nationwide

Climate-related Financial Disclosures 2024

Foreword

Nationwide is committed to a net-zero future. It is our aspiration to support the UK in achieving its ambition to be net-zero by 2050. This aspiration is embedded into our strategy, supported by our Mutual Good Commitment – **we aim to build a more sustainable world by supporting progress towards a greener society.**

We are the world's largest building society and one of the largest mortgage providers in the UK. We started out in 1884, founded on the belief that everyone deserved a safe place to call home. That has not changed. We know that climate change will have a significant impact on our customers, their homes, and wider society, and so tackling climate change, and the risks associated with it, are fundamental to our mutual purpose.

The information set out in this report is provided in line with the requirements of the Prudential Regulation Authority's (PRA's) Supervisory Statement 3/19 (SS3/19) on Enhancing banks' and insurers' approaches to managing the financial risks from climate change and is aligned with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations[1] and its objective to improve and increase the reporting of climate-related financial information. This information details our understanding of the impact of climate change on Nationwide and our customers. In addition, it explains how the risks from climate change are managed and incorporated into the Society's governance model and the metrics and targets used to monitor the risk.

Throughout this disclosure we refer to our **Intermediate Net-Zero Ambitions 2022: Basis of Preparation** and our **Intermediate (by 2030) net-zero-aligned Transition Plan 2023**. We recommend reading these disclosures in conjunction with this report.

[1]Nationwide follows the TCFD's Annex: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures (October 2021).

Ambition and disclosure overview

Environmental and climate consciousness are aligned to our mutual purpose of **Banking – but fairer, more rewarding, and for the good of society**. This compels us to take meaningful action by limiting the environmental impact of our business operations, helping customers to green their homes (so that they are warmer, healthier, more comfortable places to live, and more cost effective to heat in the long term), and better managing the impacts of a more unpredictable climate. In doing so, we can demonstrate our mutual difference, that extends beyond our own customers, and positively impacts our communities as well as wider society.

Climate change presents a risk to Nationwide and its customers, and so managing the risk from climate change, and aiming to build a more sustainable world by supporting progress towards a greener society, is core to Nationwide being a responsible business. In 2023/24, Nationwide has further embedded climate-related risk management across the organisation and continues to consider climate change as a cause to its principal risks, increasing internal capabilities to manage the impact climate change has on the Society and its customers. The impacts of nature-related risks are in the early stages of being considered as a causal factor in our Enterprise Risk Management Framework (ERMF).

Nationwide is a member of the Net-Zero Banking Alliance (NZBA), and part of the Glasgow Financial Alliance for Net Zero (GFANZ). As part of this, we set and disclosed intermediate (by 2030) science-based emissions targets in December 2022, across scope 1, 2, and 3, and in December 2023, we published our inaugural Intermediate (by 2030) net-zero-aligned Transition Plan 2023, detailing the actions and potential actions needed for us to progress towards our targets. Whilst we always considered our intermediate (by 2030) science-based targets to be challenging, the UK's progress towards net-zero, particularly the greening of homes (which has been described in the Climate Change Committee's (CCC's) Progress in Reducing Emissions: 2023 Report to Parliament[2] as 'worryingly slow'), has been much slower than anticipated and has not been at the pace needed to deliver the emissions reductions required to support progress towards our science-based mortgages target. Therefore, we now do not believe that our intermediate (by 2030) science-based target for mortgages will be achieved.

Considering this, over the next 12 months we will reflect on the appropriateness of setting a more realistic intermediate residential mortgages target, giving due consideration to the current UK green homes policy landscape, the outcome of the general election and any policies announced by the new government, and the findings from our 0% interest Green Additional Borrowing research.

The table on the next page outlines the key activities Nationwide has undertaken in 2023/24, as well as future activities, and how these align to the four categories of the TCFD recommendations (Strategy, Governance, Risk management, and Metrics and targets) and recommended disclosures. We have also aligned this disclosure to the International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) Climate-related Disclosures (S2) standard[3], where appropriate. Page number references have been provided to indicate where additional detail can be found within this disclosure.

[2] 2023 Progress Report to Parliament - Climate Change Committee (theccc.org.uk)
[3] IFRS S2 Climate-related Disclosures

Key Activities	Section	Pages
2023/24 activity Completed an internal climate scenario analysis exercise in 2023, including the use of a dynamic balance sheet, to better quantify the financial risks arising from the physical and transitional impacts of climate change across two climate pathways (including a well-below 2°C scenario). The Board Risk Committee noted and discussed the outcomes of our internal climate scenario analysis activity. Further embedded climate change into our strategic planning and financial planning processes, including consideration of the insights and financial outputs generated by our internal climate scenario analysis activity within our IFRS9 provisions process, our Internal Capital Adequacy Assessment Process (ICAAP), and our Internal Liquidity Adequacy Assessment Process (ILAAP). **Future activity** Further enhance our climate scenario analysis capabilities and how we use it to manage climate-related risks.	S G RM	12 - 15 17, 18 23
2023/24 activity Launched our market-leading 0% interest Green Additional Borrowing pilot to existing members with a Nationwide mortgage. The loan supports customers in making energy-efficient home improvements, such as solar panels, installation of an air source heat pump, window upgrades, boiler upgrades, cavity wall insulation, loft insulation, or an electric car charging point. Launched Nationwide's Home Energy Efficiency Tool to support customers in understanding the benefits of retrofitting their homes and helping them make better choices when considering different retrofit options. **Future activity** Undertake an outcome review on our 0% interest Green Additional Borrowing pilot, to understand the impact on customer behaviour in the greening of their homes. This will support future policy influencing and green finance proposition development.	S MT	5 34, 40
2023/24 activity Approved by the Board, we published our Transition Plan, expanding upon our intermediate (by 2030) science-based targets disclosure. It details the actions, and potential actions, across the short to medium term to reduce our carbon emissions, the anticipated impact these will have, and the level of control and challenges faced. Maintained our participation in cross-industry forums, to understand new and emerging risks and opportunities across the financial sector, including continuing to campaign for further green home policy through engagement with policymakers. **Future activity** Consider the UK's progress in achieving its ambition to be net-zero by 2050, as well as the current UK green homes policy landscape, outcomes from the general election and the findings from our 0% interest Green Additional Borrowing research, as we reflect, over the next 12 months, on the appropriateness of setting a more realistic intermediate residential mortgages target.	S G MT	6, 7, 9 17, 18 27 - 37
2023/24 activity Climate change continued to be embedded as a cause within our existing Enterprise Risk Management Framework (ERMF), and we are considering how nature-related risk is embedded as a causal factor. We continued to re-evaluate the risks and opportunities across the short, medium, and long term, to support the UK's ambition to achieve net-zero by 2050 and explored these as part of our climate strategy and green finance proposition development. Enhanced our climate change risk standard, which aids the embedding, monitoring, and management of climate-related risk as a cause to the Society's principal risks, and our internal climate change management information (MI) dashboard, to support the management of climate-related risks. Key measures are shared through our climate governance model. **Future activity** Consider future regulatory requirements and enhancements to our climate change risk management approach, including any future enhancements to SS3/19, and consideration of nature-related risk.	G RM	17-19 21, 22

S Strategy G Governance RM Risk management MT Metrics and targets

Strategy

Being a beacon for mutual good is a core part of our strategy, centred around our mutual purpose of Banking – but fairer, more rewarding and for the good of society.

As a genuine alternative to the shareholder-owned banks, we provide a good way to bank for our customers.

Our climate change strategy
Our purpose-led strategy ensures we do business in a way that positively impacts our customers, employees, and communities, and seeks to reduce our impact on the environment.

As a building society, Nationwide's focus is on providing banking products and services for our customers. We have very limited corporate lending through small, closed commercial real estate and private finance initiative portfolios, and lending to registered social landlords. Nationwide does not lend to any other industries.

Nationwide is committed to a net-zero future; it is our ambition to support the UK in achieving its target to be net-zero by 2050. This ambition is embedded into our strategy through our Mutual Good Commitment; we aim to build a more sustainable world by supporting progress towards a greener society, aligned to our intermediate (by 2030) science-based targets.

Nationwide's climate change strategy articulates how climate change impacts our stakeholders
We have five pillars to our climate change strategy, which describe how we engage with stakeholders on climate change.

1. Supporting our customers and communities to go green

Supporting progress towards a greener society by aiming to reduce our financed emissions and working cross-industry to make a positive difference to climate change.

Helping customers reduce their carbon emissions through green finance propositions and engagement.

2. Advocating for a net-zero future

Influencing policy makers and government on the need for a comprehensive national retrofit strategy and net-zero plan.

Forming partnerships with key organisations to grow knowledge and effect real change.

3. Greening our business operations and supply chain

Aiming to reduce our emissions, and understand the impact of nature, associated with our business operations and supply chain*, in line with a net-zero pathway.

Leveraging our scale and influence to promote green practices within our supply chain.

4. Embedding climate into our culture

Training colleagues on climate change and encouraging engagement with green issues.

Helping colleagues reduce their carbon footprint whilst at work and home.

5. Enhancing our climate risk capabilities

Building our capability to manage risks from climate change, to deliver our regulatory commitments.

Demonstrating to our investors that Nationwide is managing the risks and opportunities presented by climate change.

*We will focus our nature-related risk impact assessment on our business operations and supply chain, not our lending portfolios. For further information see page 10.

1. Supporting our customers and communities to go green

Delivering green finance propositions

Ensuring our customers have access to green finance propositions, that help finance the retrofitting of their homes, will help to support the reduction in the UK's carbon emissions. By Nationwide supporting its customers to go green, we can also help them make their homes warmer, more affordable, and more comfortable to live in, as well as more cost effective to heat in the long term. However, with the UK's 28 million[4] homes producing around 13%[5] of the UK's carbon emissions, and many of the new homes being built today not meeting the highest energy efficiency standards, achieving the reduction in emissions to deliver net-zero will require a significant cross-industry collaborative effort, as well as large-scale government and customer action.

In June 2023, Nationwide launched its 0% Green Additional Borrowing pilot. The pilot provides eligible homeowners, with a Nationwide mortgage, the opportunity to borrow £5,000 - £15,000, up to a maximum of 90% loan to value (LTV) to finance a range of energy efficient home improvements. The 0% interest rate is fixed for up to five years.

The aim of the pilot is to understand the extent to which the cost of borrowing impacts our customers' ability, and interest in, making green home improvements. All of the loan must be used to fund non-structural, energy-efficient home improvements, such as solar panels, installation of an air source heat pump, window upgrades, boiler upgrades, cavity wall insulation, or loft insulation.

Nationwide has developed a Sustainability Linked Loan (SLL) for its registered social landlords (RSLs). The SLL aims to reward RSLs with a rate reduction if they achieve agreed sustainability criteria. We have also incorporated an SLL option into new RSL loan documentation, for those customers who would like to exercise an SLL option at a later date. Suitably ambitious sustainable key performance indicators (KPIs) are agreed with the RSL, which could be related to Environmental, Social or Governance (ESG), with performance against the KPIs monitored on an annual basis. Once the sustainable KPIs are met, and suitably evidenced by the RSL, Nationwide can provide the pre-agreed interest rate reduction on the relevant loan.

Engaging with customers on reducing their carbon emissions

Nationwide recognises the challenges many customers face when it comes to home retrofit. In response, in 2023, we launched a Home Energy Efficiency Tool with Energy Saving Trust. The tool produces a personalised action plan that we hope can support customers in understanding the benefits and costs of retrofitting their homes. The plan provides detail on a customer's current and estimated (after improvements) energy bill the current and estimated Energy Performance Certificate (EPC) rating and carbon emissions, as well as estimated savings after improvements and how much they will cost.

We recognise that we do not have the expertise to solve all the challenges in the retrofitting market, and so we will focus where we can add most value – by continuing to develop finance propositions with the aim of supporting our customers in greening their homes and helping them improve their knowledge to make greener choices.

Progressing our Oakfield housing development

Nationwide continues to progress with the build of its Oakfield housing development, which consists of 239 EPC A-rated homes, built on a brownfield[6] site in Swindon. By the end of March 2024, approximately a quarter of the site's build was complete, with the whole site on track to be complete by the summer of 2025. Each home is fitted with an air source heat pump and solar panels, and the development is completely gas-free.

By the end of 2023, 70% of the planting, to encourage insects and birds, had been completed (as recommended by the Royal Horticultural Society).

We hope our approach to Oakfield will become a blueprint for other responsible organisations who wish to build more energy-efficient housing developments, in collaboration with local communities.

[4] Progress in reducing emissions: 2023 Report to Parliament – Climate Change Committee (theccc.org.uk)
[5] 2022 UK Greenhouse Gas Emissions, Final Figures
[6] Previously developed land that is not currently in use.

2. Advocating for a net-zero future

Influencing green policy change

Nationwide's aim to build a more sustainable world by supporting progress towards a greener society is aligned to the UK's ambition to achieve net-zero by 2050 at the latest. We recognise the importance of taking early action to drive the transition towards a low carbon future and the impact climate change could have on our customers, their homes, and wider society. However, we know we cannot do this alone, so we will continue to collaborate cross-industry and with government to support the changes needed to transition the economy to net-zero and help support the UK, and our customers, in reducing emissions from homes. Progress will also support our science-based scope 3 downstream targets.

Nationwide leads the Green Homes Action Group – a group of leaders, from different sectors, with a shared interest in promoting high-quality, affordable retrofit. The group called for the Government to do more through seven policy asks to encourage a more comprehensive National Retrofit Strategy:

1. Introduce a public information campaign that inspires
2. Make it fairly financed
3. Regulate green retrofitting
4. Create new jobs in green retrofitting
5. Make property fit for the future
6. Support green homes with green power
7. Build green homes for the future now

These asks form the basis for much of our external engagement. The Society will continue to engage and influence policymakers to encourage the development of green policies which support wider society, including a national strategy for retrofit, to improve the efficiency of the UK's housing stock.

We continue to regularly meet and engage with senior government and political leaders, discussing housing in the UK, home energy efficiency, and the benefits of retrofitting the UK's housing stock. We have also shared some of our early findings from our 0% interest Green Additional Borrowing pilot and our Oakfield development.

Monitoring progress of government policy action

We will continue to monitor key UK government policies, including encouraging the following:

- The Future Homes Standard, set to be introduced by government, and adopted by the building industry, at the earliest possible opportunity. This is currently due in 2025 and will require new-build homes to be fitted with low carbon heating, and high levels of energy efficiency (expected to align to EPC A or B).
- Long-term government-provided financial incentives for owner-occupiers to retrofit their homes, in particular supporting those on low incomes and those where the financial benefit from retrofit is small. This would help facilitate the supply of retrofit materials, the trusted workforce to fit them, and the willingness of homeowners to undertake works on their property. The Government's policy paper Powering Up Britain[7], goes some way towards addressing this.
- Consistent delivery of existing, committed, government policy. With the UK having the oldest housing stock in Europe[8] the most impactful actions to reducing UK home emissions is through the delivery of current government policy, including the decarbonisation of the electricity grid. The CCC's recent progress report identified the need for a comprehensive long-term strategy to decarbonise the electricity grid, describing it as being 'overdue'.
- Faster implementation of retrofitting measures, including an increased take-up of low-carbon heating solutions. Whilst the CCC's Sixth Carbon Budget depicts an aggressive retrofit plan out to 2050 to achieve net-zero, historical data from the Government, and findings in the CCC's latest progress report to parliament, evidence a much slower implementation of retrofitting measures to date (with the greening of homes being described as 'worryingly slow').

[7] Powering up Britain - GOV.UK (www.gov.uk)
[8] The-Housing-Stock-of-the-United-Kingdom_Report_BRE-Trust.pdf (bregroup.com)

Partnering for mutual success
We also work with specialist organisations and contribute to key activities (such as consultation responses), to enhance our understanding of climate change, to support others' understanding of the impacts of climate change on Nationwide, and to help influence the greening of UK homes.

By working with these organisations, Nationwide can increase expertise and understanding around those areas where it can make the greatest impact. Nationwide's engagements to support its sustainability agenda include:

- Member of the Green Finance Institute's Coalition of Energy Efficiency of Buildings (GFI CEEB)
- Part of the London School of Economics Financing a Just Transition Alliance
- Participant of UK Finance's Sustainability Committee
- Signatory to the United Nations (UN) Global Compact
- Partner to the UN Environment Programme Finance Initiative (UNEP FI), signatory to the UNEP FI's Principles for Responsible Banking, and member of the UNEP FI's NZBA
- Participant in the UN PRB Climate Adaptation Target Setting Working Group

3. Greening our business operations and supply chain

Reducing the carbon emissions from our business operations
Since 2011, Nationwide has continued to reduce the emissions of its business operations, through initiatives such as reducing the waste we send to landfill, installing solar panels at our head office, and sourcing 100% of our electricity from renewable sources.

Nationwide has developed a comprehensive property sustainability strategy that includes all its branches, admin sites, and data centres. Our strategy details the time frame for making our business operations gas-free. This is the key action, within our control, that supports progress towards our scope 1 science-based target, as included in our Transition Plan. By the end of 2023, we had removed the use of gas from over 80% of our branch network, replacing it with electrical solutions, and are on track to remove 100% of gas from our branches by the end of 2025. We are also in the process of removing gas from our data centres, with work expected to be completed by the end of 2024. We are continuing to explore the removal of gas from our admin sites, or the move to sites that are either gas-free or use less gas. We expect to complete this by 2030, in support of our Transition Plan.

The property sustainability strategy has also led to the development of a sustainability-led property acquisition guide, which specifies certain criteria that must be fulfilled, or have an action plan in place to achieve the criteria, when purchasing or renting a building. This includes sustainability considerations such as the energy efficiency and energy performance of the building, its use of natural cooling systems, and the requirement that any newly acquired building should be (or have a plan to become) gas-free. The strategy also aims to improve the green credentials of our current buildings, including by working with our landlords throughout the period of our lease.

By the end of 2026, we will fully close our existing company car scheme (eligible employees instead receive a company car allowance) and in 2023 we launched an electric vehicle (EV) salary sacrifice scheme available to all employees to encourage them to make the shift to electric vehicles. EV charging points have been installed at around 50% of our admin sites.

Monitoring our renewable electricity consumption
Since 2018, we have continually sourced 100% renewable electricity for all our business operations. Approximately two-thirds of our energy consumption is attributed to a 50MW solar farm in the UK, through a solar power purchase agreement (PPA), which produces emissions-free energy. The remainder is sourced through a 100% green electricity tariff (wind, solar, and hydro) that has a renewable energy guarantee of origin (REGO) certificate that can be traced to a named source and retired on the Society's behalf. On-site electricity is also supported by Solar Photovoltaic panels on the roof of our Head Office in Swindon. Attributing our energy consumption to renewable electricity, through a PPA and a green tariff, enables us to neutralise our scope 2 emissions through a market-based approach[9] and continue to achieve our scope 2 science-based target of sourcing 100% renewable electricity.

While sourcing renewable electricity is within our full control, we are reliant on the availability of a REGO approved PPA and green tariff electricity through our energy provider, to continue to progress towards our target. To ensure we have the renewable electricity needed to continue to achieve our scope 2 target, we have purchased a PPA to 2031, and green tariff to 2028 (which we plan to continue beyond 2030). Purchasing renewable energy in advance is cost-effective and means we can secure credible REGO-backed certificates for the electricity we consume to continue to achieve our target.

Supporting nature at our admin offices and data centres
Nationwide continues to work towards a more sustainable approach to managing its property estate and increasing biodiversity is part of its long-term property sustainability strategy. In 2021, we conducted an ecological assessment of the grounds around our Head Office, to better understand opportunities for supporting a thriving, native ecology. Using the results, Nationwide created a five-year management action plan, including an ambition to work towards The Wildlife Trusts Biodiversity Benchmark[10].

The aim of the benchmark is to increase the population of key plants and animals around our grounds, to continually improve the health and resilience of the ecosystem, and strengthen travel and foraging corridors with neighbouring grounds. We do not use insecticides around our office grounds and the use of herbicides is kept to a minimum. In 2023/24, Nationwide colleagues planted 50 fruit trees, in the grounds of Nationwide House, to create an orchard.

Our data centres have been on a journey to improve the biodiversity of their sites. At our Newbury Data Centre, it is estimated that over half of the site is dedicated to nature, with a mixture of oak, birch, and pine woodlands having been planted and wildflower and grasses seeded across the site, since it opened in 2010. In 2023/24, a survey was conducted at our Swindon Data Centre, identifying appropriate areas of land for the seeding of wildflower meadows.

Encouraging the disclosure of supplier sustainability credentials
Nationwide has taken steps to build climate change considerations into its procurement, supply chain management, and supply chain engagement processes. In support of this, Nationwide has partnered with EcoVadis, a sustainability ratings provider, to collect environmental performance data from invited third parties.

Since 2021, Nationwide has invited over 200 third parties to join EcoVadis; some were able to share their existing scorecards, with the remainder requested to complete an assessment. We want our third parties to be rated 'Good' as a minimum by EcoVadis and, as part of our Transition Plan, have set a target for 90% of our third parties who are signed up to EcoVadis to achieve this rating annually, through to 2030. For third parties who don't initially reach this benchmark, we engage with them on their corrective action plan, seeking to improve and meet the benchmark in their next assessment.

Our supplier relationship managers are also encouraged to discuss third party EcoVadis performance (including strengths, improvement areas, and future plans) as part of strategic review meetings with third parties. Whilst a 'Good' or above outcome does not necessitate alignment to net-zero, we expect those third parties who score highly to have stronger ESG credentials, and therefore be more focused on reducing their emissions.

As part of Nationwide's Transition Plan, it has a target to maintain at least 67% of invited third parties to join EcoVadis, through to 2030. For 2023 we achieved this target. We will continue to aim to achieve our target in subsequent years, to help support progress towards our Transition Plan.

[9] A market-based approach allows flexibility to utilise market-based measures such as renewable energy to achieve net-zero.
[10] BBOM4 Biodiversity Benchmark Requirements.pdf (wildlifetrusts.org)

Enhancing our procurement processes to influence green practices within our supply chain

As part of our supplier onboarding process, we request prospective suppliers to attest to whether they can comply with our Third Party Code of Practice[11]. The Code outlines the environmental and social standards we expect our third parties to uphold, tiered based on the size of the organisation. Since 2022, it has included an expectation for all large third parties[12] to monitor and disclose their scope 1 and 2 emissions and to set emissions reduction targets.

During 2023, 16% of large third parties noted during onboarding for new or renewed contracts that they did not meet these expectations. Upon further review, 63% of these third parties had the expected practices in place. For a further 13%, onboarding was not completed due to reasons including they were unsuccessful in a Request for Proposal or we were not renewing the contract. Out of the remaining, which consisted of 15 suppliers, 1 agreed to adopt a schedule and 14 were granted dispensations for reasons including, but not limited, to low value orders, indirect purchasing of software, and an exception for suppliers to the Nationwide Pension Fund. Additionally, existing material third parties[13] undergo regular evidence-based controls testing against the Code.

From 2024, as part of a new or renewed contract, we now request some of our larger third parties (those with a minimum spend of £3 million, and a minimum contract tenure of 12 months) to sign up to EcoVadis, set and disclose science-based targets for scope 1, 2, and 3 emissions, and publish their own climate change transition plan. As of April 2024, all requested third parties agreed to these new enhanced expectations. As part of our supplier tendering process, we have a 10% minimum weighting for sustainability actions. This is to ensure we are evaluating prospective third parties based on the Society's values and in line with our Mutual Good Commitments, as well as influencing progress towards our scope 3 upstream science-based target.

Internally, our Procurement for Mutual Good[14] programme enables us to embed environmental and social considerations into our procurement policies and processes, and supports our aim to build a greener, more ethical, and more inclusive supply chain.

In 2023/24, Nationwide representatives participated in a number of external engagement activities relating to supply chain, including those by the Scope 3 Peer Group and CIPS, the Chartered Institute of Procurement & Supply. This helps us increase internal knowledge and awareness of sustainable supply chains to develop and enhance our procurement processes.

4. Embedding climate into our culture

Encouraging colleagues to engage with green issues and make sustainable choices

Nationwide has enhanced its climate change e-learning offering, introducing a learning pathway on climate change and why it matters to Nationwide, as well as information on Nationwide's targets and Transition Plan. We also have an ESG information sheet which is designed to support branch colleagues with their understanding of sustainability at Nationwide.

Training on how to purchase responsibly is available on our employee learning platform and is updated on an annual basis. It is designed to help colleagues understand why Nationwide must take action to manage the environmental and social impacts of our purchasing and supplier management activities.

Our Green Network

Nationwide's Green Network membership has grown to become the largest employee network in Nationwide. The network aims to lead the Society's internal conversations on green and sustainability topics, and to build and maintain a 'big picture' of all the green activity connected to the Society and its colleagues. It engages colleagues through Nationwide's social media platform and supports the sharing of information on how employees can be greener at work, at home, through travel, and across their lifestyles.

In 2023/24, the Green Network hosted a number of green webinars. This included a question and answer session focused on the transition to net-zero, a session with the Society's advisor to the Board for climate change and the built environment, and a session with Energy Saving Trust discussing the options for greening UK homes.

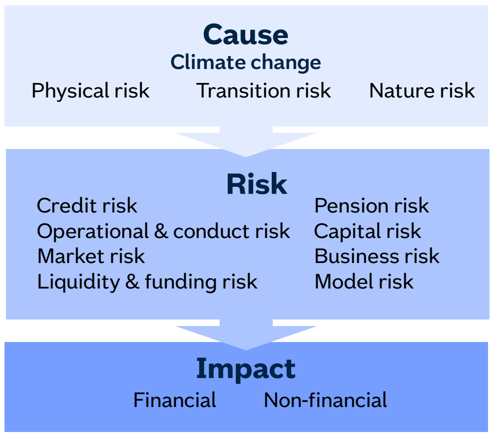
[11] For further information please see our Third Party Code of Practice
[12] Third parties with over 250 employees.
[13] Third parties subject to the Financial Conduct Authority's Senior Management Arrangements, Systems and Controls sourcebook regulation, the European Banking Authority Guidelines on outsourcing arrangements, and PRA Supervisory Statement 2/21 on Outsourcing & Third Party Risk Management.
[14] Procurement for Mutual Good

5. Enhancing our climate risk capabilities

Ensuring Nationwide is managing the risks and opportunities presented by climate change

Because of its far-reaching implications, climate change has been embedded as a cause to Nationwide's principal risks and is considered across its entire Enterprise Risk Management Framework (ERMF). We will consider how nature-related risk is embedded with the ERMF as a causal factor. Consideration as a cause ensures appropriate identification, monitoring, management, and reporting across all existing risk categories, along with full traceability.

The diagram below illustrates how climate-related risk has been embedded within our ERMF.



Climate-related risk is now considered across the following:

Physical risks – the risks arising from the increasing severity and frequency of weather-related events such as flooding (acute), or longer-term shifts in climate (chronic).

Transition risks – the risks which could result from the process of adjustment towards a lower carbon economy such as through developments in policy and regulation, emergence of disruptive technology or business models, shifting societal preferences, or evolving legal interpretations.

Nature risks – the risks which could result from our exposure to, or impact from, nature which could have the potential to amplify the effects of physical and transition climate-related risks, such as nature loss contributing to an increase in flooding.

Nature-related risk

With the publication of the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations, Nationwide is starting to consider the impact of nature. As encouraged by the TNFD, we recognise that taking the first step is the most important. Given the interconnectivity between nature and climate, we are considering how nature-related risk is embedded into the ERMF as a causal factor.

Over the next 12 months we will start to undertake an assessment using the LEAP approach[15], to better understand the impact of nature-related risk on our balance sheet and principal risks. This will primarily focus on the material locations for our business operations and supply chain, not on our lending portfolios. We will consider how the outcome of this impacts our principal risks assessment. We will also look to incorporate nature-related risk into our existing climate change governance model.

To form a view on materiality, and to understand the broad risk, financial impacts, and opportunities, across different time horizons (over the short, medium, and long term), the ERMF and Nationwide's principal risks were re-assessed through a climate change lens.

The time horizons we have assessed our principal risks against are as follows:

Horizon	Time frame	Definition
Short term	0 to 5 years	Aligned to the Society's financial planning cycle. There is a risk that discreet but significant climate-related events take place during this period.
Medium term	5 to 15 years	During the intermediate timescales, risks could manifest resulting from potential policy changes and actions needed to be taken before 2050.
Long term	15+ years	Aligned to longer-term scenario analysis, with the risks that global climate change effects could occur within this period.

The outcome of our climate-related risk assessment against our principal risks is included in the table on the next page. Credit risk is the most material climate-related risk due to Nationwide's mortgage portfolio exposures.

[15]The LEAP approach (Locate, Evaluate, Assess and Prepare) is a framework designed by the TNFD to help identify, assess, manage, and disclose nature-related risks.

Potential climate-related impacts on Nationwide's principal risks

Risk category		Risk examples	Horizon	Potential risk indicator[16]
Credit	Transition	• Lower customer affordability due to the transition to a greener economy (for example, due to loss of jobs or increased energy costs) leading to default • Declining house values due to abrupt changes to housing policy (for example, too rapidly introducing minimum EPC ratings) • Registered social landlord challenges in meeting policy requirements	Medium	Low
	Physical	• Houses damaged by physical impacts, such as floods, causing a decline in property value • Higher insurance prices leading to uninsured properties • Exposure to other financial services firms who are exposed to physical climate-related risk	Long*	Low
Operational & conduct	Transition	• Increased supply chain costs • Reconsideration of third-party relationships due to their carbon footprint • Reputational impact of carbon footprint of products and services leading to lower customer and employee attraction and retention • Potential liability and conduct risk from green propositions and/or assumed advice	Medium	Very low
	Physical	• Branches or offices damaged, or loss of systems or key data due to physical impacts, such as floods, affecting key processes • Increased incidence of environmental perils affecting the delivery of third-party goods and services • Increased customer activity (for example, increased call volumes) resulting from physical risk impacting Nationwide's service capacity • Internal capability affected by physical events preventing employees from accessing the office or working from home	Long	Very low
Business	Transition	• Changes in customer expectations relating to prioritisation of green strategic objectives • Increased costs associated with policy change	Short - Medium	Very low
	Physical	• Income impacted as a result of physical impacts, such as loss of operations	Long	Very low
Pension	Transition & Physical	• Impact of physical or transition risk on the Nationwide Pension Fund asset valuations, leading to an increased deficit (or reduced surplus)	Medium - Long	Very low
Capital risk	Transition & Physical	• Impact of physical or transition risk, leading to a deterioration of balance sheet assets or expected credit losses	Long	Very low
Market risk	Transition & Physical	• Changes in customer behaviour in relation to their mortgages or deposits as a result of interest rate changes, arising from physical or transition events • Macroeconomic market impacts arising from physical or transition events, including interest rate movements, which impacts the value (or net income from) assets and liabilities • Impact on exchange rates due to physical or transition events, affecting currencies in which investment securities are held	Medium - Long	Very low
Liquidity & funding	Transition & Physical	• Falling deposit balances due to economic distress of customers • Lower deposit balances due to customers' loss of confidence in Nationwide relating to negative perceptions of climate credentials • Reduced access to wholesale funding as a result of lower investor appetite due to negative perception of Nationwide in relation to climate change	Medium - Long	Very low

[16]Potential risk indicator provides an indicative view on climate change impact across each risk category. Based on the outcomes of our 2021 and 2023 climate scenario analysis, low indicates an estimated maximum increase in annual expected credit losses of less than £50 million, and very low indicates an estimated maximum increase in annual expected credit losses of less than £5 million.
*Based on the potential longer term physical risks of climate change, rather than those properties at current risk, within our lending portfolios.

Assessing physical and transition risk data in our lending decisions
Nationwide's well established Property Risk Hub has been in operation since 2016, in collaboration with key partners such as Airbus Defence and Space, Jeremy Benn Associates Limited (JBA), and Ordnance Survey. The Property Risk Hub supports climate adaptation – taking action to prepare for, and adjust to, current and projected impacts of climate change – by assessing whether a property is at risk of flooding, subsidence, or coastal erosion as part of the mortgage underwriting process. It enables Nationwide to assess the impacts of climate change and environmental factors that might impact a property over a typical mortgage term of 25 to 40 years.

By utilising the Property Risk Hub, Nationwide is able to incorporate longer-term climate change impacts into its valuation methodology. This work has helped us understand and mitigate potential physical impacts from climate-related risk, and means our potential physical risk exposure from climate change is low. Physical risk data is included in the Metrics and targets section on page 38.

Property-level data is collected on every property from various specialist providers using Unique Property Reference Numbers (UPRNs) for residential mortgages to ensure consistency. Relevant data sources include:

- EPC rating
- Flood data (run-off, river and coastal)
- Coastal erosion data
- Ground stability data (subsidence, soil, sand, and silt)
- Natural ground hazards (such as mining and sink holes)
- Insurability (consideration given to the Government- and Insurer-backed Flood Re scheme, that supports the insurability of high flood risk properties)

This data is used to assess individual property-related risks when originating new residential mortgages and determine whether a property is outside of our risk appetite. If within appetite, this data is used to inform the methods of valuation (Automated Valuation Model, desktop assessment, or full physical inspection) to be mandated, to assess the value of each property and whether it is fit for mortgage purposes. Nationwide's Property Risk Hub also considers the implications of government policy in our lending decisions. Our current lending policy reflects the Domestic Minimum Energy Efficiency Standard (MEES) regulations, which require domestic privately rented properties to have an EPC rating of E or better. Because of this, Nationwide no longer lends to buy to let properties with an EPC worse than E (unless the property qualifies for an exemption). This data is likely to become increasingly important in assessing transition risk as future regulation and government policy aim to decarbonise the UK housing stock.

Assessing climate risk in capital allocation and financial planning
The need to hold capital for climate-related risk has been assessed during the year as part of the Internal Capital Adequacy Assessment Process (ICAAP), which incorporated outputs from our 2023 climate scenario analysis activity. Based on this assessment Nationwide believes it is prudent to hold a small amount of capital to cover potential losses that could arise from the impacts of climate change.

The impact of climate change on our liquidity requirements is assessed as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). Whilst the impacts from climate change are still emerging and could be wide-ranging, from a liquidity and funding risk perspective, based on our 2023 climate change scenario analysis exercise, we consider the impacts to be no more material than those currently considered as part of our business as usual liquidity assessment. The impacts of climate change will continue to be assessed within both the ICAAP and ILAAP annually.

Nationwide also considers the impact of climate change on its financial planning processes. The range of scenario analysis activity already undertaken across the organisation encompasses a wider range of economic scenarios than could be caused by climate change in the short term. Our 2023 climate scenario analysis exercise indicates that the materiality of short term outcomes is not sufficiently significant to modify the Society's approach to its five-year financial planning processes. Nationwide will continue to consider how climate change impacts can be further incorporated within the macroeconomic variables used within our financial planning processes, as the climate change risk and regulatory landscape evolves, including within its business as usual expected credit loss assessment processes as part of IFRS9 provisioning.

Climate scenario analysis outcomes are further incorporated into our reverse stress testing process which explores Nationwide's business model risk and strategic vulnerabilities over a 10-year period.

Demonstrating how we are managing climate change risk to our investors
Investors', as well as credit and ESG rating agencies', expectations in relation to ESG-focused action and disclosures continues to increase – especially those in relation to climate change. In January 2024, Nationwide hosted an ESG webinar for investors, discussing its approach to ESG and the Society's Transition Plan.

We were assessed by a number of ESG rating agencies over the year, resulting in a fairly stable ratings profile. This includes the retention of our AAA rating from MSCI. We will continue to engage with our investors and ESG ratings agencies on our ESG credentials.

Scenario analysis

Enhancing our climate scenario analysis capabilities
Scenario analysis helps quantify Nationwide's financial exposure to climate-related risks, and increases understanding of the challenges posed to its strategy and business model. This allows us to explore the potential actions needed to manage these risks. Scenario analysis also provides insight into the need for Nationwide to hold capital or provisions with respect to climate-related risks.

Nationwide undertook its inaugural internal climate scenario analysis in 2020, building capabilities to support our participation in the 2021 Bank of England's Climate Biennial Exploratory Scenario (CBES). Throughout 2022 and 2023, we have enhanced our climate-related risk and scenario analysis capabilities, to better understand how climate change could impact our business, and our customers, as we transition to a low carbon economy.

Nationwide's 2023 climate scenario analysis activity
In 2023, Nationwide completed an internal climate scenario analysis exercise to further assess the financial risks arising from climate change. The key insights from the climate scenario analysis exercise, based on the scenarios used, indicate that the direct impact of climate-related risks, to Nationwide and its business model, is limited. Nationwide has a low risk, predominantly secured, asset base which helps to mitigate the worst direct impacts of climate change.

Nationwide's 2023 climate scenario analysis exercise focused on its residential mortgages (owner-occupier and buy to let) and registered social landlords (RSL) portfolios. For the exercise, we made the following modelling enhancements:

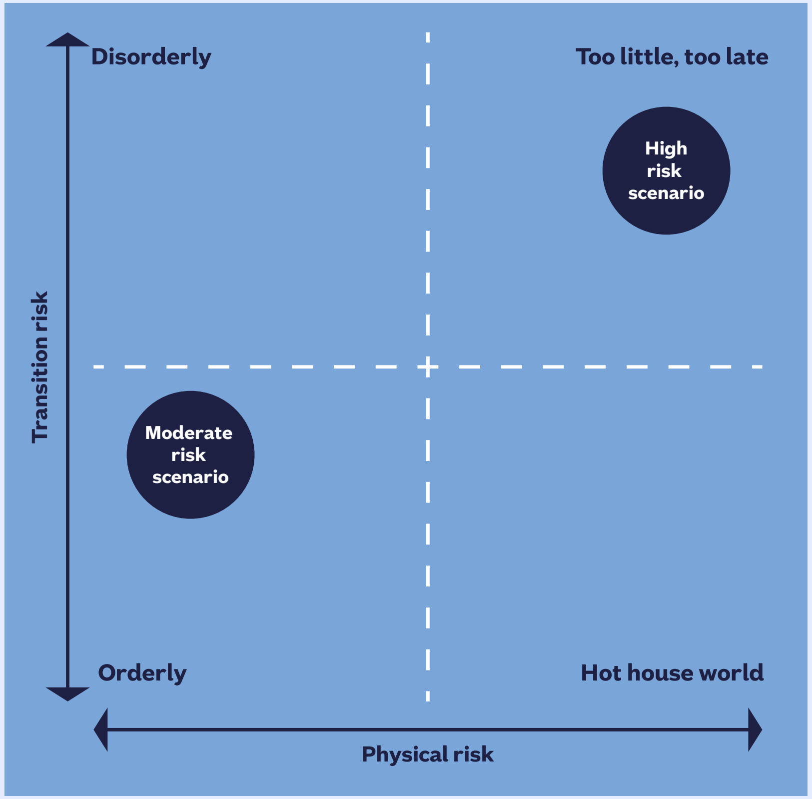
- **Use of a dynamic balance sheet** – This enabled us to consider the evolutionary changes in our portfolio across the duration of the scenario.
- **Expanding our climate change scenarios** – We utilised scenarios aligned to industry best-practice and climate science (across a 30-year period), to consider a wide range of climate change impacts, including a net-zero-aligned (below 2°C) scenario and a scenario that considers more extreme climate-related risks.
- **Considering the differences in policy between owner-occupier and buy to let properties** – This allowed us to consider the divergence in owner-occupier and buy to let policy over time.
- **IFRS9 alignment** – We enhanced mortgage modelling, by aligning better to existing IFRS9 processes, to provide greater comparability to our business as usual provisioning.

Our approach to climate scenario analysis
Nationwide's climate scenario analysis builds upon existing financial forecasting and stress testing modelling; we adopt a modular approach to allow for granular assessment of macroeconomic, transition, and physical risk impacts. The impacts of each risk are incorporated into a borrower's probability of default and/or loss given default, typically at an account level. This enables the compounding of risk (where appropriate) to generate the total impact on credit losses for our residential mortgages and RSL portfolios.

We have developed two climate scenarios to support our climate scenario analysis exercise, allowing us to quantify the impacts of risks associated with differing policy pathways, across a 30-year period. Macroeconomic impacts, and transition and physical climate-related risks were modelled in both scenarios for the residential mortgages and RSL portfolios.

Nationwide's two climate scenarios are based on scenarios published by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), with internal assumptions overlaid. Both scenarios assume the UK's net-zero ambitions are achieved by 2050.

To illustrate Nationwide's choice of scenarios, the chart below outlines a range of scenario categories (designed by NGFS) which capture how climate change risks might evolve into the future considering the level of policy ambition, policy timing and coordination. The severity of our Moderate risk and High risk scenarios is illustrated in terms of their relative transition and physical risk.



Moderate risk scenario – Aligned to NGFS's Net Zero 2050 scenario, our moderate risk scenario explores immediate climate action, through the gradual and orderly introduction of policy, which results in the UK achieving its net-zero target by 2050 and global efforts, to reduce emissions in line with net-zero, being on track. There is **moderate transition risk**, driven by immediate and smooth implementation of climate policy action. Transition policies intensify gradually over the scenario, reducing macroeconomic impact.

There is **low physical risk** due to net-zero alignment which limits global warming to less than 2°C by the end of the century, which is aligned to the Representative Concentration Pathway (RCP) 2.6. This scenario has been developed, in part, to align to the desired ambitions of Nationwide's intermediate (by 2030) science-based targets.

High risk scenario – Partly aligned to NGFS's Divergent Net Zero scenario, but with higher physical risk assumptions overlaid, the high risk scenario explores the potential outcomes of the UK attempting to transition to net-zero by 2050, but global efforts to do the same failing. There is **high transition risk** due to immediate and disorderly policy action in the UK, in an attempt to accelerate climate actions to achieve net-zero by 2050. Frequent changes in policy direction are assumed to drive confusion and uncertainty, triggering a decline in investment and employment.
There is **high physical risk** due to the global failure in meeting climate ambitions which causes global temperatures to rise by 3.7°C by the end of the century; this is aligned to physical risks associated with RCP 8.5. This scenario represents a severe stress by historical standards and was designed to assess the credibility and achievability of government policy throughout the scenario.

Residential mortgages climate scenario analysis approach
Nationwide's climate scenario analysis approach for residential mortgages, which includes its owner-occupier and buy to let portfolios, considered the following:

- **Macroeconomic impacts** – This enabled us to consider how factors such as economic growth, unemployment, and house prices, impact the credit quality of customers.
- **Balance sheet evolution** – The incorporation of a dynamic balance sheet enabled us to consider the impact on potential credit losses resulting from existing residential mortgage lending running off the book and new residential mortgage lending coming onto the book, and the evolution of our portfolio's EPC composition, over the duration of the scenarios.
- **Transition risk impacts** – This enabled us to consider the impact on customers of retrofitting, including meeting any assumed minimum energy efficiency standards, and increased energy costs, in each scenario. We also considered the impact of government initiatives such as heat pump installations.
- **Physical risk impacts** – The consideration of a range of physical risk impacts (including flooding, coastal erosion, subsidence, and storm damage), and insurance coverage, enabled us to assess how these risks impact customers' probability of default and loss given default, for example due to higher costs or a value reduction to property.

Registered social landlords climate scenario analysis approach
Nationwide's 2023 internal climate scenario analysis exercise included assessing the impact of climate change on Nationwide's RSL portfolio, across both scenarios. Like the residential mortgage portfolio, we applied a dynamic balance sheet, with new lending for RSLs assumed to mirror the existing portfolio.

Our methodology was developed by engaging with our RSL borrowers to understand potential retrofitting costs, which informed our assessment of transition risk. For physical risk, flooding and coastal erosion risks were assessed.

Climate scenario analysis outcomes and insight
Nationwide's climate scenario analysis exercise was used to generate the potential expected credit losses (ECLs) associated with each of the portfolios that we have modelled. These ECLs inform our view of the materiality of climate risk and the impact on our business model.

Based on the outputs from our 2023 climate scenario analysis exercise, modelled ECLs for mortgages remain low (which indicates an estimated maximum increase in annual expected credit losses of less than £50 million). This is partially due to Nationwide's low risk balance sheet and the moderate and gradual impact of physical risks on the UK. For RSL lending, the climate scenario analysis exercise indicates that ECLs were substantially lower than the residential mortgage portfolio, due to its lower risk and a much smaller balance sheet. The 2023 climate scenario analysis exercise also continues to indicate that climate change does not represent a material risk to Nationwide's current business model.

Key insights generated from our 2023 climate scenario analysis exercise include:

- **Transition risks generate greater losses than physical risks**. Transition risks are wide ranging and impact a greater proportion of the portfolio, for a longer duration.
- **Energy costs have a greater impact than retrofitting costs**. This is because elevated energy prices impact all borrowers for an extended period of time, compared to retrofit costs which impact only a proportion of borrowers at any particular point in time.
- **Physical risks take significant time to crystallise and associated ECLs are low.** This reflects the low risk nature of the portfolio, low average loan to value (LTV) and low probability of default. Physical risk is partially mitigated through our use of the Property Risk Hub which plays an important role in reducing Nationwide's physical risk exposure.
- **The cost of transition differs across owner-occupier and buy to let portfolios**. Owner-occupiers' direct liability to pay energy costs means they are more directly, and immediately, impacted by energy price rises. Our assumption that minimum home energy efficiency standards will apply to buy to let landlords earlier than owner occupiers means retrofitting costs will impact buy to let landlords earlier in the scenario.
- **For climate change to materially impact Nationwide's financial performance, we would need to observe more accelerated and/or aggressive transition policy and extreme physical risk**, compared to our 2023 climate scenario analysis exercise. We will consider running a more severe scenario in the future.

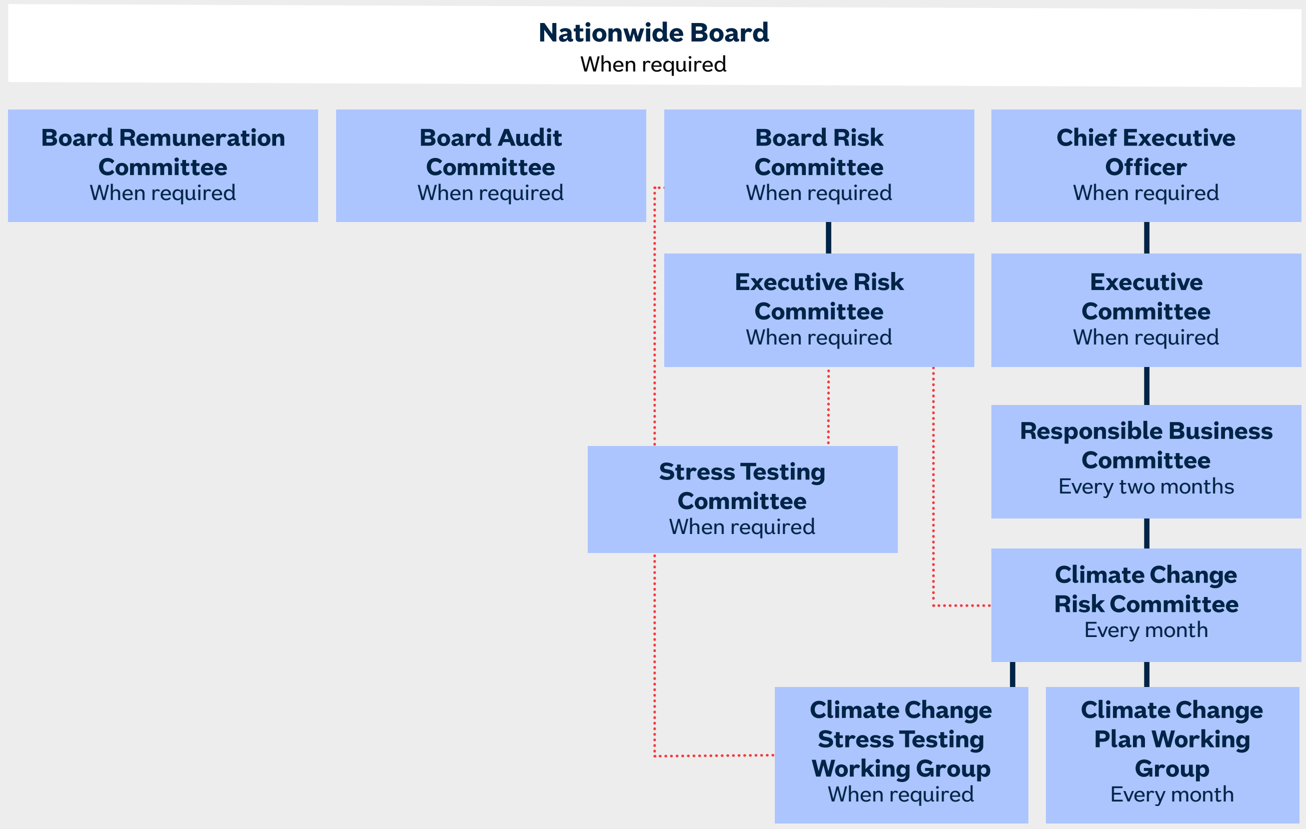
These outcomes have been incorporated into our strategy, capital assessment, financial reporting, and financial planning processes (further details on page 12). Nationwide will continue to enhance its climate scenario analysis capability, with future scenario analysis exercises seeking to improve the robustness and completeness of modelling, as well as continuing to review the most relevant scenarios for Nationwide's portfolios and business model.

Extreme physical climate risk
To further test the resilience of our residential mortgage portfolio to extreme physical risk, Nationwide assessed the effects of an isolated flood risk event on our residential mortgage portfolios. This was done by modelling the flooding impacts caused by the failure of a critical UK flood defence, and quantifying the increase in loss given default we would expect on our residential mortgage portfolio. Our modelling indicated that the impact on our ECLs is mitigated by the low LTV profile of our lending.

We recognise the potential for other risks, such as transition risk and macroeconomic impacts, to exacerbate the results, and will continue to develop our assessment and understanding of extreme physical risk in future climate scenario analysis exercises.

Governance

How Nationwide governs climate-related risks and opportunities
Our climate change governance model provides clear oversight and management of climate-related issues, including nature-related matters (where appropriate). It also supports us with the delivery of our strategy which aims to build a more sustainable world by supporting progress towards a greener society. The Board has ultimate accountability for all climate change risk-related matters at Nationwide and is supported by formal governance committees and working groups.



Our climate change governance model shows the committees and groups where climate change is discussed, and the frequency of these discussions.

A robust climate change governance model

The Board approves Nationwide's strategy including any climate-related components. The Board Risk Committee is engaged on matters concerning climate-related risk, as appropriate. All Board and executive level committees are governed by the Society's Secretariat team who are responsible for ensuring the appropriate terms of reference and meeting cadence are in place for each committee to undertake core business decisions. Further information on Nationwide's governance can be found in the Annual Report and Accounts.

Nationwide's Board has a wealth of diverse experience and skills, including across the Environmental, Social, and Governance (ESG) landscape. More information about the ESG skills and experiences of various Board members can be found in Nationwide's Sustainability Disclosure 2023[17].

Chris Brown advises Nationwide on climate change and the built environment providing an external perspective and supporting Nationwide's strategy in transitioning to a net-zero economy. In 2023/24 this included providing feedback on Nationwide's climate-related financial disclosures, including its Transition Plan, and regular engagement with the Director of Strategy, Performance and Sustainability on the Society's climate change strategy.

Climate Change Risk Committee is a sub-committee of Responsible Business Committee, which reports into the Executive Committee (ExCo). Climate change risk-related matters are also reported to Executive Risk Committee and Board Risk Committee as appropriate. Stress Testing Committee formally reports into Nationwide's Assets and Liabilities Committee, which reports into Executive Risk Committee. However, when climate-related risk items are raised at Stress Testing Committee, these will be escalated to Executive Risk Committee or Board Risk Committee, as appropriate. For this year's climate scenario analysis exercise, Stress Testing Committee was engaged on three separate occasions to support the development and delivery of the exercise.

Board Committees engaged in climate change-related matters

The Board has ultimate accountability for all climate-related risk matters at Nationwide and sets strategic direction for climate change ambitions. Throughout 2023/24, Nationwide's Board, Board Risk Committee, Audit Committee, and Remuneration Committee engaged regularly to discuss climate-related issues, as follows:

- **The Board** approved the publication of Nationwide's Intermediate (by 2030) net-zero-aligned Transition Plan 2023, and engaged in an externally-led knowledge sharing session, as part of our annual strategy conference.
- **The Board** also received quarterly updates on progress being made towards our Mutual Good Commitments, including; we aim to build a more sustainable world by supporting progress towards a greener society.
- **Our advisor to the Board** on climate change and the built environment engaged with the Strategy team, providing strategic direction, on the development of Nationwide's Transition Plan.
- **Board Risk Committee** (BRC) noted and discussed the outcomes of our internal climate scenario analysis exercise in their capacity of providing oversight and advice to the Board in relation to current and potential future risk exposures and risk strategy, and oversight of climate-related risks.
- **Audit Committee** reviewed and recommended Nationwide's Transition Plan for Board approval, and reviewed and approved the Society's Climate-related Financial Disclosures 2024, in their capacity of providing oversight and advice to the Board in respect of financial reporting, financial crime, internal and external audit, the adequacy and effectiveness of internal controls and risk management systems, and non-financial disclosures related to the expansive ESG agenda.
- **Remuneration Committee** tracked progress against the long-term directors' incentive arrangement, which includes an ESG measure with a weighting of 10%, in their capacity for determining any risk adjustments in relation of remuneration. As part of the remuneration of Nationwide's most senior leaders, an individual's contribution is considered, including their impact on climate-related activities where relevant. The Executive Directors' scorecard captures climate-related metrics, which feeds into remuneration outcomes.

[17] Sustainability Report 2023

Executive management-level Committees responsible for climate change-related matters

Senior Managers Regime (SMR) accountabilities sit with the Chief Executive Officer (CEO). Nationwide's CEO runs the business day-to-day and is accountable to the Board for the Society's financial and operational performance. To deliver on these responsibilities, several executive management-level committees are in place to ensure climate-related risk is managed effectively. Further information on the division of responsibilities between the CEO and Nationwide's ExCo can be found in the Annual Report and Accounts.

Throughout 2023/24, Nationwide's CEO, Executive Risk Committee, ExCo, and the Responsible Business Committee engaged on climate-related issues and topics, as follows:

- **The CEO** engaged in, and discussed, climate change, including; providing strategic direction for Nationwide's Transition Plan as part of ExCo, engaged in the launch of the 0% interest Green Additional Borrowing pilot, and hosted an ESG investor webinar, which discussed Nationwide's Transition Plan.
- **Executive Risk Committee** (ERC) reviewed and recommended the results of the internal climate scenario analysis exercise for onward consideration and noting by the BRC. ERC has delegated authority from BRC to monitor and review the risk exposures of the Society in accordance with our ERMF, Board risk appetite, and Society's strategy and plan.
- **ExCo** discussed investors' ongoing interest regarding ESG matters, including our ESG rating outcomes, in their capacity to oversee the day-to-day management of the Society.
- **Responsible Business Committee** (RBC) has overseen progress towards Nationwide's Mutual Good Commitments (including our intermediate (by 2030) science-based targets), and reviewed ESG rating outcomes, to meet its responsibilities for managing Nationwide's responsible business agenda, including the strategic approach to addressing our climate change and environmental ambitions. The climate change MI dashboard is also presented on a quarterly basis to RBC to inform wider climate-related strategic discussions.

Committees and working groups below executive level responsible for climate change-related matters

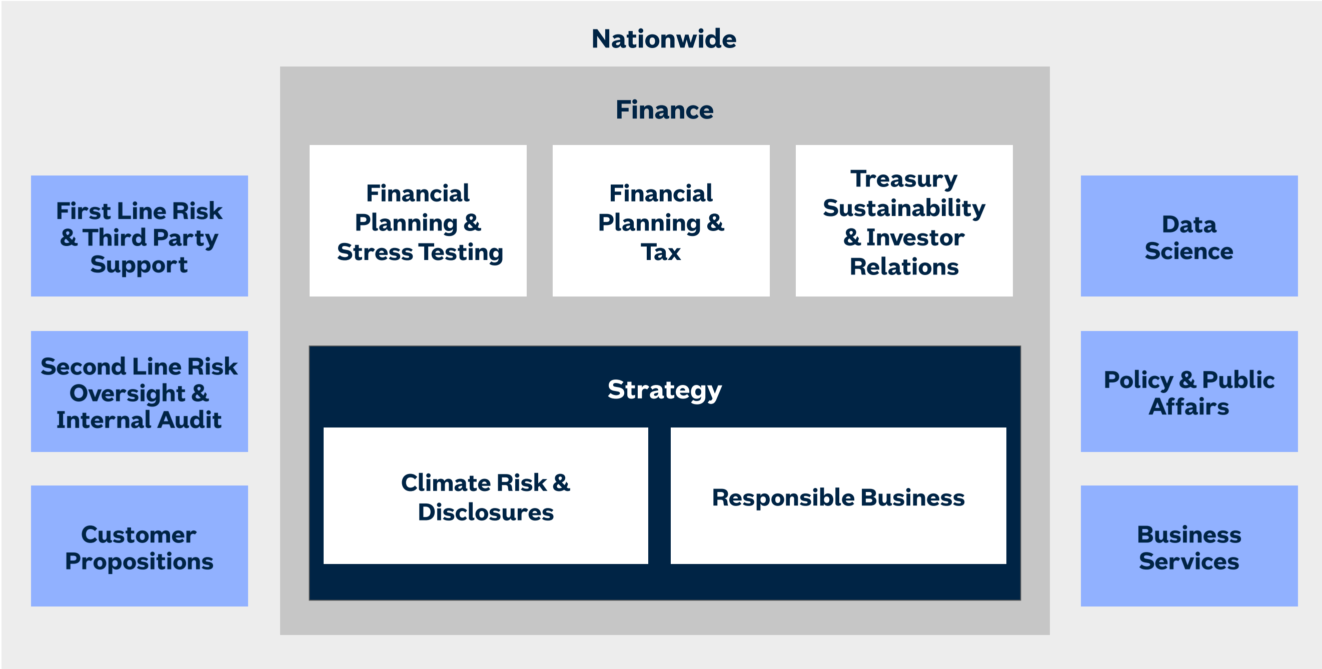
Day-to-day ownership for responding to climate change sits with the Director of Strategy, Performance and Sustainability who reports into the Chief Financial Officer (CFO). To support the progress of climate-related matters, several operational committees and working groups sit below the executive management-level committees.

Throughout 2023/24, Nationwide's Climate Change Risk Committee, Stress Testing Committee, and supporting working groups, engaged on climate change, as follows:

- **Climate Change Risk Committee** (CCRC) has reviewed and discussed the outputs from our internal climate scenario analysis exercise, engaged with the governance approach for our Transition Plan, and reviewed our climate MI dashboard, including the progress of our intermediate (by 2030) science-based targets, as part of its responsibilities for the day-to-day monitoring and management of climate-related risk.
- **CCRC** discussed and approved our revised climate change plan, and approved the scope 1, 2, and 3 emissions methodology governance framework (which aims to ensure robust scrutiny of carbon emissions data and disclosures, to make sure the metrics we publish are comparable, consistent, and transparent).
- **CCRC** regularly discussed regulatory, policy, and green finance proposition developments, and key areas of climate-related risk exposure, including greenwashing, to understand how it impacts Nationwide.
- **Stress Testing Committee** (STC) approves our approach to climate scenario analysis and the development of our internal scenario analysis capabilities, including for our 2023 climate scenario analysis exercise. Periodic updates are provided to STC, by CCRC, aligned with the milestones linked to developing and executing our climate scenario analysis capability.
- **Climate Change Plan Working Group and Climate Change Stress Testing Working Group** support the CCRC and STC and have responsibilities for implementing our climate change plan and supporting the preparations for, and execution of, climate scenario analysis, respectively.

Our climate change operating model

Nationwide's climate change and responsible business capability is managed through the Society's centralised Strategy team, that sits within the Finance function, with teams within Strategy (Climate Risk and Disclosures, and Responsible Business) supporting the climate change agenda. An overview of our climate change operating model is shown below.



The centralised Strategy team, led by the Director of Strategy, Performance and Sustainability, takes a coordinated approach, working closely with other specialist teams across the Society to deliver Nationwide's climate strategy. These specialist teams include: First Line Risk (such as the Credit and Operational and Conduct Risk teams), Financial Planning and Stress Testing, Second Line Risk Oversight, Internal Audit, Business Services, Data Science, Customer Propositions, Treasury Sustainability, Investor Relations, and Policy and Public Affairs. These teams then provide the relevant climate-related risk information to management-level committees and working groups.

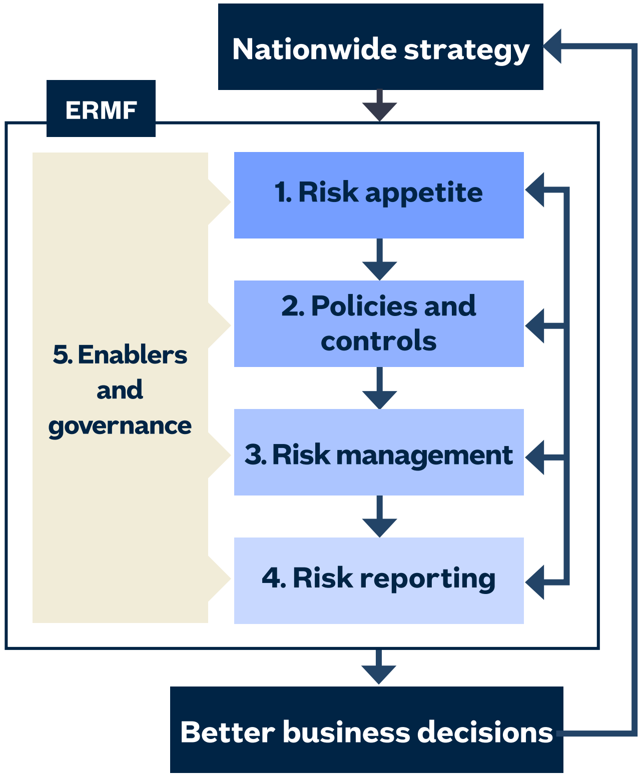
Risk management

Identifying, assessing, and managing climate-related risks

Nationwide is continually enhancing and embedding its capabilities to monitor and manage climate-related risk, including nature-related risk, and meet the requirements of SS3/19. In May 2023, the Society shared an update with the PRA on its improved approach to managing climate-related risk, the enhancements to its scenario analysis capabilities, and the successful embedding of climate change risk management across the organisation.

Nationwide identifies, assesses, and manages climate-related risk through its established Enterprise Risk Management Framework (ERMF). The ERMF focuses on Nationwide's principal risks and critical controls, with climate change embedded as a cause. By emphasising risks and controls at this level, our approach ensures we prioritise risk management activities, enabling the Board and executive management to make better and more informed decisions for the benefit of our customers.

The ERMF applies to all colleagues, contractors, and outsourced entities, across all business lines, functions, and subsidiaries within Nationwide. There are five core components – risk appetite, policies and controls, risk management, risk reporting, and enablers and governance – which align to the practices of our industry peers and connects our risk management with how we run our business. In combination, these components ensure the ERMF is appropriate and proportionate, and risk management activities (including those related to climate change) are performed consistently and reliably. The high-level structure of the ERMF is summarised in the diagram opposite.



1. Our climate change risk appetite statement

Risk appetite articulates how much risk the Society is prepared to take in the pursuit of its objectives. In line with SS3/19, and to continue supporting the embedding of climate-related risk into our ERMF, Nationwide adopts the following climate-related risk appetite statement:

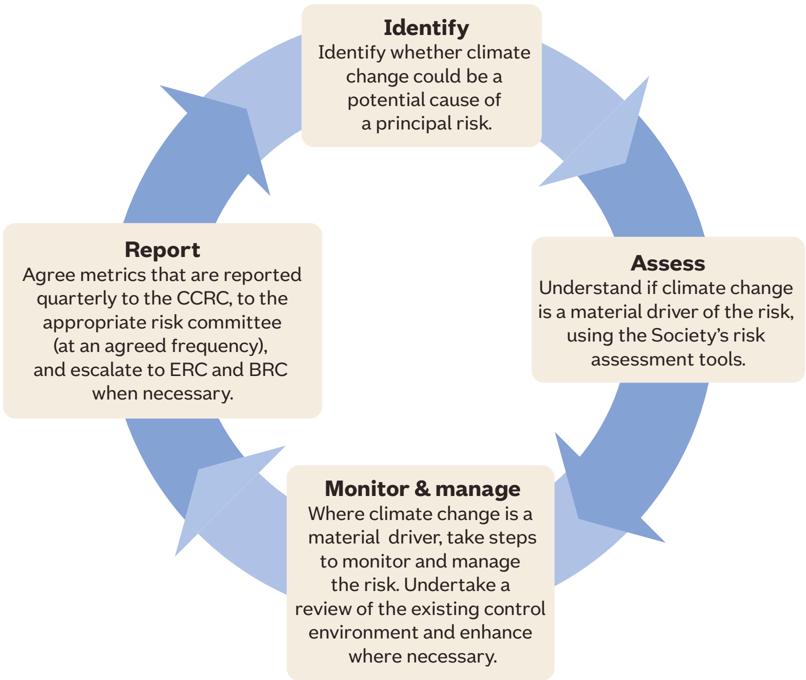
"We are committed to working towards alignment to a net-zero emissions pathway to 2050. We will seek to minimise the impact of physical and transition climate risk to Nationwide and our customers."

In support of this appetite statement, complementary quantitative risk appetite metrics are in place. These control the flow of new lending to both residential properties more susceptible to flooding and less energy efficient properties in the buy to let market. Our metrics, which support climate adaptation by applying a level of control to the degree of exposure of physical and transition risk on our mortgage portfolio, track:

1) The percentage of owner-occupier and buy to let lending in a high flood risk area
2) The percentage of buy to let new lending below EPC C

These metrics have been set to support management risk appetite, with annually reviewed triggers and limits approved by Nationwide's Credit Committee. Appetite metrics track data from our Property Risk Hub, which assesses a property's exposure to physical risks as part of the mortgage underwriting process, along with EPC data (which informs the transition risk of properties). Both metrics are designed to ensure that Nationwide continues to lend in a responsible, sustainable way and safeguards its customers by considering physical and transition risk across short, medium, and long term horizons.

2. Our climate change risk standard
Policies and standards set out the objectives to be met by relevant controls to ensure that risks are managed appropriately, in line with risk appetite. Nationwide has a climate change risk standard which aids the identifying, assessing, monitoring and managing, and reporting of climate-related risk as a cause to the Society's principal risks. This process is detailed in the diagram below.



The climate change risk standard articulates the principles and requirements that must be met to manage the risks arising from climate change, and how climate-related risk may occur across the ERMF. The standard applies to all principal risk owners as well as owners of climate-related risk governance, strategy, disclosures, and scenario analysis.

The climate change risk standard links to the Society's principal risk policies. Climate-related risk has been assessed against the principal risk categories, and all risk policies reference the standard. This enables full traceability of the impacts of climate change. In 2023/24, the standard was enhanced to incorporate nature-related risk.

3. Climate-related risk management
Risk management defines the processes, tools and systems needed to operate risk management across the Society. As climate-related risk manifests itself within all principal risks to varying degrees, all principal risk owners are required to consider the impact of climate change when managing their risks. Where climate change is assessed as a material driver of the risk, risk owners will undertake a review of the existing control environment and enhance controls, where necessary, to appropriately manage the risk.

Nationwide takes appropriate steps to monitor climate-related risk, including (but not limited to) consideration of risk appetite, creation of key risk indicators, and (for operational and conduct risk) updating the Risk Control Self-Assessment (RCSA).

Where climate change could be a cause to a principal risk, one of the Society's risk assessment tools (for example scenario analysis) is used to understand whether climate change is currently a material driver of a principal risk. Climate-related risks also continue to be considered as a risk input to the Society's reverse stress testing process.

4. Reporting climate-related risks
The reporting of risk ensures the appropriate monitoring of risk, loss event, and control information to the Board, risk committees, and management, to enable effective, risk-based decision-making; this supports better outcomes. Across Nationwide's principal risks, risk owners ensure the development of appropriate climate-related risk metrics. These metrics are reported quarterly, as part of Nationwide's internal climate change management information (MI), to the Climate Change Risk Committee and to the relevant principal risk committee as appropriate. Further details on our approach to reporting and governance is in the Governance section from page 16.

5. Climate change enablers and governance
Enablers and governance help support the Society's risk culture. For the ERMF to work effectively and efficiently across all principal risks, a set of enablers and governance are in place, including Nationwide's three lines of defence approach to managing risk, and its committee structure. This is underpinned by our values, behaviours, and ethics, which influence the decisions we make within the Society.

Further information on our well-established climate change governance model, can be found in the Governance section from page 16.

Overview of how climate change is assessed as a cause within our principal risks
Climate change has been embedded into our ERMF processes. Details on how we manage climate-related risk across each of our principal risks is outlined below.

Credit risk – The risk of loss as a result of a customer or counterparts failing to meet their financial obligations.

We have adapted our approach to credit risk to incorporate the potential impacts of both physical and transition climate-related risk. We have enhanced the way we assess and determine creditworthiness of a property, as well as how we manage any potential credit losses. Further information on how we manage the impact of climate change on credit risk is in the Strategy section on page 10.

We have continued to increase engagement with our registered social landlord (RSL) borrowers, and updated our Housing Finance Credit Standards, recognising that RSL borrowers should be developing an ESG strategy aligned to net-zero, as a standalone document or a statement within their Annual Report and Accounts. We monitor RSL borrowers' progress in obtaining higher EPC standards across their portfolio, with the aim of the majority being EPC C or higher.

Operational and conduct risk – The risk of impacts resulting from inadequate or failed internal processes, conduct and compliance management, people and systems, or from external events.

Climate change has the potential to cause significant disruption to our customer services, through physical damage to our branch network or admin centres, or disruption to our operational supply chain. We have continued to enhance our operational risk management processes to consider the physical and transition risks from climate change, including the recording and monitoring of operational and conduct loss events, updating our RCSA, and considering climate change as a cause in the development of our operational risk scenarios.

As part of the enhancements to our climate-related risk MI, we monitor, on a quarterly basis, the physical risk exposure to our branch, admin sites, and critical third parties, informed by Representative Concentration Pathways (RCPs) developed by the Intergovernmental Panel on Climate Change (IPCC). The RCPs we use are as follows:

RCP 2.6 – requires declining CO_2 emissions by 2020 to get to zero by 2100 and keep global temperature rises below 2°C

RCP 4.5 – predicts that emissions peak around 2040, then decline to half the levels of CO_2 by 2100, resulting in a global temperature rise between 2°C and 3°C

RCP 8.5 – predicts emissions continue to rise throughout the 21st century, with global temperatures rising by 3.7°C by 2100; this is the most severe of the three RCPs assessed

To help understand the risks associated with climate change, including greenwashing, when designing new products and services, we factor climate change considerations into our Product and Service Approval Process alongside potential liability and conduct risks. To support our first line risk practitioners within operational risk in their role in helping to identify, assess, monitor and manage, and report the risks to Nationwide caused by climate change, a climate change fact sheet is provided as part of their training.

During 2023, we performed targeted risk analysis against the most material operational and conduct risks where climate change is attributed as a root cause. The materiality assessment identified the specific impact of climate change on these risks, focusing on the potential impact and likelihood of the risk occurring, and documenting the controls in place to mitigate. The exercise has enabled us to better understand and document the key drivers and potential impact of climate change on our material risks, and indicated that our climate-related residual risk remains low and is appropriately captured.

Business risk – The risk that volumes decline, margins shrink, or losses increase relative to the cost or capital base affecting the sustainability of the business and the ability to deliver the strategy due to external factors (macro-economic, geopolitical, industry, regulatory or other external events) or internal factors (including the development and execution of the strategy).

Causes to business risk, such as climate change, are monitored on an ongoing basis, using insight, risk indicators, and judgment to identify any change in the level of risk. Mitigating factors undertaken by the Society and their effectiveness, are also monitored. The business risk profile is reviewed, and a report is shared with ExCo as required. It is also validated and endorsed at Board level annually, and is shared internally with the Financial Planning and Stress Testing team to enable alignment to business as usual stress testing activities.

In the most recent business risk profile review, three mitigating activities were identified for climate change: our 2023 climate scenario analysis exercise, our climate change plan, and our climate change governance model. Information on the mitigating activities is in the Strategy, Governance, and Risk management sections on pages 13, 16, and 20 respectively.

Pension risk – The risk that the value of the pension schemes' assets will be insufficient to meet the estimated liabilities, creating a pension deficit.

As part of our climate ambition, Nationwide's Group Personal Pension's default funds invest in companies that better adhere to ESG principles. The Nationwide Pension Fund (NPF) is a legally separate entity which produces its own Climate Risk Report[18] aligned to the TCFD recommendations. The disclosure assesses the NPF's exposure to climate-related risk, including the potential impact to funding levels over the medium and long term. The NPF's Climate Risk Report helps Nationwide analyse and monitor its pension risk.

Capital risk – The risk that Nationwide fails to maintain sufficient capital to absorb losses throughout a full economic cycle and the confidence of current and prospective investors, customers, the Board, and regulators.

Climate-related risk has been considered as part of the ICAAP. Using the outputs from our 2023 climate scenario analysis exercise, an assessment of the physical and transition risks was undertaken. Details of the outcome of our ICAAP assessment are in the Strategy section on page 12.

Market risk – The risk that the net value of, or net income arising from, the Society's assets and liabilities is impacted as a result of market price or rate changes.

While climate is yet to materially change the Society's market risk profile, it is actively kept under review and will continue to be assessed in line with our climate change risk standard. This ensures that adjustments can be made to the market risk framework as required. As part of our assessment, Nationwide's Treasury team has implemented three risk indicators that are assessed at least annually to determine whether credit ratings for Treasury assets (liquid bonds issued by sovereigns, sub sovereigns, and financial institutions) are adequately capturing climate risk.

Liquidity and funding risk – The risk that Nationwide is unable to meet its liabilities as they fall due, and maintain customer and other stakeholder confidence.

Funding risk is the risk that Nationwide is unable to maintain diverse funding sources in wholesale and retail markets, and manage retail funding risk that can arise from excessive concentrations of higher risk deposits. The impact of climate change on our liquidity requirements is covered as part of the ILAAP. Details of the outcome of our ILAAP assessment are in the Strategy section on page 12.

[18] Risk Management (nationwidepensionfund.co.uk)

Metrics and targets – scope 1, 2, and 3 emissions

Information on the Society's scope 1, 2, and 3 emissions and intermediate (by 2030) science-based targets
Nationwide has aligned its Mutual Good Commitment – we aim to build a more sustainable world by supporting progress towards a greener society – with its ambition to support the UK in achieving net-zero by 2050. Our Mutual Good Commitment metrics reflect our intermediate (by 2030) science-based targets for our scope 1, 2, and 3 emissions, that by 2030:

- We will aim to reduce our scope 1 emissions that we control across our own business operations, in line with our net-zero aligned (by 2030) scope 1 science-based target.
- We will aim to continue to source 100% renewable electricity for our own operations, in line with our net-zero aligned (by 2030) scope 2 science-based target.
- We will aim to reduce our scope 3 emissions for our mortgages, other secured lending activity, and our supply chain, by taking steps to reduce emissions within our control and encouraging our customers, borrowers, and suppliers to do the same, in line with our 2030 scope 3 science-based targets.

Our scope 1 and 2 science-based targets are within our control due to our ability to manage our operational energy usage, actions underway to reduce or remove gas usage from our buildings, and the continued procurement of renewable electricity. We remain confident in achieving our scope 1 and 2 intermediate (by 2030) science-based targets.

Our scope 3 upstream (categories 1, 2 and 4) science-based target is partially within our control. Whilst we own our procurement processes, we recognise we can only influence our suppliers and their ambitions to reduce emissions. This influence can be limited, particularly if they are global or work across multiple jurisdictions, and may be more affected by clients with more spending power. Some of Nationwide's supplier choices could also be limited if a specific good or service is only available from suppliers with high carbon emissions.

We have previously stated that we considered it to be highly unlikely that we will achieve our targets for scope 3 downstream category 15 (investments), particularly for our mortgage portfolio. Our emissions reduction targets are determined in accordance with the methodologies of the Science Based Targets initiative. We have very limited influence over practical measures to reduce emissions from properties which are owned by our borrowers, and no control over government policy needed to green UK homes and social housing. The emissions associated with our residential mortgage lending currently account for the majority (over 80%) of our total scope 3 emissions.

The UK Government has committed in law to ambitious emissions reduction targets (including to achieve net-zero by 2050 and to reduce emissions by 78% by 2035 compared with 1990 levels) with announced policies to install 600,000 heat pumps per year by 2028, as well as the delivery of its Great British Insulation Scheme, and a target to fully decarbonise the electricity grid by 2035. Even if delivered in full, these policies alone will not achieve the emissions reductions necessary to align with the highly ambitious targets of the Science Based Targets initiative.

The Climate Change Committee's (CCC's) Progress in Reducing Emissions: 2023 Report to Parliament states that the UK's net-zero progress is now 'worryingly slow' and a number of retrofitting measures, such as heat pump installations for UK residential properties, are 'significantly off track'. The Government's commitment to the UK's climate targets and domestic law aimed at reducing emissions continues to evolve and there is also considerable uncertainty over any future government's policies in connection with the UK's housing stock. The market and/or borrowers may also fail to respond sufficiently to the measures put in place or take significant independent action. These are factors outside of Nationwide's control.

The outcomes of the CCC's report, and action by government, customers and cross-industry to date, indicate that the UK is not going to achieve the emissions reductions required to green UK homes in line with net-zero. Therefore, we do not believe that our intermediate (by 2030) science-based target for mortgages will be achieved. Considering this, over the next 12 months, Nationwide will reflect on the appropriateness of setting a more realistic intermediate residential mortgages target, giving due consideration to the current UK green homes policy landscape, the outcome of the UK general election and any policies announced by the new government, and the outcome of our 0% interest Green Additional Borrowing research. Nevertheless, we will continue to monitor the delivery of market and policy developments on a regular basis to inform our progress towards our targets. Further details on how we are progressing towards our targets can be found on pages 27, 29, 31, 32, 34, 35, and 37.

Nationwide's scope 1 and 2 carbon emissions and targets
We continue to disclose our carbon emissions in line with the Government's Streamlined Energy and Carbon Reporting regulation requirements.

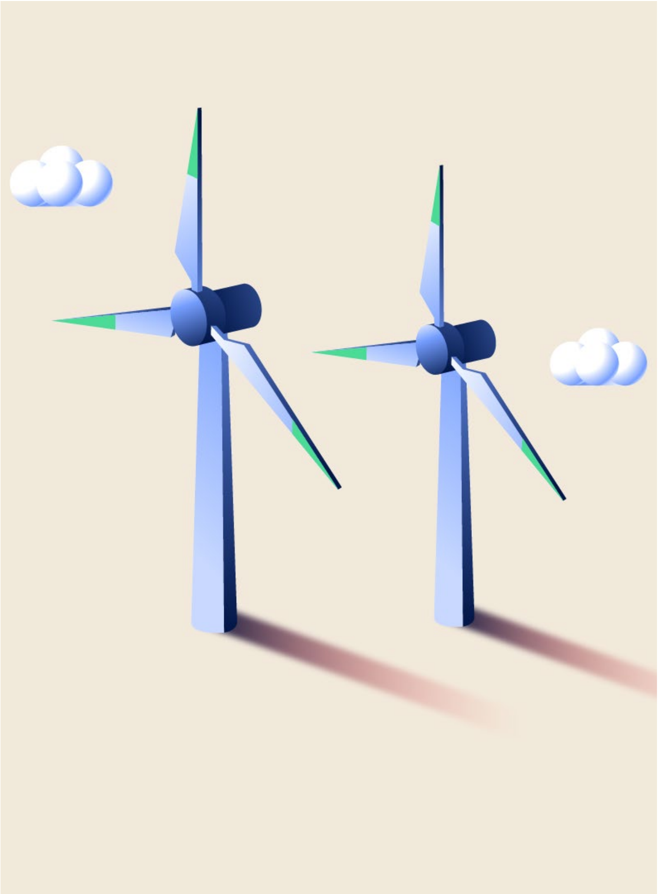
Our scope 1 emissions have continued to decrease in comparison to previous years. This is due to our ongoing efforts to reduce our operational emissions, such as the removal of gas from our branch network and data centres. Nationwide will continue to reduce its scope 1 emissions aligned to its science-based target ambitions.

Nationwide's scope 1 emissions originate in the UK. We offset our scope 1 emissions through verified carbon offset projects based outside of the UK, such as community reforestation, through a pre-purchase agreement. Purchasing offsets in advance enables us to continue to neutralise our operational emissions in a cost-effective way, by managing our offset spend and reducing our exposure to potential cost inflation over time. The current average price Nationwide uses to offset one tonne of carbon is £20.51. Until 2030, we will continue to drawn down on our purchased offsets for any scope 1 emissions that are not yet feasible to eliminate. However, the use of offsets does not form part of our intermediate (by 2030) science-based target and net-zero ambition.

We use a market-based approach[19] for calculating our scope 2 emissions. 100% of our scope 2 energy consumption is attributed to renewable sources, through a solar power purchase agreement (PPA), which produces emissions-free energy, and use of green tariff electricity. Our scope 2 emissions are associated with purchased electricity only, as we do not purchase any steam, heat, or cooling.

We also disclose our absolute (location-based[20]) scope 2 emissions which have risen this year as we embed new ways of working (increasing office presence) and replace gas with electrical solutions throughout our business operations. We currently exclude homeworking emissions (which would be calculated within scope 3 upstream category seven, employee commuting), due to the challenges with their calculation as described in Data dependencies and limitations on page 42.

We remain aware that the pace of emissions reduction may vary over the coming years as working behaviours adapt, but we are committed to reducing the scope 1 emissions associated with our business operations in line with net-zero. Our scope 1 and 2 emissions are detailed in the table on the next page. A data score has been calculated for Nationwide's carbon emissions using the Partnership for Carbon Accounting Financials (PCAF's) Global Greenhouse Gas (GHG) Accounting and Reporting Standard (which received the "Built on GHG Protocol Mark" from the GHG Protocol) to provide insight into the quality of the data.



[19]A market-based approach allows flexibility to utilise market-based measures such as renewable energy to achieve net-zero.
[20]A location-based approach doesn't factor in market-based measures and considers operational absolute emissions only.

Scope 1 and 2 carbon emissions data

Scope 1 and 2 emissions in tonnes of carbon dioxide per year (tCO_2e/y) (notes i and ii)	EY Year to 4 Apr 2024	Year to 4 Apr 2023	(Baseline) Year to 4 Apr 2022
Scope 1 – Energy	1,743	2,274	2,920
Scope 1 – Travel	49	87	82
Scope 2 – Electricity	14,042	12,774	14,972
Total gross scope 1 and 2 emissions	**15,834**	**15,135**	**17,974**
Less PPA carbon reduction for scope 2 (note iii)	(9,549)	(9,303)	(9,822)
Less green tariff electricity for scope 2 (note iv)	(4,493)	(3,471)	(5,150)
Absolute carbon outturn (note v)	1,792	2,361	3,002
Total carbon dioxide in tonnes per full time employee (FTE)	**0.13**	**0.17**	**0.19**
Data score (note vi)	2.10	2.10	1.20
Energy usage data in megawatt hours (MWh) (note vii)	**Year to 4 Apr 2024**	**Year to 4 Apr 2023**	**(Baseline) Year to 4 Apr 2022**
Electricity	67,837	66,054	70,514
Gas	8,813	10,727	15,903

Notes:

i. tCO_2e/y is an abbreviation of 'tonnes carbon dioxide equivalent per year' and is the internationally recognised measure of greenhouse gas emissions.

ii. For energy, emissions are based on gas usage. Gas usage data is provided to Nationwide by its energy supplier. This is a combination of actual data through automated, or manual, meter readings, or estimated usage data. For March 2024 where gas usage data is not available from the energy supplier due to timing differences, data is estimated based on historical consumption over the last 11 months. Gas consumed over the year, measured in kilowatt hours (KWh), is multiplied by the latest Department for Environment, Food & Rural Affairs (DEFRA) emissions factors for UK gas to calculate the tonnes of carbon dioxide equivalent per year (tCO_2e/y). As we review and rationalise our physical sites, we recognise that due to estimated invoicing from energy suppliers, subsequent energy rebates may be issued to us. The impact of this on our reported emissions will be reviewed by the Society and considered on a case by case basis. For our back-up diesel generators, emissions are calculated based on the actual run-time of our generators recorded by our qualified technicians, and their estimated generator fuel usage using DEFRA emissions factors. For travel, emissions are solely based on business vehicle mileage. Mileage is calculated based on the annual fleet return submissions by Nationwide employees and is therefore dependent on manual processes and individual record-keeping, as well as reliance on our third-party to generate an up-to-date report; furthermore, DEFRA emission factors used assume that all vehicles are medium-sized passenger vehicles. For electricity, emissions are based on usage data provided by our energy supplier. This is a combination of actual data through automated, or manual, meter readings, or estimated usage data. For March 2023 where electricity usage data is not available from the energy supplier due to timing differences, data is estimated based on historical consumption over the last 11 months. Total KWh of electricity consumed over the year is multiplied by the latest DEFRA emissions factors for UK electricity to calculate tCO_2e/y. As we review and rationalise our physical sites, we recognise that due to estimated invoicing from energy suppliers, subsequent energy rebates may be issued to us. The impact of this on our reported emissions will be reviewed by the Society and considered on a case by case basis.

iii. Purchase Power Agreement (PPA) represents the contribution of a solar power purchase agreement, producing emissions-free energy backed by renewable energy guarantee of origin (REGO) certificates. The PPA offset amount is dependent on external factors such as equipment uptime and atmospheric conditions. The PPA is supplied to Nationwide through a licenced intermediary.

iv. Nationwide's green tariff electricity comes from 100% zero-carbon sources (wind, hydro or solar) that have a REGO certificate. Nationwide pays a renewable energy premium which obligates our energy supplier to cover all remaining tCO_2e/y. Any remaining tCO_2e/y not covered by the PPA is offset using our 'Green Tariff electricity'.

v. Nationwide continues to utilise offsets for its scope 1 emissions. Once scope 1 emissions for the reporting year are confirmed, the required number of offsets are calculated and reconciled against Nationwide's pre-purchase agreement. The offsets are supported by a number of offset projects, such as community reforestation, based outside of the UK. The projects are verified and have approval under either the Verified Carbon Standard (VCS) and the Clean Development Mechanism (CDM).

vi. Data scores are based on the quality of data inputs used to calculate carbon dioxide emissions. Data scoring aligns with PCAFs Global GHG Accounting and Reporting Standard, with 1 representing high data quality and 5 representing low data quality. The data score for scope 1 and 2 emissions is based on a weighted average of primary actual and estimated data used for the consumption of energy for our buildings and business travel, using 11 months of actual data, achieving a data score of 2, weighted at 92%, and estimated building energy consumption data based on known entities for our buildings, using one month of estimated data, achieving a data score of 3, weighted at 8%.

vii. Usage data is provided to Nationwide by its energy supplier. This is a combination of actual data through automated, or manual, meter readings, or estimated usage data. Where estimates have been used (for March 2024 only), estimated usage is based on historical consumption over the last 11 months.

EY These values are subject to independent limited assurance by EY. Further information is available on page 37, and in EY's limited assurance report 2024. Please refer to the report for full details of scope.

Progress towards our scope 1 and 2 science-based targets and Transition Plan actions

Throughout 2023/24, we reduced the scope 1 emissions of our business operations, over which we have full control. In 2023/24, the use of gas in our buildings accounted for approximately 90% of our scope 1 emissions. Of this, around 95% can be attributed to the gas used in our admin sites, and around 5% from gas used in our branch network. As part of the actions detailed in our Transition Plan, at the end of 2023 we had removed gas from over 80% of our branches, replacing it with electrical solutions, which resulted in a reduction in emissions for scope 1. We will continue to explore the removal of gas from our admin sites, as well as exploring ways of better optimising our existing admin sites, or relocating to sites that are either gas-free or which use less gas, to help us achieve our scope 1 intermediate (by 2030) science-based target.

For our scope 2 science-based target, we are committed to continually sourcing 100% renewable electricity through to 2030. In 2023/24 approximately 68% of our energy was supplied from a 50MWh solar farm in the UK, through our PPA. On-site electricity is also supported by Solar Photovoltaic (PV) panels on the roof of our Head Office in Swindon. The remainder (approximately 32% is sourced through a 100% green electricity tariff (wind, solar and hydro) that has a renewable energy guarantee of origin (REGO) certificate.

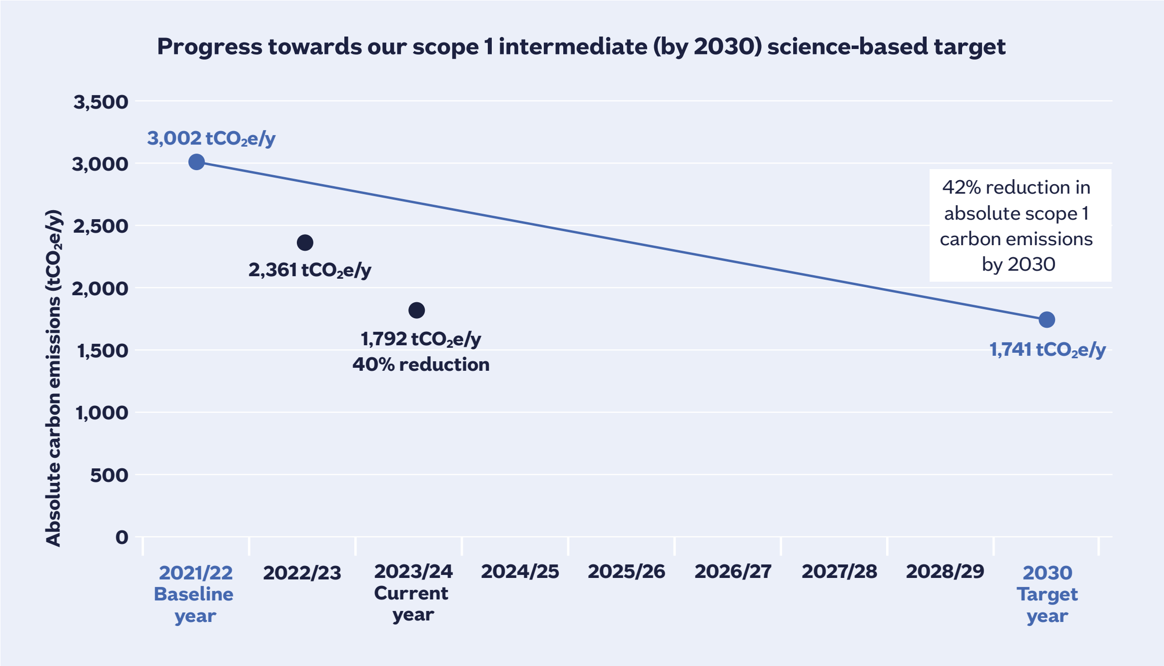
Nationwide's scope 1 emissions have reduced by approximately 24% in 2023/24 compared to 2022/23, and by 40% compared to its 2021/22 baseline. This reduction is ahead of the projected emissions reduction required in 2023/24 of approximately 5%, and the total projected emissions reduction required of 10% compared to 2021/22 baseline, to align to our science-based target pathway. We also continue to source 100% renewable electricity and are on track to achieve our scope 2 science-based target.

Current progress towards our scope 1 and 2 targets is as follows:

Scope 1 target set using Absolute Contraction Approach 1.5°C scenario, to reduce absolute emissions				
Absolute emissions at 2021 base year (tCO_2e/y)	**Absolute emissions at 4 April 2024 current year (tCO_2e/y)**	**Percentage reduction in absolute emissions at 4 April 2024 current year, compared to base year**	**Absolute emissions at 2030 target year (tCO_2e/y)**	**Percentage reduction in absolute emissions to 2030 target year (%)**
3,002	**1,792**	**40%**	1,741	42%

Scope 2 target using market-based approach to continually source 100% renewable electricity		
Percentage renewable electricity sourced at 2021 base year (%)	**Percentage renewable electricity sourced at 4 April 2024 current year (%)**	**Percentage renewable electricity sourced at 2030 target year (%)**
100%	**100%**	100%

A graph showing our progress towards our scope 1 science-based target is shown below.



Nationwide's scope 3 upstream (categories 1, 2, and 4) carbon emissions
We have calculated our scope 3 emissions for upstream activities across our whole supply chain. Purchased goods and services (category 1), capital goods (category 2) and upstream transportation and distribution (category 4) account for around 91% of our total emissions across categories 1-8.

Our upstream emissions have been calculated using publicly disclosed third party supplier emissions data (covering scopes 1-3) from CDP responses, and revenue from the most recent publicly available annual reports, where available. Data gaps were supplemented using industry average emissions contained within the Scope 3 Evaluator tool[21], made available by the GHG Protocol and Quantis.

Our total scope 3 upstream emissions in 2023 have remained the same compared to 2022, due to an increase in spend on goods and services, and a decrease in supplier specific emissions for capital goods. A weighted data score has also been calculated. Whilst PCAF has not defined an approach for the calculation of a data score for supply chain emissions, we have used their approach for business loans and unlisted equity as the basis for the calculation. It is expected that data quality scores will improve over time as internal models, EPC, and other datasets, mature and become available.

Scope 3 upstream carbon emissions data

Upstream scope 3 carbon dioxide emissions (CO_2e) in tonnes (t) per year (y)	EY Year to 31 Dec 2023	Year to 31 Dec 2022^	(Baseline) Year to 31 Dec 2021
Purchased goods and services	129,500	126,500	169,000
Capital goods	13,000	16,000	43,500
Upstream transportation and distribution	14,500	14,500	17,500
Total upstream scope 3 carbon dioxide emissions (tCO_2e/y) (note i)	**157,000**	157,000	230,000
Data score (note ii)	2.89	2.92	2.90

Notes:
i. Upstream emissions have been calculated for the 12 months to 31 December 2023, using supplier-specific emissions factors based on publicly disclosed emissions data for around 70% of our spend (across categories 1, 2, and 4), with the remainder using average emissions factors from the Quantis Scope 3 Evaluator tool. The total scope 1-3 reported emissions (based on market-based scope 2 emissions and upstream scope 3 emissions from CDP submissions and annual reports) of each supplier are divided by the supplier's total turnover (in US dollars) to create supplier specific emissions factors (in tonnes of CO_2 per US dollar of revenue). Supplier specific emissions factors are calculated by applying a revenue scalar using emissions from supplier peers where actual emissions are not available. These are then multiplied by the amount that we spend (inclusive of VAT) with each supplier, which is converted to US dollars using the Nationwide year-to-date average exchange rate, to determine our emissions. For the remainder (around 30%), industry average emissions factors from Quantis (2015 factors are used, based on spend category, with source of indices from the US Bureau of Economic Analysis) are used and applied to Nationwide's spend. Inflation adjustments have been applied to the Quantis factors to align to inflation changes in 2023.
ii. Data scores are based on the quality of data inputs used to calculate carbon dioxide emissions. Data scoring aligns with PCAF's Global GHG Accounting and Reporting Standard, with 1 representing high data quality and 5 representing low data quality. The scope 3 upstream data score has been calculated based on our procurement spend with suppliers. Approximately 70% of our total procurement spend covers suppliers with actual emissions data from various external reporting sources (including CDP and annual reports), which is given a data score of 2, weighted at 70%. Estimated emissions data from Quantis has been sourced for suppliers who account for around 30% of our total procurement spend, giving a data score of 5, weighted at 30%.

[21] Whilst we recognise the Quantis tool was decommissioned in 2023, we continue to use the Quantis factors in our scope 3 upstream emissions calculations, applying inflation adjustments as appropriate.
EY These values are subject to independent limited assurance by EY. Further information is available on page 37, and in EY's limited assurance report 2024. Please refer to the report for full details of scope.
^ Comparative amounts have been restated due to improvements in emissions calculation methodology, and to align to the methodology used to calculate our 2023 emissions and 2021 baseline.

Progress towards our scope 3 upstream science-based target and Transition Plan actions

Due to Nationwide having partial levels of control and influence over its suppliers and their ambitions to reduce emissions, the Society believes it has a reasonable chance of achieving its upstream scope 3 target. We control our procurement processes and purchasing decisions and are keen to work with our suppliers to achieve our desired outcomes. However, our influence over certain suppliers, particularly those that are global, is more limited as they work across multiple jurisdictions and may be more affected by their customers with more spending power. Some of Nationwide's supplier choices could also be limited if a specific good or service is only available from suppliers with high carbon emissions.

As part of Nationwide's EcoVadis partnership, it collects various sustainability details, including information on the carbon emissions and net-zero targets of our suppliers. In 2023, 69% of our invited third parties had joined EcoVadis and held valid scorecards, with 97% being rated as 'Good' or better. This is in line with our Transition Plan.

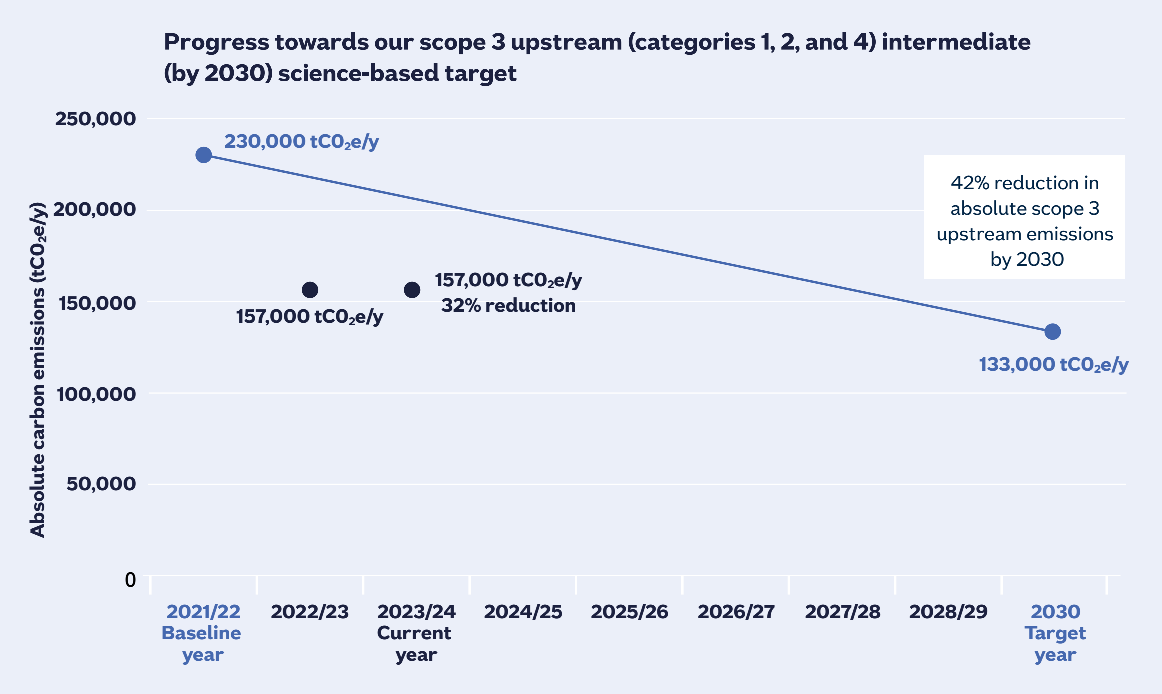
From 2024, as part of a new or renewed contract, we now request some of our larger third parties sign up to EcoVadis, set and disclose science-based targets for scope 1, 2, and 3 emissions, and publish their own transition plan. This means we are on track to achieve our Transition Plan action – requesting our suppliers, who account for two-thirds of our scope 3 upstream emissions, set their own science-based targets by the end of 2025.

Current progress towards our scope 3 upstream (categories 1, 2 and 4) target is as follows:

Scope 3 upstream target set using Absolute Contraction Approach 1.5°C scenario, to reduce absolute emissions				
Absolute emissions at 2021 base year (tCO_2e/y)	**Absolute emissions at 31 December 2023 current year (tCO_2e/y)**	**Percentage reduction in absolute emissions at 31 December 2023 current year, compared to base year**	**Absolute emissions at 2030 target year (tCO_2e/y)**	**Percentage reduction in absolute emissions to 2030 target year**
230,000	**157,000**	**32%**	133,000	42%

Nationwide's scope 3 upstream emissions have remained the same in 2023 compared to 2022, resulting in an overall reduction in Nationwide's scope 3 upstream emissions of 32% compared to its 2021 baseline. This reduction is ahead of the total projected emissions reduction required of 10%, compared to 2021 baseline, to align to our science-based target pathway.

A graph showing our progress towards achieving our scope 3 upstream (categories 1, 2 and 4) target is shown below.



Nationwide's scope 3 downstream category 15 (investments) carbon emissions and targets – mortgages

In 2023/24 we used our EPC model (which uses artificial intelligence and machine learning techniques) to calculate the emissions for our residential mortgage portfolio. Aligned to the PCAF GHG Accounting and Reporting standard, publicly available EPC data is interpolated across the book to estimate carbon emissions, where valid EPC certificates are not available. For further information on how we calculate our residential mortgages emissions, please see page 37.

Our absolute and LTV weighted carbon intensity for our residential mortgage portfolio have reduced in comparison to last year. This is due to an improvement in the average energy efficiency of the book. More information on the EPC composition of our residential mortgages portfolio can be found on page 38.

Scope 3 downstream category 15 (investments) carbon emissions data – mortgages

Scope 3 emissions data – mortgages	EY Year to 31 Dec 2023	Year to 31 Dec 2022^	(Baseline) Year to 31 Dec 2021
Number of properties – total book	1,536,000	1,567,000	1,578,000
Number of properties – with a valid EPC	765,000	850,000	873,000
Total property floor area in square metres (m^2) (note i)	153,800,000	148,300,000	146,900,000
Absolute carbon emissions – carbon dioxide in tonnes per year (tCO_2e/y) on whole book using interpolated EPC data (note ii)	6,077,000	6,021,000	6,187,000
Absolute carbon intensity – carbon dioxide per square metre of floor area in kilograms per year ($kgCO_2e/m^2/y$) using interpolated EPC data	39.53	40.60	42.12
LTV weighted carbon emissions – tCO_2e/y using interpolated EPC data (note iii)	**2,807,000**	2,766,000	2,795,000
LTV weighted carbon intensity – $kgCO_2e/m^2/y$ using interpolated EPC data (note iv)	**18.27**	18.65	19.03
Data score (note v)	3.50	3.46	3.45

Notes:

i. Total property floor area for mortgages is calculated using the floor area data contained in a properties EPC, where available. For properties which have not been matched to an EPC, floor area is is estimated based on interpolation of housing data at six-digit postcode level.

ii. Emissions are estimated using data from the EPC Open Data Communities for residential properties where an EPC exists and can be matched at property level (for around 50% of the mortgage portfolio) and estimating EPC data across the remainder of the portfolio (50%) using Nationwide's EPC machine learning model to interpolate housing data. For properties in Northern Ireland and Scotland, where an address match is not possible, EPCs are interpolated based on England and Wales properties in Nationwide's portfolio. The carbon dioxide emissions account for EPC covered emissions only (space and water heating, and lighting). Indirect emissions from other energy uses by the household have been excluded such as those resulting from the use of domestic appliances. Nationwide believes this approach best aligns with those emissions associated with its lending.

iii. LTV adjustments have been applied to the total CO_2 emissions predicted for the book to calculate the attribution factor. The attribution factor is calculated at property level and is based on (i) outstanding amount calculated as total outstanding loan value as at 31 December 2023 and; (ii) property value using a modelled property valuation, static as at 31 December 2020 (or 31 December 2021 and 31 December 2022 for new business during those years, or 31 December 2023 for new business during the year if applicable. Where mortgages are multi-collateralised, the LTV is calculated at borrower level. Nationwide believes this best reflects the emissions it finances.

iv. LTV weighted carbon intensity is calculated based upon property level LTV weighted emissions ($kgCO_2e/m^2/y$) and property level absolute total floor area in square metres (m^2). Nationwide believes this best reflects the emissions intensity associated with its lending.

v. Nationwide's mortgage data score has been calculated, based on total number of properties, using EPC data available for approximately 48% of its owner-occupier, and 55% of its buy to let properties, giving a data score of 3, weighted at 50%, and interpolated EPC data across the remainder of the portfolio, estimated using most similar property features and location specific attributes, giving a data score of 4, weighted at 50%. As such, this could indicate a level of variability in the outcome when compared to that calculated using more granular data sources.

EY Nationwide's financed emissions are subject to independent limited assurance by EY. Further information is available on page 37, and in EY's limited assurance report 2024. Please refer to the report for full details of scope.

^ Comparative amounts have been restated due to improvements in emissions calculation methodology, and to align to the methodology used to calculate our 2023 emissions.

Progress towards our mortgages science-based target and Transition Plan actions

On page 24, above, we set out the basis of our intermediate (by 2030) science-based targets, and the challenges which we anticipate in progressing towards our targets (particularly for our residential mortgages portfolio). We do not believe that, at present, our intermediate (by 2030) science-based target for mortgages can be achieved. Therefore, over the next 12 months, we will reflect on the appropriateness of setting a more realistic intermediate residential mortgages target, giving due consideration to the current UK green homes policy landscape, the outcome of the general election and any policies announced by the new government, and the outcome of our 0% interest Green Additional Borrowing research. Nonetheless, we continue to take action to seek to reduce emissions from our mortgages book.

As detailed in our Transition Plan, in 2023, we launched the 0% interest Green Additional Borrowing mortgage, alongside our other green finance propositions which are within our control, but this action alone will have a very low impact on reducing mortgage emissions to progress towards our target. Details on the uptake of our green finance propositions is on page 40.

We also continue to monitor the EPC composition of our mortgage book, including the proportion that has an EPC of C or better. One of the potential actions that Nationwide has partial control over is the growth of new builds and the portfolio evolution of its book. We will continue to monitor our book growth, and developments to our book's EPC composition, to understand the impact of this potential action over time. Details on the EPC composition of our portfolio can be found on page 38.

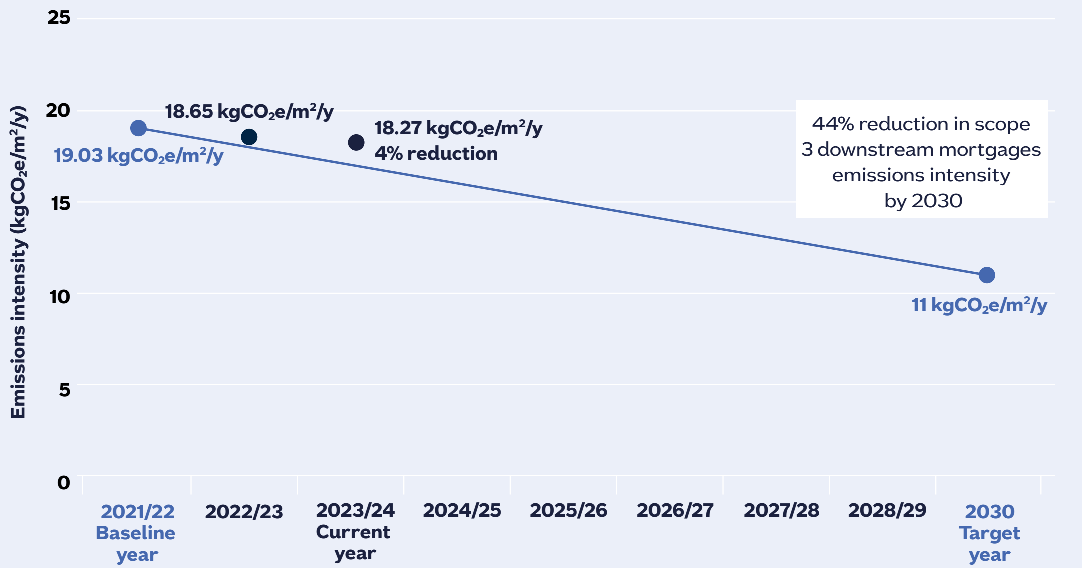
Nationwide will continue to engage with its customers on the greening of their homes, as well as influencing for a much-needed government-led National Retrofit Strategy in support of its scope 3 downstream potential actions, as detailed in our Transition Plan. We will also continue to engage with specialist organisations to share knowledge, increase our expertise and understanding of the areas where we can make the most impact, and support others' understanding of the impacts of climate change on Nationwide. In addition, the Society continues to monitor the delivery of government policies, relating to the greening of UK homes, as we reflect on our mortgages target. More details can be found in our Intermediate (by 2030) net-zero-aligned Transition Plan 2023, pages 14-20.

Current progress towards our scope 3 downstream category 15 (investments) mortgages target is as follows:

Scope 3 downstream investment (category 15) mortgages target set using Sectoral Decarbonisation Approach well-below 2°C scenario: IEA ETP B2DS (world), to reduce emissions intensity						
Financed emissions at 2021 base year (tCO_2e/y)	**Emissions intensity at 2021 base year ($kgCO_2e/m^2/y$)**	**Financed emissions at 31 December 2023 current year (tCO_2e/y)**	**Emissions intensity at 31 December 2023 current year ($kgCO_2e/m^2/y$)**	**Percentage reduction in emissions intensity at 31 December 2023 current year, compared to base year**	**Emissions intensity at 2030 target year ($kgCO_2e/m^2/y$)**	**Percentage reduction in emissions intensity to 2030 target year**
2,795,000	19.03	**2,807,000**	**18.27**	**4%**	11	44%

Our scope 3 mortgage emissions intensity has reduced by approximately 2% in 2023, compared to 2022, and by approximately 4% compared to our 2021 baseline. This is behind the projected emissions intensity reduction required in 2023 of approximately 5.5%, and the total projected emissions intensity reduction required of 11% compared to our 2021 baseline, to align to our highly challenging intermediate (by 2030) science-based target pathway. As explained on page 24 above, at present we do not believe that our current intermediate (by 2030) science-based target for residential mortgages will be achieved. A graph showing our progress towards our current scope 3 downstream category 15 (investments) mortgages target is shown below.

Progress towards our scope 3 downstream category 15 (investments) mortgages intermediate (by 2030) science-based target



Nationwide's scope 3 downstream category 15 (investments) carbon emissions and targets – RSL

Following the same approach as for mortgages, as outlined on page 30, we used our EPC model to calculate the emissions for our RSL portfolio. For further information on how we calculate our RSL emissions, please see page 37.

Our scope 3 RSL absolute carbon emissions and total floor area have reduced this year, due to a decrease in the number of properties on the book. Our scope 3 RSL LTV weighted carbon intensity for RSL has increased slightly compared to last year, due to an increase in overall lending, and an increase in average LTV.

Scope 3 downstream category 15 (investments) carbon emissions data – RSL

Scope 3 emissions data – registered social landlords	EY Year to 31 Dec 2023	Year to 31 Dec 2022	(Baseline) Year to 31 Dec 2021
Total property floor area in square metres (m^2) (note i)	10,595,000	11,091,000	15,490,000
Absolute carbon emissions – tCO_2e/y on whole book using interpolated EPC data (note ii)	439,000	466,000	747,000
Absolute carbon intensity – $kgCO_2e/m^2/y$ using interpolated EPC data	41.43	42.03	48.24
LTV weighted carbon emissions – tCO_2e/y using interpolated data (note iii)	**218,000**	222,000	346,000
LTV weighted carbon intensity – $kgCO_2e/m^2/y$ using interpolated data (note iv)	**20.61**	20.01	22.36
Data score (note v)	3.85	3.83	4.00

Notes:

i. Total property floor area for RSL is calculated using the floor area data contained in a property's EPC, where available. For properties which have not been matched to an EPC, floor area is estimated based on interpolation of housing data at six-digit postcode level.

ii. Emissions are estimated using data from the EPC Open Data Communities for residential properties where an EPC exists and can be matched at six-digit postcode level (for 43% of the RSL portfolio) and estimating EPC data across the remainder of the portfolio 57% using proxy housing data at six-digit postcode level. For properties which do not have postcode level data, or are based in Northern Ireland and Scotland (where an address match is not possible), EPCs are interpolated based on England and Wales properties in Nationwide's portfolio. The carbon dioxide emissions account for EPC covered emissions only (space and water heating, and lighting). Indirect emissions from other energy uses by the household have been excluded such as those resulting from the use of domestic appliances. Nationwide believes this approach best aligns with those emissions associated with its lending.

iii. LTVs have been used to calculate attribution factors, which are then applied to the total CO_2 emissions predicted at borrower level. Borrower level attribution factors are calculated based on (i) total outstanding loan values as at 31 December 2023 and; (ii) total property values using a property valuation, static as at 31 December 2020 or, 31 December 2021 and 2022 (for new business in those years) or, for new business in 2023, the latest valuation in 2023 which will be held static going forwards. The approach to calculating attribution factor at borrower, rather than loan, level is aligned with the nature of the lending, and has been confirmed as an appropriate approach by PCAF.

iv. LTV weighted carbon intensity is calculated based upon property level LTV weighted emissions ($kgCO_2e/m^2/y$) and property level absolute total floor area in square metres (m^2). Nationwide believes this best reflects the emissions intensity associated with its lending.

v. Nationwide's RSL data score has been calculated, based on proportion of total LTV weighted emissions, using EPC data available for approximately 43% of the portfolio, giving a data score of 3, weighted at 43%, interpolated EPC data based on location-specific data across 32% of the portfolio, giving a data score of 4, weighted at 32%, and the remaining 25% of the portfolio (that does not reflect an individual property's location), giving a data score of 5, weighted at 25%. As such, this could indicate a level of variability in the outcome when compared to that calculated using more granular data sources.

EY Nationwide's financed emissions are subject to independent limited assurance by EY. Further information is available on page 37, and in EY's limited assurance report 2024. Please refer to the report for full details of scope.

Progress towards our RSL science-based target and Transition Plan actions

Achieving our intermediate (by 2030) science-based target for RSL is subject to similar challenges to those of our residential mortgage portfolio, whereby it is significantly reliant on enhanced government policy and regulation, and action by the social housing sector, both of which are uncertain. However, to date there has been a stronger regulatory and government policy response to support the greening of social housing in the UK. Not only are UK social landlords captured by the Minimum Energy Efficiency Standards, where all tenanted homes must be EPC E or above (since April 2018 for new tenancies or renewals, and since April 2020 for continued tenancies), in Scotland, landlords are also subject to Energy Efficiency Standards for Social Housing, and Scottish Housing Quality Standards, which require all social housing property to meet certain energy efficient standards (since February 2019).

The UK Government has indicated, as part of its Heat and Buildings Strategy, that it intends to set long-term regulatory standards, to improve social housing to a minimum EPC band C, with plans to support the decarbonisation of social housing stock in line with net-zero. In 2023, the Government announced its second wave of the Social Housing Decarbonisation Fund, where £778 million has been awarded to support the improvement of the energy performance of social housing in England, with all projects to be delivered by September 2025. Additionally, in July 2022, the Government passed the Energy Company Obligation (ECO4) energy efficiency scheme, which aims to improve the least energy efficient homes of low income and vulnerable households.

Regulation and policy developments have the potential to have the largest impact on improving energy efficiency of social housing, for example, by influencing the Housing Associations Act. Due to the nature of RSLs, it is their aim to provide homes that are safe, comfortable to live in, and as affordable as possible for tenants to run. Without the full realisation of all these policies, further government-led policy, and action by social landlords, it is highly unlikely that, at present, our highly challenging science-based target for our RSL portfolio can be achieved.

As detailed as part of its Transition Plan actions, Nationwide provides a Sustainability Linked Loan (SLL) proposition. The SLL proposition is within our full control but is likely to have a low impact on reducing the emissions intensity across our RSL portfolio. Further detail on our SLL is in the Strategy section on page 5.

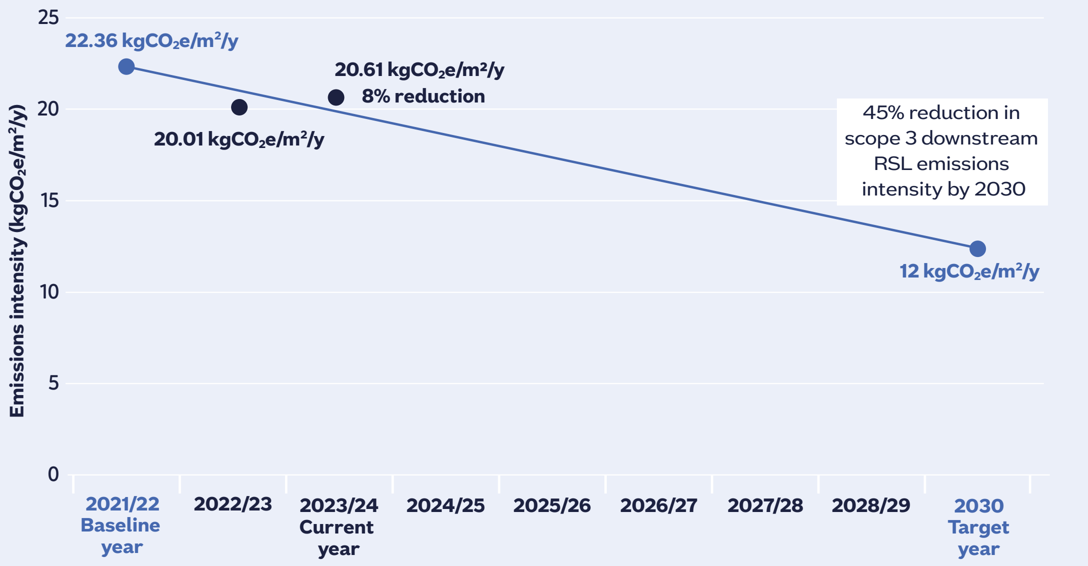
More details on Nationwide's scope 3 RSL science-based target and the Transition Plan actions can be found in its Intermediate (by 2030) net-zero-aligned Transition Plan 2023, pages 21-24.

Current progress towards our scope 3 downstream category 15 (investments) RSL target is as follows:

Scope 3 downstream investment (category 15) RSL target set using Sectoral Decarbonisation Approach well-below 2°C scenario: IEA ETP B2DS (world), to reduce emissions intensity						
Financed emissions at 2021 base year (tCO_2e/y)	**Emissions intensity at 2021 base year ($kgCO_2e/m^2/y$)**	**Financed emissions at 31 December 2023 current year (tCO_2e/y)**	**Emissions intensity at 31 December 2023 current year ($kgCO_2e/m^2/y$)**	**Percentage reduction in emissions intensity at 31 December 2023 current year, compared to base year**	**Emissions intensity at 2030 target year ($kgCO_2e/m^2/y$)**	**Percentage reduction in emissions intensity to 2030 target year**
346,000	22.36	**218,000**	**20.61**	**8%**	12	45%

Our calculated RSL emissions intensity is approximately 3% higher in 2023 due to an increase in lending during the year, compared to 2022. However, it is lower by approximately 8% when compared to our 2021 base year, due to a reduction in the number of properties in the portfolio. The increase seen this year is behind the projected emissions reduction required in 2023 of approximately 6%, and the total projected emissions reduction required of 12%, compared to our 2021 baseline, to align to our highly challenging intermediate (by 2030) science-based target pathway. A graph showing our progress towards our scope 3 downstream category 15 (investments) RSL target is shown below.

Progress towards our scope 3 downstream category 15 (investments) registered social landlords intermediate (by 2030) science-based target



Nationwide's scope 3 downstream category 15 (investments) carbon emissions and targets – CRE

Nationwide continues to disclose the emissions associated with its CRE portfolio. For information on how we calculate our CRE emissions, please see page 37.

Our absolute scope 3 CRE emissions, and LTV weighted emissions and intensity, have reduced in comparison to last year, due to the continued managed run-off of the portfolio.

Scope 3 downstream category 15 (investments) carbon emissions data – CRE (closed portfolio)

Scope 3 emissions data – commercial real estate	EY Year to 31 Dec 2023	Year to 31 Dec 2022	(Baseline) Year to 31 Dec 2021
Total property floor area in square metres (m^2) (note i)	1,263,000	1,441,000	2,062,000
Absolute carbon emissions – tCO_2e/y on whole book using proxy EPC data (note ii)	110,000	138,000	259,000
Absolute carbon intensity – $kgCO_2e/m^2/y$ using proxy EPC data	87.38	95.75	125.40
LTV weighted carbon emissions – tCO_2e/y using proxy EPC data (note iii)	**32,000**	45,000	96,000
LTV weighted carbon intensity – $kgCO_2e/m^2/y$ using proxy EPC data (note iv)	**25.40**	31.28	46.39
Data score (note v)	4.00	4.00	4.00

Notes:

i. Total property floor area for CRE is calculated using proxies based on publicly available EPC data (property type and location). Data from the EPC Open Data Communities for non-domestic (England, Wales and Scotland) and residential (England and Wales) properties was averaged at postcode area level, this was then used to estimate the floor area for each property. For Scottish residential properties, data from inspected properties (from the Scottish EPC Register) on Nationwide's mortgage book was averaged at postcode area level to obtain an average floor area.

ii. Data from the EPC Open Data Communities for non-domestic properties was averaged at postcode area level to estimate the absolute CO_2 emissions at CRE property level. For the residential properties in the CRE portfolio, data from the EPC Open Data Communities for residential properties in England and Wales was averaged at postcode area level to estimate the absolute CO_2 emissions at CRE property level. For Scottish residential properties, data from inspected properties (from the Scottish EPC Register) on Nationwide's mortgage book was averaged at postcode area level to estimate the absolute CO_2 emissions.

iii. LTVs have been used to calculate attribution factors, which are then applied to the total CO_2 emissions predicted at borrower level. Borrower level attribution factors are calculated based on (i) total outstanding loan values as at 31 December 2023 and; (ii) total property values using a property valuation, static as at 31 December 2020. As there is no new business in the CRE portfolio, due to it being in closed and in run-off, valuations at 31 December 2020 are held static going forward. The approach to calculating attribution factor at borrower, rather than loan, level is aligned with the nature of the lending, and has been confirmed as an appropriate approach by PCAF.

iv. LTV weighted carbon intensity is calculated based upon property level LTV weighted emissions ($kgCO_2e/m^2/y$) and property level absolute total floor area in square metres (m^2). Nationwide believes this best reflects the emissions intensity associated with its lending.

v. Data scores are based on the quality of data inputs used to calculate carbon dioxide emissions. Data scoring aligns with PCAF's Global GHG Accounting and Reporting Standard, with 1 representing high data quality and 5 representing low data quality. We have assessed the data score for our CRE scope 3 financed (which are calculated, based on percentage of total outstanding balance, using location-specific data) as being 4. As such, this could indicate a level of variability in the outcome when compared to that calculated using more granular data sources.

EY Nationwide's financed emissions are subject to independent limited assurance by EY. Further information is available on page 37, and in EY's limited assurance report 2024. Please refer to the report for full details of scope.

Progress towards our CRE science-based target (closed portfolio) and Transition Plan actions

Nationwide is progressing well towards its CRE intermediate (by 2030) science-based target. We ceased lending to CRE in 2016, with completion of CRE run-off expected in 2039. Since its closure in 2016, we have reduced the portfolio size by approximately 89% (from £2.6 billion in 2016/2017 to £0.3 billion in 2023/24). Residential property accounts for around 54% of our current CRE portfolio (with the remainder comprising service buildings). It is our expectation that some of the impacts from government policy intervention, for example the decarbonisation of the electricity grid, will help reduce the emissions intensity of the CRE book by 2030.

It is our expectation that progress towards our scope 3 downstream (investments) CRE target (46% reduction in emissions intensity by 2030 from a 2021 baseline) will be volatile, due to the closed nature of the book and our simplistic approach to calculating CRE portfolio emissions. It is likely our target will not be achieved until the highest emitting properties run off the book, there is further government policy action, or the run-off activity is complete (which is expected in 2039), as detailed in our Transition Plan. Once run-off is concluded we will see a 100% reduction in both absolute emissions and emissions intensity of the portfolio. However, we expect around an 85% reduction in absolute emissions by 2030, in line with the expectation that the balance of our CRE portfolio will be less than £100 million, and therefore immaterial, post-2030. More details on Nationwide's scope 3 CRE science-based target and the Transition Plan actions can be found in its Intermediate (by 2030) net-zero-aligned Transition Plan 2023, pages 21-24.

Using our EPC model to calculate our scope 3 downstream category 15 (investments) emissions

Our EPC model includes address matching capabilities which match our mortgage portfolio data (using an in-house address matching solution) to the EPC Open Data Communities database. This capability gives us better control of the data and enables us to assess the EPC composition of the portfolio more accurately. Currently, the EPC Open Data Communities database does not include properties in Northern Ireland and Scotland. Where we are unable to match the addresses of properties in these jurisdictions, we use our EPC model to interpolate EPCs and estimate emissions based on data from England and Wales. For the closed CRE portfolio, we continue to use EPC proxies, based on the data from the EPC Open Data Communities database, to estimate the carbon emissions of the portfolio. EPCs have known data limitations, some of which are correctable during our modelling process. More information on the data limitations of EPCs is in the Data dependencies and limitations section on page 42.

We have calculated both the absolute and LTV weighted emissions for our mortgage, RSL, and CRE portfolios. The absolute emissions have been weighted by loan to value (LTV) to calculate the proportion of emissions financed by Nationwide[22]. This is in line with PCAF's methodology. We continue to use modelled property valuations to calculate the financed emissions of our mortgage portfolio. As per PCAF guidance, we have kept our mortgage portfolio 2021 baseline valuations (as at 31 December 2020) static, with valuations for additions to the book in each subsequent year kept static as at 31 December of that year. For any additions to book during 2023, we have used valuations as at 31 December 2023. Further information is within the notes sections underneath our scope 3 data tables on pages 30, 33 and 36.

Scope 1, 2 and 3 emissions assurance

Nationwide appointed Ernst and Young LLP (EY) to provide limited independent assurance over our scope 1, 2, and 3 carbon emission disclosures for the year ended 4 April 2024. This includes scope 1 and 2 emissions for the year ended 4 April 2024, scope 3 upstream emissions for the 12-month period ended 31 December 2023, and scope 3 financed (investment and upstream) emissions for the 12-month period ended 31 December 2023. Assured metrics and KPIs are indicated throughout. The assurance engagement was planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) (UK) 3000 (July 2020), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance report was issued and is available on the Nationwide website[23]. This report includes details of the scope, respective responsibilities, work performed, limitations and conclusion.

[22] For mortgages, the attribution factor is calculated at the individual property level, while for CRE and RSL, the attribution factor is calculated at borrower level, due to lending being provided at a facility level across multiple properties.
[23] EY emissions assurance report 2024

Metrics and targets – climate-related risk metrics

Utilising our climate-related risk governance metrics
Our climate MI is regularly shared through our climate change governance approach, as detailed in the Governance section from page 16, to support committee responsibilities. These metrics aid the discussions and inform strategic decisions made by management. Climate-related risk data is monitored quarterly by the Climate Change Risk Committee with physical and transition risk data reported alongside other metrics, such as:

- The number of UK extreme weather events
- The annual Climate Change Committee's assessment of the UK's progress against carbon budgets
- The frequency with which climate change is raised in investor meetings
- The number of physical risk-related incidents that have impacted on our operations
- The environmental profile of our operations (tracking waste and emissions figures)
- An enhanced suite of climate metrics to cover our lending portfolios and principal risk categories, aligned to our ERMF
- Internal climate risk appetite

Physical risk metrics
Nationwide monitors physical risk data, supplied by JBA, through its Property Risk Hub, to track the proportion of mortgage lending more exposed to climate risk. Flood risk scores are weighted by risk level and type (such as coastal flooding) and any flood defences in place. We continue to not lend to properties at high risk of flooding to ensure that the Society continues to lend in a responsible, sustainable way that safeguards our customers.

Across our owner-occupier portfolio, there has been a decrease in the number of properties in red flood risk zones compared to last year (2023: 242, £0.02bn exposure; 2022: 295, £0.03bn exposure). For the buy to let portfolio, there has also been a decrease in the number of properties in red flood risk zones compared to last year (2023: 142, £0.01bn exposure; 2022: 150, £0.02bn exposure).

This year, there has been a decrease in properties in amber flood risk zones in our owner-occupier mortgage portfolio (2023: 24,850, £3.29bn exposure; 2022: 25,287, £3.28bn exposure). For the buy to let portfolio, there has also been a decrease in properties in amber flood risk zones compared to last year (2023: 9,951, £1.27bn exposure; 2022: 10,182, £1.32bn exposure). Nationwide continues to lend to properties within the amber flood risk zones, as long as these properties are insurable under normal terms.

Updates to UK Climate Projections 2018 (UKCP18) and flood defence datasets are included within model outputs. UKCP18 is Met Office data which uses climate science to provide updated climate change projections out to 2100 for the UK and globally. We will continue to work with JBA to understand the physical risk impacts on our mortgage portfolio and how we can reflect the consideration of these risks in lending policy.

Transition risk metrics
The use of EPC data continues to be critical to Nationwide's understanding of the impact of transition risk. EPC ratings of the mortgage portfolio are monitored to provide a view on the energy efficiency of the Society's housing stock. Internal modelling, to interpolate core EPC data across both the owner-occupier and buy to let mortgage portfolios, provides further understanding of the EPC composition of these portfolios. Further details are contained in the table on the next page.

Approximately 42% of Nationwide's mortgage book (owner-occupier and buy to let) is currently rated EPC C or better. This is a modest improvement on last year's EPC composition where 38% was EPC C or better. Approximately 42% of Nationwide's mortgage book that has a valid EPC (owner-occupier and buy to let) is currently rated EPC C or better. Of these, around 43% of owner-occupier properties, and around 37% of buy to let properties, are rated EPC C or better.

EPCs have known data limitations. More information on the data limitations of EPCs is in the Data dependencies and limitations section on page 42.

Transition risk data

Owner-occupier mortgages						
Current EPC data (note i)	**Year to 31 Dec 23**			**Year to 31 Dec 22**		
	Number	**Exposure £bn**	**% of Book**	**Number**	**Exposure £bn**	**% of Book**
EPC Rated A/B/C	**249,662**	**40.05**	**21**	268,089	42.22	22
EPC Rated D/E	**308,491**	**49.34**	**26**	347,113	53.74	28
EPC Rated F/G	**18,120**	**2.92**	**1**	20,037	3.16	2
No EPC / unmatched	**620,016**	**66.75**	**52**	584,266	60.21	48
Interpolated EPC data (note ii)	**Year to 31 Dec 23**			**Year to 31 Dec 22**		
	Number	**Exposure £bn**	**% of Book**	**Number**	**Exposure £bn**	**% of Book**
EPC Rated A/B/C	**506,479**	**67.43**	**42**	466,008	63.48	38
EPC Rated D/E/F/G	**689,810**	**91.63**	**58**	753,497	95.85	62

Buy to let and legacy mortgages						
Current EPC data	**Year to 31 Dec 23**			**Year to 31 Dec 22**		
	Number	**Exposure £bn**	**% of Book**	**Number**	**Exposure £bn**	**% of Book**
EPC Rated A/B/C	**68,999**	**9.66**	**20**	76,544	10.59	22
EPC Rated D/E	**116,996**	**14.88**	**34**	135,195	16.89	39
EPC Rated F/G	**2,353**	**0.25**	**1**	2,857	0.30	1
No EPC / unmatched	**151,822**	**18.56**	**45**	132,970	16.41	38
Interpolated EPC data (note ii)	**Year to 31 Dec 23**			**Year to 31 Dec 22**		
	Number	**Exposure £bn**	**% of Book**	**Number**	**Exposure £bn**	**% of Book**
EPC Rated A/B/C	**144,011**	**19.36**	**42**	124,117	16.67	36
EPC Rated D/E/F/G	**196,159**	**23.99**	**58**	223,449	27.52	64

Notes:
i. EPC data used as at 31 December 2023.
ii. Interpolated EPC data calculated using machine learning techniques matching most similar properties where data gaps exist. Mortgage portfolio and EPC data as at 31 December 2023.

Climate change complaint and loss data
In addition to the transition risk metrics, both complaint and loss event[24] data related to climate risk are tracked. This data informs the Society's understanding of any material impacts on our operations and customers.

There were two climate-related complaints in this financial year (2023: 1, 2022: 0) and there were no operational and conduct risk loss events and near misses recorded with a climate change root cause (2023: 0, 2022: 3). We will continue to monitor this activity, particularly if the frequency of occurrence of more extreme weather events increases.

Tracking our green mortgage propositions
In 2023, Nationwide launched its 0% interest Green Additional Borrowing mortgage to support customers in making energy efficient home improvements. Financing is offered at a zero percent interest rate for up to five years. Applications for the 0% interest Green Additional Borrowing mortgage are around four times higher than our previous Green Additional Borrowing mortgage (which was offered at a rate discount to our other mortgage products). Further information on the 0% interest Green Additional Borrowing mortgage is detailed in the Strategy section on page 5.

The take-up for the 0% interest Green Additional Borrowing mortgage is summarised below.

	0% interest Green Additional Borrowing mortgage – 1 Jun 2023 to 4 Apr 2024*	Low-rate Green Additional Borrowing mortgage - year to 4 Apr 2023
Number of applications	**1,601**	409
Number of completed applications	**1,312**	391
Total value of applications (£m)	**19.9**	6.6
Total value of completed applications (£m)	**15.4**	6.3

In 2021, Nationwide launched the Green Further Advance for The Mortgage Works (TMW) customers. Aimed at landlords, the product aims to support those who want to increase the energy efficiency of their tenanted properties with affordable finance. Applications and completions for the Green Further Advance mortgage have also been low (2023/24 applications: 8, 2023/24 completions: 5, 2022/23 applications: 19, 2022/23 completions: 11).

In 2021, Nationwide also launched its Green Reward mortgage. The Green Reward mortgage enables customers to benefit from up to £500 of cashback when they choose to purchase a higher energy-efficient property (high EPC B or EPC A home). Completions for the Green Reward mortgage reduced in 2023/24 (4 April 2023 - 31 March 2024) compared to the previous year (2023/24: 2,096, 2022/23: 2,600). Completions in 2023/24 equate to a value of around £487 million. Total value of cashback released to our customers was around £0.6 million.

[24] An event which creates a minor or above impact to the Society arising from: inadequate or failed internal processes, conduct & compliance management, people, and systems, or from external events.
* Application data is from 1 June 2023 to 4 April 2024 due to the launch of the 0% interest Green Additional Borrowing on 1 June 2023. Completed application data is from 1 June 2023 to 31 March 2024.

Metrics and targets – nature-related risk metrics

Managing our water and waste consumption
Nationwide has reported on its water and waste consumption across all sites since 2012. Nationwide has seen a decrease in water consumption, and an increase in waste generation this year in comparison to the previous year. The evolution of this trend will continue to be dependent on the usage of our buildings as well as the success of company-wide schemes, as a result of our property sustainability strategy, to reduce consumption.

Nationwide continues to divert as much waste as possible from landfill, with 97% of waste being diverted in 2023/24. By working with our waste supplier, we are aiming to continually divert 99% of our annual waste from landfill.

This year, Nationwide has enhanced its waste and water data to estimate emissions associated with its waste and water use, using the Department for Environment, Food & Rural Affairs (DEFRA) 2023 conversion factors for waste and water.

Nationwide's water and waste data:

Water usage	Year to 4 Apr 2024	Year to 4 Apr 2023
Water use in cubic metres (note i)	**164,584**	215,272
Water emissions (tCO_2e/y) (note ii)	**29**	Not reported
Water use (cubic metres) per FTE	**11.56**	12.78
Waste generated	**Year to 4 Apr 2024**	**Year to 4 Apr 2023**
Waste generated in tonnes (note iii)	**1,276**	1,215*
Waste emissions (tCO_2e/y) (note iv)	**27**	Not reported
Percentage of waste diverted from landfill	**97%**	98%*

Notes:
i. Water data is calculated based on invoicing for consumption, provided to Nationwide by its water supplier. This is a combination of ten months of actual usage data and two months of estimated data.
ii. Water emissions are calculated using water usage data, which is multiplied by the latest DEFRA emissions factors for UK water, to calculate the tonnes of carbon dioxide equivalent per year (tCO_2e/y).
iii. Waste data is calculated by our waste provider and covers the suppliers who support our business operations. This includes waste removal, paper recycling, and furniture. It does not include waste from other suppliers, such as those who provide our information technology.
iv. Waste emissions are calculated using waste usage data, which is multiplied by the latest DEFRA emissions factors for UK waste combustion, to calculate the tonnes of carbon dioxide equivalent per year (tCO_2e/y).

* Comparative amounts have been restated due to corrected data calculations.

Data dependencies and limitations

Nationwide recognises certain limitations in climate data affecting climate metrics and targets, and their usefulness in strategic decision making. Due to the limited availability of publicly available, accurate, climate data (especially emissions data on UK homes), Nationwide has applied a number of assumptions and judgements in order to model its carbon emissions and risk exposures. The most important are as follows:

Energy Performance Certificate (EPC) data limitations
An EPC is a document which sets out the energy efficiency of a property. Produced by an accredited domestic energy assessor, an EPC provides an indication of how much it will cost to heat (both water and space) and light a property. EPCs also include recommendations for energy-efficiency improvements, the cost of carrying them out, and the potential savings that each one could generate.

Energy efficiency is indicated using a traffic light system rating from A to G, based on Standard Assessment Procedure (SAP) points, with A being the most efficient.

The SAP calculates a property's expected annual energy cost and potential carbon emissions based on:

- The structure of the property
- The heating and hot water system
- The internal lighting
- Any renewable technologies used in the home.

The higher the SAP score, the lower the running cost, with a score of 100 (EPC A) representing zero energy cost. EPCs are currently the best source of publicly available data on the energy efficiency of a property and whilst useful, they have their limitations, such as:

- **Energy price dependencies** – the current methodology is sensitive to fuel prices and so a property on a grade boundary can improve its EPC rating purely by having its assessment undertaken when energy prices are low.
- **Lack of carbon neutral incentives** – the methodology rates efficient gas boilers above carbon neutral sources like air or ground source heat pumps.
- **Incomplete data set** – an EPC is required every time a property is built, sold or rented and is valid for 10 years; therefore, only around half of Nationwide mortgage properties have a valid EPC[25].
- **Out of date data** – changes to the energy efficiency of a property (for example, due to improved insulation) will not be captured in the EPC unless the homeowner chooses to have the property reassessed.
- **Not real-world** – the data within an EPC does not reflect the actual energy usage of a home. Emissions data is estimated and only represents emission estimates for space and water heating, and lighting. Potential energy efficiency measures are also estimated.

The upcoming changes to the Standard Assessment Procedure (SAP) methodology
The Government is continually updating the SAP methodology used to determine EPC ratings. In 2020, the UK Government commissioned a project to design the next version of SAP (SAP 11 - The Home Energy Model) taking into consideration potential enhancements to support net-zero commitments for buildings. .

Following consultation in 2024, The Home Energy Model is due to come into force in 2025, alongside the Future Homes Standard. The Model will consider improving the accuracy and robustness of the process to ensure it is fit for purpose to support net-zero. Whilst this will improve the process of EPC ratings from this point, it will take longer for the improvements to filter through to the whole EPC register. Therefore, even if the Government progress with their ambition to decarbonise the electricity grid, until the SAP methodology is fully updated to reflect progress, we are unlikely to see significant improvements in our calculated emissions, and emissions intensities, for our residential mortgages, RSL, and CRE portfolios.

Calculating our scope 1 emissions
We calculate our scope 1 emissions by converting Greenhouse Gases (GHG) into carbon dioxide equivalent (CO_2e). This includes fluorinated gases (F-gases) such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3). To calculate this, we convert our energy usage (in kilowatt hours) into CO_2e using the DEFRA conversion factors. Our exposure to other GHG other than carbon dioxide is low.

[25]For those properties where a valid EPC is unavailable, Nationwide has built a model which uses artificial intelligence and machine learning techniques to estimate the property's floor area and emissions. Through time, we expect the availability of data to improve, and our model to evolve.

Calculating our scope 3 downstream (investments) emissions
Nationwide aligns emissions calculations for its scope 3 downstream (investments) emissions (mortgages, CRE, and RSL) to the PCAF GHG Reporting Standard. The methodology of PCAF is seen as best practice across the industry when calculating carbon emissions.

Nationwide's lending emissions are calculated using EPC data which contains property floor space and carbon emissions per square metre. Around half of Nationwide mortgage properties have a matched and current EPC. Where a valid EPC is unavailable, a model is used to estimate the floor area and building emissions. Nationwide's EPC model continues to develop and evolve through both artificial intelligence and machine learning enhancements.

Whilst the process for calculating emissions in line with PCAF guidance is clear, data quality issues limit the overall accuracy of the results.

PCAF's methodology for calculating financed emissions is as follows:

Building Emissions x Attribution Factor
Where: **Attribution Factor = Outstanding Balance / Property Value at Origination**

In our methodology, we calculate Building Emissions using the following approach:

Building Emissions = CO_2 Emissions per m^2 x Floor space (m^2)

Nationwide's building emissions are calculated using its EPC model, and the attribution factor is calculated using the loan to value of the mortgaged property.

To calculate emissions for our closed CRE portfolio, data from the EPC Open Data Communities for non-domestic properties is used, at averaged at postcode area level, to estimate proxies for both floor area and CO_2 emissions. This data is extrapolated across the CRE book to estimate total emissions. Due to the simplistic nature of our approach, we expect both financed emissions and emissions intensity to be volatile for the CRE portfolio year on year.

PCAF has also developed a methodology for disclosing a data score alongside emissions to help indicate the quality of the data which supplies the emissions. Nationwide disclose a data score (on a scale of 1 to 5, where 1 represents the highest data quality and 5 represents the lowest data quality) for scope 1, 2, and 3 emissions aligned to PCAF's guidance, to ensure transparency of data quality. Data scores also support clear articulation of any estimations used in our emissions calculations. Further detail can be found in the Metrics and targets section on pages 26, 28, 30, 33, and 36. Despite their limitations, EPCs, and the data within, are useful in informing the scope 3 downstream (investments) emissions and transition risk associated with the Society's mortgaged properties.

Calculating our scope 3 upstream emissions
Our scope 3 upstream emissions for category 1 (purchased goods and services), category 2 (capital goods), and category 4 (upstream transportation and distribution), are calculated using publicly disclosed supplier emissions data (covering scopes 1-3) from CDP responses, and revenue from the most recent publicly available annual reports, where available. Data gaps are supplemented using industry average emissions contained within the GHG Protocol and Quantis's Scope 3 Evaluator tool.

Volatility in our scope 3 upstream emissions could result from:

- Fluctuations in supplier emissions and/or industry averages
- Fluctuations in supplier revenues, not reflected in their emissions
- Changes in the availability of supplier emissions data.

We currently exclude homeworking emissions from our scope 3 (upstream) emissions due to the challenges with their calculation, such as the:

- Lack of real-time home energy usage data
- Lack of clarity on appliance usage
- Potential for double-counting emissions attributable to homeworking for colleagues who are Nationwide mortgage holders.

Science-based target scenario alignment
We have set our intermediate (by 2030) science-based targets in accordance with the methodologies of the Science Based Targets initiative[26] (SBTi). The SBTi provides methodologies aligned to both 1.5°C (Absolute Contraction Approach (ACA)) and well-below 2°C (Sectoral Decarbonisation Approach (SDA)) scenarios for the setting of intermediate science-based targets. Whilst regarded as industry-standard, we recognise that developing targets using the SDA will mean that some targets (for scope 3 downstream category 15 (investments)) will not fully align to a 1.5°C net-zero pathway.

Since publishing our intermediate (by 2030) science-based targets, the SBTi has developed a 1.5°C-aligned SDA, and consulted on enhancements to the supporting finance-specific guidance. The SBTi are also collaborating with Carbon Risk Real Estate Monitor to develop 1.5°C-aligned pathways for the buildings and construction sector, which could have some useful read-across for financial services.

[26] Science Based Targets initiative

The SDA approach applies sector-specific considerations and emissions reduction factors aligned to specific asset classes in accordance with the International Energy Agency (IEA) Energy Technology Perspectives (ETP) Beyond 2°C Scenario (B2DS). The IEA ETP B2DS are global scenarios and are not UK specific. The SBTi SDA requires the setting of baseline emissions and emissions intensity to calculate a projected target to 2030. Nationwide calculates its emissions baselines for our targets across scope 3 downstream category 15 (investments) emissions (residential mortgages, RSL, and CRE) using the PCAF GHG Reporting Standard.

As our science-based target progress reporting is, for the moment, dependent upon the above limitations, especially the lagging nature of EPCs, there is potential for progress being made which we cannot currently measure. Nationwide will continue to look for better data sources to improve its carbon reporting, including calling on government to make actual energy usage data available.

Cautions about this disclosure

This disclosure is presented for information and reference purposes only and should not be treated as giving investment advice. The disclosure is prepared based on reviews and analysis of our internal data, which may be from management systems separate from those that form part of our financial reporting internal controls framework. Whilst statements and measures made within the disclosure are presented in good faith and based upon sources expected to be reliable, their accuracy is not guaranteed by Nationwide. For certain information within the disclosure, preparation has included various key judgements, assumptions, and estimates. Where information is presented from a public or third party source, it has not been independently verified by Nationwide for its completeness, reasonableness or accuracy. Any third party opinion and views disclosed in this report are those of the third parties themselves, and not necessarily of Nationwide.

Nationwide recognises that climate-related reporting is not yet subject to the same standardised disclosure framework as for traditional financial reporting. This may result in non-comparable information or measures between organisations and between reporting periods as disclosure frameworks evolve.

Forward-looking statements

Certain statements in this document are forward-looking with respect to plans, goals and expectations relating to the performance of Nationwide, including but not limited to Nationwide's Mutual Good Commitments. Such forward-looking statements can be identified by the use of forward-looking terminology, including but not limited to words such as "aims", "ambition", "believes", "could", "expects", "goal", "intends", "may", "plans", "potential", "seeks", "should", "target", or the inverse of those terms.

Although Nationwide believes that the expectations reflected in these forward-looking statements are reasonable in the context of the caveats outlined, Nationwide can give no assurance that these expectations will prove to be an accurate reflection of actual results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the control of Nationwide including, amongst other things, UK and global economic and business conditions, market-related risks such as fluctuation in interest rates and exchange rates, the impact of competition, changes in customer preferences, risks concerning borrower credit quality, delays in implementing proposals, the timing, impact and other uncertainties of future acquisitions or other combinations within relevant industries, risks relating to sustainability and climate change, the policies and actions of regulatory authorities and the impact of evolving UK and global legislation and other regulations in the jurisdictions in which Nationwide operates.

The economic outlook remains unusually uncertain and, as a result, Nationwide's actual future performance may differ materially from the plans, goals and expectations expressed or implied in these forward-looking statements. Due to such risks and uncertainties, Nationwide cautions readers not to place undue reliance on such forward-looking statements. Nationwide undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Glossary

Glossary and abbreviations	
Item	**Description**
Absolute Contraction Approach	SBTi's scientifically informed method for companies to set GHG reduction targets for scopes 1 and 2, necessary to stay within a 1.5°C temperature rise above pre-industrial levels
Climate Change Committee (CCC)	The Climate Change Committee (CCC) is an independent, statutory body established under the Climate Change Act 2008. Its purpose is to advise the UK and devolved governments on emissions targets and to report to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change
CDP	CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Nationwide participates in the CDP questionnaire annually.
Emissions Intensity	Emissions intensity is the volume of emissions per unit. In the case of mortgages, RSL, and CRE, emissions intensity is calculated as kilograms of CO_2 per square metre of floor area
Energy Performance Certificate (EPC)	An EPC is a document which sets out the energy efficiency of a property. Produced by an accredited domestic energy assessor, an EPC provides an indication of how much it will cost to heat (both water and space) and light a property. EPCs also include recommendations for energy-efficiency improvements, the cost of carrying them out, and the potential savings that each one could generate. Energy efficiency is indicated using a traffic light system rating from A to G, based on Standard Assessment Procedure (SAP) points, with A being the most efficient
Future Homes Standard	A government-led proposal around options to increase the energy efficiency requirements for new homes in the 2020s, with the aim to be introduced by 2025.
Great British Insulation Scheme	The Government's Great British Insulation Scheme, as part of their Powering up Britain report, aims to deliver £1 billion investment to support 300,000 of the UK's least energy efficient homes reach a higher level of energy efficiency through 2026.
Greenhouse Gases (GHG)	GHG are atmospheric gases that trap heat or longwave radiation in the atmosphere, increasing the temperature of the Earth's surface. There are seven gases considered as part of the GHG Corporate Protocol Standard: carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3). CO_2 makes up the vast majority of these emissions.
Heat and Buildings Strategy	A government-led strategy which sets out the government's plan to significantly cut carbon emissions from the UK's homes and workplaces in a simple, low-cost, and green way whilst ensuring it remains affordable and fair for households across the country.
International Energy Agency (IEA) Energy Technology Perspectives (ETP) Beyond 2°C Scenario (B2DS)	The IEA ETP's global decarbonisation pathway to limit global temperature rises to well-below 2°C above pre-industrial levels.
Low Carbon Heating	Carbon-friendly heating solutions which offer an alternative to traditional gas boilers. Typically, air and ground source heat pumps which take in heat at a low temperature and convert it to a higher temperature that can be used to heat homes.
Net-Zero Ambition	A UK-wide ambition to achieve an overall balance between GHG emissions produced and taken out of the atmosphere, keeping global temperature increases to below 1.5°C. Nationwide signed up to net-zero in 2021, committed to playing our part in supporting the transition to a net-zero economy.

Glossary and abbreviations	
Item	**Description**
Partnership for Carbon Accounting Financials (PCAF)	PCAF is a global partnership of financial institutions to measure and disclose the greenhouse gas (GHG) emissions associated with loans and investments. Nationwide follows PCAF's Global GHG Accounting and Reporting Standard to calculate scope 3 carbon emissions.
Prudential Regulation Authority (PRA)	The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers, and major investment firms in the UK.
PRA's Supervisory Statement 3/19 (SS3/19)	SS3/19 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change' was published in April 2019 requiring firms to embed climate change risk management capabilities into their organisations by 31 December 2021.
Representative Concentration Pathways (RCPs)	A recognised series of greenhouse concentration trajectories, providing insight into possible climate change scenarios that are dependent on the increase in GHG emissions by 2100 compared to pre-industrial levels.
Risk and Controls Self-Assessment (RCSA)	A Nationwide framework developed to help with the identification and assessment of the type and amount of risk Nationwide is exposed to and how effective it is at managing it.
The Standard Assessment Procedure (SAP)	The procedure used to assess compliance with Building Regulations. It is also the methodology behind Energy Performance Certificates (EPCs), the rating system used to grade the energy efficiency of all homes in the UK
Science-based targets	Emissions reduction targets set in line with the latest climate science. Nationwide uses the tools and methodologies of the SBTi.
Science-based Target Initiative (SBTi)	A partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). The SBTi aims to drive ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets through the provision of industry standard methodologies and tools.
Scope 1 emissions	Scope 1 emissions are direct emissions from owned sources, such as the fuel Nationwide burns to heat our buildings.
Scope 2 emissions	Scope 2 emissions are indirect emissions from the generation and consumption of purchased electricity and heating.
Scope 3 upstream – categories 1-8 – emissions	Indirect upstream emissions that occur in an organisation's value chain. Upstream emissions (GHG Protocol categories 1-8) cover emissions which result from the organisation's supply chain. The categories are: 1. Purchased goods and services; 2. Capital goods; 3. Fuel- and energy-related activities not included in scope 1 and 2; 4. Upstream transportation and distribution; 5. Waste generated in operations; 6. Business travel; 7. Employee commuting; 8. Upstream leased assets.
Scope 3 Downstream – categories 9-15 – emissions	Indirect downstream emissions that occur in an organisation's value chain. Downstream (GHG Protocol categories 9-15) emissions covering emissions resulting from the good and services provided by the organisation. The categories are: 9. Downstream transportation and distribution; 10. Processing of sold products; 11. Use of sold products; 12. End-of-life treatment of sold products; 13. Downstream leased assets; 14. Franchises; 15. Investments.
Sectoral Decarbonisation Approach	SBTi's scientifically informed method for companies to set GHG reduction targets necessary to stay within either a 1.5°C or a 2°C temperature rise above pre-industrial levels.