

Virgin Money (UK) PLC Environmental Reporting Criteria

1 Overview

Virgin Money (UK) PLC ('Group') is an independent banking group operating through its Clydesdale Bank, Yorkshire Bank and Virgin Money brands. The Group operates solely in the UK, with stores in England, Scotland and one in Northern Ireland.

This document outlines the methodologies and assumptions used in the Virgin Money (UK) PLC Group Environmental Reporting included in the Group Annual Report and Accounts. The Group has a regulatory obligation to report on Greenhouse Gas ('GHG') emissions as per the requirements under UK Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013; and the UK Streamlined Energy & Carbon Reporting (SECR) regulations, issued by the UK Department for BEIS. The environmental data is reported for the year ended 30 June 2022.

We report our GHG emissions in accordance with the GHG Protocol, which sets a global standard for how to measure, manage and report GHG emissions.

The GHG Protocol provides a detailed methodology on GHG reporting, specifically the GHG Protocol: A Corporate Accounting and Reporting Standard, which we have used as the basis of our GHG reporting methodology. The Group have reported on the basis of both Scope 2 location-based emissions and Scope 2 market-based emissions in the last two years.

In March 2021 the Group entered into a new Gas Contract for the supply of Green Gas. As a result the Group will report on the basis of both Scope 1 location-based emissions and Scope 1 market-based emissions for the second time. Note that we recognise that there is not currently a market recognised approach to reporting Scope 1 emissions so this measure is the Group's own interpretation of Scope 1 market based emissions. The Scope 1 market based emissions measure will also include other inputs such as fuel so the main difference between the location and market based measures is the green gas element.

2 Boundary & Scope assessment

2.1 Boundary assessment

The Group reports emissions data using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 in respect of those emissions for which we are responsible. Where an activity falls under our operational control, we report 100% of the associated emissions. There are no activities that are not under the Bank's operational control.

On an annual basis, the Property team reviews the property list to inform which properties emissions data should be collected on. The property list is updated on a monthly basis taking into consideration acquisitions and disposals throughout the reporting period.

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The Group reports emissions based on its portfolio as follows:

- Reported Scope 1 location based emissions cover emissions generated from the gas and oil used in all buildings from which the Group operates; emissions generated from Group-owned and leased vehicles used for business travel; and fugitive emissions arising from the use of air conditioning and chiller / refrigerant plant to service the Group's property portfolio. By purchasing green gas from April 2021 the Bank now receives certification of renewable gas guarantees of origin (RGGOs) that enable us to apply certificates that demonstrate the gas consumed has been produced from renewable sources so the reporting from April 2021 will include Scope 1 market based emissions. This is a separate and new measure introduced by the Group to reflect the decision to source green gas;
- Reported Scope 2 location - and market-based emissions cover emissions generated from the use of electricity in all buildings from which the Group operates. By purchasing renewable energy guarantees of origin ('REGOs') this has enabled us to apply certificates that demonstrate the electricity consumed has been produced from renewable sources; and
- Reported Scope 3 emissions relate to indirect emissions from business travel undertaken by all colleagues using rail, private vehicles hired vehicles, contracted taxi services, air travel, waste disposal, water consumption and paper usage.

22 Scope assessment

As outlined in this methodology document, the Group have reported on all material Scope 1 and Scope 2 emission sources and specific Scope 3 emissions, which we deem ourselves to be responsible for. We do not have responsibility for any emission sources that are beyond the boundary of our operational control. Nothing has been knowingly excluded from the Scope 1 and Scope 2 emissions sources. The Group also chooses to use an intensity ratio of GHG per average FTE for scope 1 and 2 location based emissions. Using FTE offers a simple way to measure and monitor Group performance on emissions and is also a useful way to benchmark and compare with other organisations

23 Emission Factors

The methodology used to support our conversion factors to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" issued by the Department for Business, Energy & Industrial Strategy ('BEIS'). The Group have used the 2022 Department for BEIS emission factors for all emissions (Ref: [Greenhouse gas reporting: conversion factors 2022 - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022)). For bank-owned vehicles, emission factors relating to the vehicle and type of fuel are provided from the vehicle manufacturer and used alongside the 2022 Department for BEIS emission factors.

We use the following specific emission factors for:

- Scope 1 Business Travel - The emission factors are a hybrid between the vehicle data emission figures as stated by Arval (fleet provider) and the DEFRA emission factors. The CO₂ emissions are taken from the specific vehicle and uplifted by 15% to account for road driving emissions instead of test conditions of the vehicle. The CH₄ and N₂O are taken from the DEFRA data set and added to the CO₂ emission to create the kgCO₂e/pkm emission factor.
- Scope 1 Market Based Emissions - The percentage of renewable gas has been taken from the statement from the Clydesdale Bank PLC SSE Green Certificate 010421-010424. The emission factor for Biogas is taken from the following link: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2021>
- Scope 2 Market Based Emissions - The percentage of renewable energy is taken from the REGO provided by the utility provider. The AIB for residual mix is sourced from European Residual Mixes 2021 version 1.0, 2022-05-31

3 Methodology

3.1 Reporting process

The reporting period for GHG emissions runs from 1 July 2021 to 30 June 2022.

Collection of GHG and environmental data is overseen by Cushman & Wakefield ('C&W') on a bi-annual basis using the software tool, BraveGen (formerly Foundation Footprint). Data for new acquisitions and

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the impact of disposals such as store, business centre and office closures are captured during the reporting period in which the changes take effect. We only report data for the time period that we have operational control, therefore data for new acquisitions is included from the date of the acquisition and in the event of a disposal, included up until the date of disposal. The threshold for restatement for prior year adjustments and errors is 5%.

The data collection periods are as follows:

- Half year – 1 July to 31 December; and
- Full year – 1 January to 30 June.

32 Verification process

Internal data verification process

For each data collection period, data undergoes a verification process prior to uploading onto BraveGen. The data verification process is as follows:

| Stage | Description |
|-------------------------------------|--|
| Data collection tasks | Data Source Owner ('DSO') provides the data for a particular process to the Data Submitter ('DS'). The DS then uploads data into the BraveGen system and verifies it. Tasks are overseen by the Data Overseer ('DO') who also performs a detailed review and signoff of uploaded data. |
| Data review | Once a data collection group has been selected for review on the data review manager, it will appear on that Data review page. This page details tasks required by data reviewers and approvers including: <ul style="list-style-type: none"> • Activity data, emissions data, statistical data, etc.; • Comments and approval box; • Related data collection task grid (for viewing parties involved); and • Data review history notes and documents (actions performed by DO, Corporate Reviewer ('CR') and Corporate Approver ('CA') and their review notes). |
| Data review manager | Data collection groups contain data for related inventory items collected for a given reporting period. When all the data collection tasks for a Data Collection Group have been completed by the DO, they then appear on the Data Review Manager page for further review (see data reviewers and approvers below). |
| Data reviewers and approvers | Review and approval of data is performed by the CR and the CA. |

External independent data verification process

The Group engages KPMG LLP annually to provide limited assurance to the Group over the Scope 1 (location-based and market-based) and Scope 2 (location-based and market-based) GHG data and the Intensity metric (Total Scope 1 and 2 greenhouse gas emissions (tonnes CO₂e) / FTE) as disclosed in the Group's Annual Report and Accounts, in accordance with the following assurance standards issued by the International Auditing and Assurance Standards Board. Note that the Scope 1 market based emission measure is a newly assured metric for the current financial year:

- International Standard on Assurance Engagements (UK) 3000 – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' ('ISAE (UK) 3000') and the
- International Standard on Assurance Engagements (UK) 3410 - 'Assurance Engagements on Greenhouse Gas Statements' ('ISAE 3410').

See Environment section on Virgin Money UK PLC website for link to the full opinion on the most recent reporting year.

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3.3 Data Sources and Methods of Data Collection

For the purpose of the Group's GHG reporting, the following sources of data are collected:

| Scope | Data | Source | Method |
|---------|--------------|---------------------------|---|
| Scope 1 | Natural Gas | Invoices / Meter readings | <p>Collected by third party on a monthly basis using the Optima billing system. Gas consumption data sent on a bi-annual basis to C&W to match the reporting periods for upload onto BraveGen.</p> <p>VM data has been collected from the date of acquisition in Oct 2018. It was collected through an in-house VM energy billing system to Sep 2019. The data was then sent to C&W to match the reporting periods for upload onto BraveGen. Since Oct 2019 the process has been streamlined and is now fully integrated for all sources.</p> <p>There is a hierarchy of data sources which starts with data from half hourly meters, then data from non half hourly meters, and then if this is not available actual invoice data is used. If invoices are not available then figures will be manually adjusted based on same period in the previous year.</p> |
| | Diesel | Invoices | <p>Collected by third party when purchase orders (PO's) are raised. Data on diesel consumption sent on bi-annual basis to C&W to upload onto BraveGen.</p> <p>VM data has been collected from the date of acquisition in Oct 2018. It was collected through an in-house VM energy billing system to Sep 2019. The data was then sent to C&W to match the reporting periods for upload onto BraveGen. Since Oct 2019 the process has been streamlined and is now fully integrated for all sources.</p> |
| | Kerosene | Invoices | <p>Collected by third party when PO's are raised. Data on kerosene consumption sent on bi-annual basis to C&W to upload onto BraveGen.</p> <p>VM data has been collected from the date of acquisition in Oct 2018. It was collected through an in-house VM energy billing system to Sep 2019. The data was then sent to C&W to match the reporting periods for upload onto BraveGen. Since Oct 2019 the process has been streamlined and is now fully integrated for all sources.</p> |
| | Refrigerants | Database | <p>Third party maintains a database of chiller / refrigerants and air conditioning units. Data is taken from the database at a specific point in time during the reporting period. This is then submitted to C&W who apply the default leakage rate to the file before uploading to BraveGen. Note the calculation is based on point in time data rather than rolling data for the full year.</p> <p>In the year to June 2020 there was no refrigerant data on VM locations due to delays in maintenance inspections during covid-19.</p> |

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| Scope | Data | Source | Method |
|----------------|--|----------------------------------|--|
| | Business travel (group owned and leased vehicles) | Employee Submission | For Scope 1 business travel, this year, an average mileage per day has been calculated and multiplied for the number of days the car is held by the employee in the period. Average mileage calculations have been based on the previous two formal odometer readings on the Arval system (generally when the car is serviced). The distance travelled is then applied to the fuel type of the vehicle in order to calculate the emissions. |
| Scope 2 | Electricity | Invoices / Meter readings | <p>Collected by third party on a monthly basis using the Optima billing system. Data on electricity consumption is sent on a bi-annual basis to C&W to match the reporting periods for upload onto BraveGen.</p> <p>VM data has been collected from the date of acquisition in Oct 2018. It was collected through an in-house VM energy billing system. The data was then sent to C&W to match the reporting periods for upload onto BraveGen. Since Oct 2019 the process has been streamlined and is now fully integrated for all sources.</p> |
| Scope 3 | Business travel (rail, private vehicles, hired vehicles, taxi services and air travel) | Employee claims | <p>Provided by third party and is a report from their system selecting all claims for these categories. The report is sent to the bank on a bi-annual basis for upload onto BraveGen.</p> <p>VM data has been collected from the date of acquisition in Oct 2018. The data on VM business travel has been collected in house and uploaded into BraveGen through C&W.</p> |
| | Waste | Supplier Submission | Collected by third party supplier and report provided to C&W with details on waste and recycling volumes. The report is sent to the bank on a bi-annual basis for upload onto BraveGen. |
| | Water | Invoices | <p>Collected by third party on a monthly basis using the Optima billing system. Data on water consumption sent on a bi-annual basis to C&W to match the reporting periods for upload onto BraveGen.</p> <p>VM data has been collected from the date of acquisition in Oct 2018. It was collected through an in-house VM energy and utility billing system to Sep 2019. The data was then sent to C&W to match the reporting periods for upload onto BraveGen. Since Oct 2019 the process has been streamlined and is now fully integrated for all sources.</p> |

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| Scope | Data | Source | Method |
|-------|-------|---------|--|
| | Paper | Invoice | Collected by bank department responsible for paper supplies when PO's are raised. Data on paper volumes sent on bi-annual basis to C&W to upload onto BraveGen. |
| | FTE | Payroll | The Bank uses an intensity ratio measured by GHG emissions per average Full-time equivalent ('FTE') employee for the sum of scope 1 and scope 2 location based emissions (i.e. FTE figures are obtained at the last day of each month during the year and then averaged over 12 months). Using FTE offers a simple way to measure and monitor performance on emissions and is also a useful way to benchmark and compare with others. FTE data and average FTE data from the core HR (payroll) system is provided by Human Resources department and includes all full time and part time employees. FTE is an automated calculation based on a colleagues contractual hours as a % of standard hours per week i.e. 35 hours. All non-operational and casual employees are excluded from the calculation. A mean average is taken over the 12 months. |

34 Estimates and assumptions

Estimates are used for natural gas & electricity consumption whilst assumptions are made around business travel.

ISS directly manage the energy consumption in the majority of the properties in the VM portfolio. Where ISS do not manage the energy consumption we need to use estimated emissions for energy relating to gas and electricity consumed in properties where the landlord controls the supply and recharges the Group via a service charge arrangement or where actual meter readings were not available before period end. In these instances, an average rate per kWh has been used with the estimate based on prior year consumption data. In such an instance, we use the consumption of the site for the same month in the prior year to estimate the consumption in the reporting period.

The carbon accounting approach used for the Scope 1 and 2 emissions for properties not directly managed by ISS is called the "operational control" approach which is defined in the Greenhouse Gas Protocol. This means that the energy consumption of these properties is still considered the responsibility of Virgin Money as it has operational control on the amount it consumes. The only metric available for these properties is their floor area. When using floor area to estimate the energy consumption of these properties you can either use an industry survey benchmark like the "Real estate energy benchmarks" (REEB) figures or assume that the properties are managed in a similar fashion within by Virgin Money. We use a Virgin Money specific benchmark and apply it using the following steps:

- Calculate the total floor area of all non ISS managed properties;
- Calculate a VM specific benchmark for electricity and gas by taking all gas and electricity consumption and divide it by the total floor area of the ISS managed properties
- Multiply the VM specific benchmarks for electricity and gas with the non ISS properties floor area, taking into account that some properties do not have a gas supply

There was no refrigerant data on VM in June 2020 reporting due to delays in maintenance inspections during covid-19. This data has been included in the 2022 submission

For Scope 1 business travel, this year, an average mileage per day has been calculated and multiplied for the number of days the car is held by the employee in the period. Average mileage calculations have been based on the previous two formal odometer readings on the Arval system (generally when the car is serviced). The distance travelled is then applied to the fuel type of the vehicle in order to calculate the emissions.

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