

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 2021.

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 first time this year. 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.

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.

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.

2.2 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

2.3 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 2021 Department for BEIS emission factors for all emissions. For bank-owned vehicles, emission factors relating to the vehicle and type of fuel are provided from the vehicle manufacturer and used alongside the 2021 Department for BEIS emission factors.

3 Methodology

3.1 Reporting process

The reporting period for GHG emissions runs from 1 July 2020 to 30 June 2021.

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 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.

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3.2 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	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. 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.
	Diesel	Invoices	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. 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.
	Kerosene	Invoices	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. 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.
	Refrigerants	Database	Third party maintains a database of chiller / refrigerants and air conditioning units. The data is submitted to C&W who apply the default leakage rate to the file before uploading onto BraveGen. Note that in the year to June 2020 there is no refrigerant data on VM locations. This is due to the maintenance inspections where the data would have been collected being delayed due to Covid-19. It is not possible to make robust assumptions and therefore we have not reported this data this year. This data will be included in the next 12 month submission. Also refer to assumptions section below.

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Scope	Data	Source	Method
	Business travel (group owned and leased vehicles)	Employee Submission	<p>Surveys are sent out by C&W via Survey Monkey to all employees with company cars. The data on business travel mileage is collated and uploaded onto BraveGen. Where no response is received it is assumed that the distance travelled is an average mileage based on all other responses.</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>
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	<p>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.</p>
	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	Invoices	<p>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.</p> <p>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 is provided by Human Resources department and includes all full time and part time employees.</p>

3.4 Estimates and assumptions

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

The estimated emissions for energy relate 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.

In the year to June 2020 there is no refrigerant data on VM locations. This is due to the maintenance inspections where the data would have been collected being delayed due to Covid-19. It was not possible to make robust assumptions and therefore we have not reported this data this year. This data will be included in the next 12 month submission.

For Scope 1 business travel, the distance travelled in business owned or leased vehicles is obtained using a survey sent to all employees, which requires a response regarding the distance in miles travelled in the reporting period. This distance travelled is then applied to the fuel type of the vehicle in order to calculate the emissions. Where a response is not received, it is assumed that their distance travelled is the average of everyone who has responded.