESG risk as part of the Group's business strategy, financial planning and risk management. • The Group's Market and Liquidity risk considers climate-related risks for both IRRBB (Interest Rate Risk in the Banking Book) and foreign exchange from funding its OSB India subsidiary and taking into consideration how the monsoon season in India will impact GBP/INR FX rates as part of the ILAAP process. • Third-party research and consultancy is a key factor in identifying and managing climate-related risks. Results from activity conducted in 2024 indicates two main factors; (i) uncertainty in the UK regulatory regime relating to the property sector and (ii) methods that can be implemented to reduce the Group's financed emissions. The Group will continue to present related findings at relevant committees to inform management of challenges and opportunities that aligns with the Group's ESG strategy.		
3b) Processes for managing climate-related risks: • The existing lending policies and criteria help to manage climate risk across the Group's loan portfolios i.e., setting out the EPC requirements for Buy-to-Let lending. Flood, subsidence, and coastal erosion risks are in part mitigated by independent property valuation, which forms part of the underwriting process. • Climate risk appetite statements and limits remain in place helping to inform the Group's ESG strategy and facilitate monitoring of the Group's climate risk profile. Monitoring and reporting of relevant climate risk appetite and climate risk profiles (such as EPC profile and new originations/existing lending stock) are presented to related committees on a quarterly basis (e.g. ESG Committee). • Outputs derived from analysis related to the climate risk appetite and related thresholds provides key information in assessing forward-looking potential risks. The process includes trend analysis and scenario analysis related to the Group's ESG targets and strategy to ensure clear visibility on potential future risks. The climate risk appetite statements and limits are reviewed bi-annually (via governance channels such as ESG Committee and Risk Committee) to ensure they are fit for purpose and fulfil the role that would drive ESG and climate risk strategies for the Group. • Non-Executive Directors' workshops are held as part of the review and approval process of climate risk appetite which keeps the Board informed and aware of the Group's approach to climate risk management.	• Monitor the EPC profile and related risk indicators that will support the Group in managing its climate-related risks • Identify enhancements to internal training that would support the Group in managing climate-related risks	

Task Force on Climate-Related Financial Disclosures continued

3. Risk Management continued

Approach	Looking Ahead	Further details
3b) Processes for managing climate-related risks (continued): • Since 2022, Group-wide training was established for ESG which incorporated environmental and climate change-related topics. In 2024, the Group further enhanced climate-related training by developing educational videos internally on climate change due to launch in 2025. The training and the Group's Employee Engagement network named Our Planet, raises the awareness and educates across all three lines of defence best practise in managing climate-related risks. • The Group is a UK entity and regulated by both the PRA and FCA. Therefore, the Group takes high priority on regulatory or legislative changes which feeds into physical and transition climate risk (e.g. policy and legal risk as per TCFD Recommendations). • The Group prioritises credit risk associated with the lending book as borrowers are subject to transitional and physical risk. The Climate Risk Management Framework and its principles are established for credit risk and acts as a guidance in supporting other risks in managing climate-related risks. • The Group's ESG Materiality assessment is an essential tool within the first line of defence to support in managing climate-related risks. Both first line and second line of defence establish a review and challenge relationship to ensure both ESG commitments and climate-related risks are in alignment. The process takes into consideration of best practices derived from international/regulatory standards where recommendations may or may not be relevant to the Group's business model. • As part of the Group's Operational Resilience arrangements, the risk is assessed by estimating the likelihood and impact on Important Business Services, locations and/or business-specific threats, this includes events caused by extreme weather. • On an annual basis, the Group conducts a complete review of its loan book from a climate perspective. This enables the Group to determine the potential impact of climate-related risks. Quarterly monitoring of the loan book is performed based on new loan business to assess the trend of the loan book throughout an annual cycle. • For physical risk, the Group aligned its scenario analysis processes with UKCP18 climate change predictions for the UK that were issued by the Met Office in collaboration with other agencies.	• Monitor the EPC profile and related risk indicators that will support the Group in managing its climate-related risks • Identify enhancements to internal training that would support the Group in managing climate-related risks	

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4. Metric and targets

4a) Metrics used to assess climate-related risks and opportunities:

The Group utilises a variety of metrics to assess climate-related risks and opportunities which are outlined in both the Sustainability Report and the Risk Review section of the Strategic Report (please see the below table for mapping). Metrics also take consideration of cross-industry metrics, global standards (e.g. ISO14001) and related metrics that are utilised for the Group's Remuneration policy.

In 2024, the Group evolved in creating a Transition dashboard which included a suite of metrics and targets to support discussions and assess the current progression relating to the Group's emission targets. Metrics and targets include; historical trend analysis relating to emission targets, climate risk appetite, climate risk profiling based on current/historic loan portfolio and metrics related to transitional finance.

The Group continues to track its performance through discussions via channels such as the Climate Transition Working Group and the ESG Committee. Disclosures of progression related to emissions reduction targets will continue to be outlined within the Group's Climate Transition Plan. For further details, please refer to the Climate Transition Plan and updates under the Sustainability Report – Just Transition section page 76.

The metrics related to physical and transition risks previously mentioned are considered as part of the Group's risks and opportunities (please refer to the Strategy section of the Group's TCFD Report). This includes the following mapping:

Topic	Type	Description	Further details
Lending – physical	Risk	The Group considers risk exposures based on climate risk perils which includes flood, subsidence and coastal erosion. The risk exposures are modelled which will include data considerations such as; winter precipitation, shrink swell clay risk, summer precipitation, erosion sensitivity and height above sea level.	– **Metrics**: page 52 – **Targets**: N/A – **Trend analysis**: page 109
Lending – transition	Risk	The transitional risk metrics are based on the loan portfolio's EPC distribution and GHG emissions calculated using the GHG Protocol Corporate Standard.	– **Metrics (GHG Emissions)**: Sustainability Report page 83 – **Targets**: Sustainability Report page 80 (To reduce emissions intensity of our mortgage lending by 25% by 2030 from a 2022 baseline) – **Trend Analysis**: Sustainability Report pages 84-85, **TCFD**: Insights from our Scenario analysis page 109
Uncertainty in market proposition	Risk	Analysis derived from the transitional risk metrics (i.e. EPC, GHG emissions) supports the Group's oversight of its mortgage portfolio which can be impacted by market propositions, fluctuations and policy changes.	– **Trend analysis**: page 109
Reputational	Risk	Transitional risk metrics (i.e. EPC, GHG emissions) are assessed to measure the progress against the Group's emission targets.	– **Targets**: Sustainability Report page 80
Operations – physical	Risk	The Group considers the location of its operations based on climate risk perils which includes flood, subsidence and coastal erosion. Exposure to the climate risk perils will mean disruption to the business. The perils factor data considerations would include; winter precipitation, shrink swell clay risk, summer precipitation, erosion sensitivity and height above sea level.	– **Metrics**: page 52
Operations – transition	Risk	Transitional risk metrics (i.e. EPC, GHG emissions) are assessed to monitor the Group's total emissions and mortgage portfolio which can be impacted by new governmental or policy changes.	– **Trend analysis**: Sustainability Report pages 84-85 **TCFD**: Insights from our Scenario Analysis page 109 – **Targets**: Sustainability Report page 80

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Topic	Type	Description	Further details
Lending – transition	Opportunities	Transition risk metrics (i.e. EPC, GHG emissions) are utilised to assess the Group's portfolio. The outcome of the assessments help drive thought leadership relating to opportunities on the Group's products and services.	– **Metrics (GHG Emissions):** Sustainability Report page 83 – **Trend Analysis:** Sustainability Report ages 84-85 **TCFD:** Insights from our Scenario analysis page 109
Opportunities – resource efficiency	Opportunities	The GHG emissions (Scope 1 and Scope 2) are key metrics that would contribute to the Group's monitoring of its direct emissions. Therefore, increasing the Group's energy efficiency can help lower the Group's direct emissions and operating costs.	– **Metrics (GHG emissions):** Sustainability Report page 83
Opportunities – energy source	Opportunities	GHG emission metrics would be a measure in assessing low or zero carbon technologies.	– **Metrics (GHG emissions):** Sustainability Report page 83
Other			
Water, energy and waste management	Risk	Monitored via the Group's Environmental Management System (EMS) which is certified to ISO14001.	– **Metrics:** Sustainability Report page 82
Performance metrics incorporated into remuneration policies	Performance	Greenhouse gas (GHG) emission reduction targets is a performance measure which is considered as part of Executives' and Senior Management's remuneration.	– **Metrics:** Directors' Remuneration Report pages 173-174
Internal carbon prices, revenue from products and services designed for low-carbon economy	Performance	The revenue generated from the Group's energy efficiency products indicates low revenue generated due to a low number of completed applications. In 2024, the Group engaged with a third-party consultancy to establish a potential strategy on internal carbon price as a metric that would support the Group with its strategy and risk management.	

Looking ahead

- Utilise metrics and targets to support thought leadership and internal discussions via committees and working groups.
- Review the metrics and targets of physical and transitional risk to support in managing the Group's climate risk profile and risk appetite thresholds.
- Consider carbon pricing to support the implementation of the Transition Plan.

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4b) Scope 1, 2 and 3 GHG emissions and the related risks/4c) Targets used to manage climate-related risks and opportunities:

Metric	Description	Reference	Targets	Reference
Scope 1	Scope 1, 2 and 3 emissions have been disclosed (where relevant and available for Scope 3), emissions are calculated in line with the GHG Protocol Corporate Standard. Criteria for reporting GHG emissions can be found on the Group's website.	Sustainability Report page 83	**Intensity based target**	Sustainability Report page 80 NZBA Intermediate Targets
Scope 2			**Base year target**	Sustainability Report page 80 NZBA Intermediate Targets
Scope 3			**Key Performance Indicators**	Sustainability Report page 79

Historical periods and trend analysis are utilised to monitor the performance/progress of all emissions reduction targets and management information is presented at relevant committees, management meetings and working groups for progression tracking (i.e. Energy Management meetings and at the Climate Transition Working Group).

Methodologies used to calculate targets and measures (including interim targets)

Metrics derived from trend analysis such as historic data are utilised to consider new proposed thresholds when considering the Group's climate risk appetite. The metrics support's the Group in monitoring the progress associated with emissions reduction targets and the Transition Plan.

Analysis and insights provided by third-party consultancy are drivers that support the Group in strategy planning in reaching its targets.

Looking ahead

- Assess the risks and opportunities associated with Scope 1, 2 and 3 emissions and manage accordingly.
- Track performance against the agreed Climate Transition Plan, taking management actions if required.
- Seek enhancements on metrics and targets as risk management and transition planning matures.