

Climate Change

Introduction

Climate change is one of the most urgent challenges the world has ever faced, with far-reaching environmental, economic and societal impacts. These range from increased average temperatures, to more frequent extreme weather events, and the disruption of global economic systems. Their effects will ultimately be felt by all sections of society and stakeholder groups.

Our approach to climate change

As one of the UK's largest banks, we are committed to driving positive social and environmental change through everything we do. Climate is a key area of focus within our Purpose-led ESG strategy.

We have an important role to play in the UK's transition to a low-carbon economy. That's why we manage our business in a sustainable, climate-friendly way, that benefits the environment. Our approach to climate change is anchored against the goals of our ESG strategy, and underpinned by three key pillars:

1. Reduce the impact that the Bank has on the environment – via Goal 1: Put our (carbon) footprint down.
2. Help customers transition to a low carbon economy – via Goal 2: Brighter business.
3. Identify and manage the impact of climate change on the Bank – via Goal 4: Straight-up ESG.

Straight-up governance

In 2020, we challenged ourselves and our suppliers to become net-zero. Plus we wanted to at least halve our emissions across everything we finance by 2030.

Since then we've brought in energy efficient, low carbon technologies which have transformed our business operations – and we've taken our employees, suppliers, customers and clients with us, helping them work towards climate change resilience.

In September 2021, we signed up to the Net Zero Banking Alliance (NZBA). This confirmed our commitment to setting net-zero carbon emission reduction targets within the following 18 months, as per the Paris Climate Agreement objectives. Plus it aligned us with the UK's own 2050 net-zero commitment. We're currently developing our targets and roadmap in accordance with the requirements of the NZBA Commitment Statement, which are:

- Within 18 months of joining, set targets for 2030 (or sooner) and 2050.
- Publish annual absolute emissions data, and disclose progress against a board level-approved transition strategy.
- Engage with our clients' own transition and decarbonisation initiatives.

Disclosures

To help our stakeholders understand our progress in managing climate-related opportunities and risks, we issue comprehensive disclosures. In these, we report the impact of climate change on our business, as well as our impact on the environment, all with 100% transparency.

We're also working with other UK banks to develop a harmonised approach to assessing and disclosing GHG emissions associated with our loans (see Goal 2 above). We recently joined the Partnership for Carbon Accounting Framework (PCAF), and have been using their standardised methodology to calculate our financed emissions. Partners like the PCAF are guiding us towards a more sustainable business, and by adopting their methodologies, it helps us stay on the road to net-zero.

To read about our climate risks and opportunities in more detail, as well as the impacts we have on the climate and environment, take a look at the report published by our inaugural Taskforce for Climate-related Financial Disclosures (TCFD). You'll find it in our Annual Report and Accounts.

Working with stakeholders

We recognise that climate-related risks and opportunities exist across Virgin Money, and may impact our business, customers and clients. That's why we're working with our stakeholders to meet the objectives of the Paris Climate Agreement, and support the transition to a low-carbon economy:

- We are delivering greener propositions to our customers, while supporting their financial aspirations.
- For our colleagues, we've prioritised wellbeing, and flexible and remote working capability. Plus location-less hiring, and a climate-focused culture.
- We're doing our part in society to tackle climate change, by supporting local communities and protecting the environment.
- For our investors, we're trying to be a greener business, providing sustainability as well as returns.
- Working with partners and suppliers, we're ensuring our supply chains reflect our environmental objectives.
- We're acting on government and regulatory policies and initiatives which support the transition to a sustainable future.

To make sure we're in alignment with, and reacting to, the latest scientific developments on climate change, we'll update our Climate Change Position Statement regularly. This will help us achieve our ESG objectives – of which tackling climate change is the major one – promptly and responsibly.