

# Intermediate (by 2030) net-zero-aligned *Transition Plan 2023*



# Background and context

In 2021, Nationwide became a member of the Net-Zero Banking Alliance (NZBA) and part of the Glasgow Financial Alliance for Net Zero (GFANZ), committing to play its part in supporting the transition to a net-zero economy (to achieve an overall balance between greenhouse gas (GHG) emissions produced and taken out of the atmosphere). In December 2022 we published our *Intermediate Net-Zero Ambitions 2022: Basis of Preparation*<sup>1</sup>, which includes our highly challenging intermediate (by 2030) science-based targets.

In further support of our net-zero ambition, we are publishing our inaugural *Intermediate (by 2030) net-zero-aligned Transition Plan 2023* which aims to articulate how we plan on progressing towards our intermediate (by 2030) science-based targets. This transition plan describes our proposed actions and the actions required of others, the potential effects of those actions, and the challenges both within and outside our control which may impact our ability to meet our science-based targets.

The table below outlines alignment of our transition plan to the recommendations of the Transition Plan Taskforce<sup>2</sup> (TPT) and GFANZ's Recommendations and Guidance on Financial Institution Net-zero Transition Plans<sup>3</sup>. Page number references have been provided to indicate where the relevant detail can be found within this disclosure.

Section	Explanation	Pages	TPT and GFANZ alignment
<b>Ambition and strategy</b>	Our net-zero ambition and strategy, aligned to a just transition.	3 - 4	<b>Foundations</b> – How Nationwide's transition plan strategy contributes to a whole-of-economy transition and how Nationwide's strategic ambition of its transition plan is embedded into its business model.
<b>Intermediate (by 2030) science-based targets</b>	Summary of our intermediate science-based targets for scope 1, 2, and 3 emissions, including sector coverage, boundaries, methodologies, and scenarios applied.	5 - 6	
<b>Actions – Scopes 1 and 2</b>	Outlines our proposed actions, within our control, to help us progress towards our scope 1 and 2 intermediate science-based targets.	7 - 10	<b>Implementation strategy</b> – The implementation of the actions and potential actions, both within and outside of Nationwide's control, to deliver on the strategic ambition in its transition plan, including products, services, policies, and business planning.
<b>Potential actions – Scope 3 upstream</b>	Outlines our proposed potential actions, both within and outside of our control, and the actions required of others, to help us progress towards our scope 3 upstream intermediate science-based target.	11 - 13	
<b>Potential actions – Scope 3 mortgages</b>	Outlines our proposed potential actions, both within and outside of our control, and the actions required of others, to help us further our goal of reducing our scope 3 downstream category 15 (investments) mortgages emissions, including an overview of our 0% green additional borrowing mortgage product and our scope 3 emissions mortgages modelling.	14 - 20	
<b>Potential actions – Scope 3 RSL and CRE</b>	Outlines our proposed potential actions, both within and outside of our control, and the actions required of others, to help us further our goal of reducing our scope 3 downstream category 15 (investments) registered social landlord (RSL) and commercial real estate (CRE) emissions.	21 - 25	<b>Engagement strategy</b> – Nationwide's approach to engaging key stakeholders including customers, suppliers, industry, and government, to help support the delivery of its transition plan.
<b>Governance</b>	Details our transition plan governance approach including approval, ongoing reporting, and review.	26	<b>Metrics and targets</b> – Nationwide's science-based targets and internal metrics used to support progress of its transition plan.
<b>Data dependencies and limitations</b>	The assumptions and judgements applied to our metrics and targets, due to data dependencies and limitations.	27 - 29	
<b>Glossary</b>	A glossary of words and abbreviations used within our transition plan.	30 - 31	

<sup>1</sup>Intermediate Net-Zero Ambitions 2022 – Basis of Preparation (nationwide.co.uk)

<sup>2</sup>TPT Disclosure framework 2023

<sup>3</sup>Recommendations-and-Guidance-on-Financial-Institution-Net-zero-Transition-Plans-November-2022.pdf (bbhub.io)



# Ambition and strategy

## Ambition

Nationwide is committed to a net-zero future, and it is our ambition to support the UK in achieving its aim to be net-zero by 2050

Following international support for the Paris Agreement in 2015 and Glasgow Climate Pact in 2021, countries across the world, including the UK, have passed legislation to progress towards the long-term target of limiting global temperature increases to well below 2°C above pre-industrial levels, and preferably limiting the increase to no more than 1.5°C above pre-industrial levels.

With the financial services sector providing funding to those sectors which produce greenhouse gas emissions, which in Nationwide's case includes our lending to residential property, it can play a role in supporting the UK's climate target of achieving net-zero by 2050 and its legally binding five-year carbon budgets.

Environmental and climate consciousness are aligned to our mutual purpose of

**Banking ~ but fairer, more rewarding, and for the good of society.**

As a major challenger to the shareholder-owned banks, we provide a *good way to bank* for our customers.

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 also embedded into our strategy through our strategic driver *Beacon for mutual good*; supported by our updated Mutual Good Commitment *to support progress towards a greener society*<sup>4</sup>.

Our mutual purpose 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 managing better the impacts of a more unpredictable climate. As one of the UK's largest mortgage lenders, with over 95% of our lending secured against residential mortgages, we can demonstrate our mutual difference that extends beyond our own customer base, by positively impacting our communities and wider society, whilst playing a role in supporting the UK's net-zero ambition too.

## Strategy

Our climate change strategy supports the UK's ambition to achieve net-zero by 2050

Our purpose-led climate change strategy, as articulated in our Climate-related Financial Disclosures 2023<sup>5</sup>, ensures we do business in a way that positively impacts our customers, our communities, and society as a whole, and seeks to reduce our impact on the environment.

As part of our sign-up to the NZBA, Nationwide committed to publicly disclosing a set of intermediate (by 2030) net-zero-aligned science-based targets within 18 months, and a transition plan which describes how we plan to progress towards these targets, within a further 12 months. Originally published in December 2022, as part of our *Intermediate Net-zero Ambitions 2022: Basis of Preparation* disclosure, the intermediate (by 2030) science-based targets within this transition plan cover our scope 1, 2, and 3 carbon emissions, as per the Greenhouse Gas (GHG) Protocol<sup>6</sup>, and are aligned to a 1.5°C pathway – to limit global temperature rises to 1.5°C above pre-industrial levels – where possible.

Our Mutual Good Commitment, *to support progress towards a greener society*, aligns to our intermediate (by 2030) science-based targets. Progressing towards our emissions and emissions intensity reduction targets will require customer, cross-industry, and government action.

As a building society, Nationwide's focus is on providing banking products and services for our customers. We only have very limited corporate lending through small, closed commercial real estate (CRE) and private finance initiative (PFI) portfolios, and lending to registered social landlords (RSL). Nationwide's highly challenging intermediate (by 2030) science-based targets, and transition plan, cover all sectors applicable to its business model, across our scope 1, 2, and 3 emissions. These include our business operations and upstream supply chain, and our residential mortgages, RSL, and CRE lending portfolios (excluding PFI).

Nationwide does not lend to any other industries, such as agriculture, aluminium, cement, coal, iron and steel, oil and gas, power generation, or transport. Setting targets and policies for these sectors is therefore not applicable to us.

Our transition plan aims to demonstrate our net-zero ambition by including the actions both within and outside of our control which could help us progress towards our scope 1, 2, and 3 intermediate (by 2030) science-based targets.

<sup>4</sup>Page 49 | Annual Report and Accounts 2023 | Nationwide

<sup>5</sup>Page 8 | Climate-related Financial Disclosures 2023 | Nationwide

<sup>6</sup>ghg-protocol-revised.pdf (ghgprotocol.org)



## Our strategy is aligned to the concept of a just transition

Alongside the UK Government, Nationwide is committed to meeting the aim of achieving net-zero by 2050. However, we will only do so whilst also ensuring a just transition – continuing to provide green finance propositions whilst reducing emissions and emissions intensity in an inclusive way, that achieves a better future for all.

Nationwide is a member of the Financing a Just Transition Alliance<sup>7</sup>, which is coordinated by the Grantham Research Institute at the London School of Economics. The aim of the alliance, which is supported by over 50 organisations globally, is to realise a low-carbon economy in an inclusive and just way – ensuring that the most vulnerable in society are not disadvantaged, as we transition to a net-zero economy. This strongly aligns with our mutual purpose of *Banking ~ but fairer, more rewarding, and for the good of society*.

Consequently, we do not intend to negatively select against less energy efficient mortgage properties, but we acknowledge this may impact our ability to achieve our intermediate (by 2030) science-based mortgages target. As set out in the following section, due to having very limited control over the practical measures needed to reduce emissions from UK homes, as well as limited ability to influence government policy relating to the UK housing stock, and action by wider society, we consider it highly unlikely that, at present, our scope 3 downstream category 15 (investments) emissions targets (particularly for residential mortgages) can be achieved.

We are calling for much-needed industry and government action, to help us all achieve a just transition to net-zero. We recognise ambition alone is insufficient, so we will continue to try to influence government, and our customers, on the importance of taking action to green the UK's homes, to support the UK with this important agenda.



<sup>7</sup>Financing a Just Transition - Grantham Research Institute on climate change and the environment (lse.ac.uk)



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Intermediate science-based targets

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Potential actions - scope 3

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# Intermediate (by 2030) science-based targets

## Calculating our science-based targets

Nationwide used the methodologies of the Science Based Targets initiative<sup>8</sup> (SBTi), in line with climate science, to calculate intermediate (near-term, by 2030) targets for its scope 1, 2, and 3 carbon emissions. Nationwide's carbon footprint represents the total GHG emissions caused by its activities, expressed as a carbon dioxide equivalent per year (CO<sub>2</sub>e/y), across scope 1, 2 and 3 emissions. Calculating these emissions, and setting highly challenging intermediate (by 2030) science-based targets, across all scopes, can help us understand the energy efficiency of our business model and our impact on the environment. It can also support engagement activities with our stakeholders. This includes communicating with our customers regarding the greening of their homes and our green finance options, having better conversations with our investors and policymakers on the importance of cross-industry collaboration regarding net-zero, and engaging suppliers on improving the sustainability of their businesses.

The SBTi's Absolute Contraction Approach (ACA), aligned to 1.5°C, was used to set our scope 1 and scope 3 upstream targets. As supported by the SBTi, we have used a market-based approach<sup>9</sup> to set a scope 2 renewable electricity target. The Sectoral Decarbonisation Approach (SDA) was used to set our mortgages, RSL, and CRE targets, aligned to the International Energy Agency's (IEA) Energy Technology Perspectives (ETP) Beyond 2°C Scenario (B2DS). The targets result in prescribed reductions in emissions for the ACA, and in emissions intensity for the SDA. The Society recognises that for our targets to be net-zero aligned, a 1.5°C

scenario should be used. However, at the time of publication of our intermediate (by 2030) science-based targets disclosure, the only available SBTi-developed 1.5°C pathway was the ACA. The methodology available for the setting of intermediate targets for our residential mortgages, RSL, and CRE lending portfolios was the SDA, which was aligned to a well-below 2°C scenario. We recognise that the SBTi has since developed a 1.5°C-aligned SDA, and recently consulted on enhancements to the supporting finance-specific guidance. Nationwide will consider applying the new SDA approach, to align our intermediate targets for residential mortgages, RSL and CRE targets to a 1.5°C-aligned scenario, in the future, as appropriate.

Nationwide is a UK-based organisation, and its targets are set at Group level, capturing its subsidiaries<sup>10</sup> (including our largest subsidiary, The Mortgage Works), and cover all required activities applicable to Nationwide.

**Our targets cover 100% of our emissions across scope 1, scope 2, and scope 3 downstream category 15 (investments) emissions, and around 91%<sup>11</sup> of our upstream scope 3 emissions. Our scope 3 downstream category 15 (investments) targets cover the emissions from our residential mortgage, CRE, and RSL lending, which account for approximately 98% of loans and advances to customers<sup>12</sup>.**

Nationwide has calculated the reductions necessary in its scope 1, 2, and 3 emissions in order to meet 2030 intermediate science-based targets. These reductions were determined in accordance with the methodologies of the Science Based Targets initiative. In calculating the reductions necessary to achieve the intermediate emissions reduction targets, we remain confident in achieving our scope 1 and 2 emissions targets but for scope 3 emissions, we consider it highly unlikely that, at present, these targets can be achieved particularly in light of existing Government policies and the uncertainty over any future Government's policies in connection with the UK's housing stock. We have very limited control over practical measures to reduce emissions from properties which are owned by our borrowers. 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). The Government's commitment to the UK's climate targets and domestic law aimed at reducing emissions continues to evolve, and even if the Government delivers on existing policy ambitions, and those policies have the expected effect, there will still be a gap in the emissions intensity reduction needed to achieve highly ambitious targets of the Science Based Targets initiative. 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. Consequently, we consider, given the basis of current, including recent, government policy, it highly unlikely that our scope 3 targets can be achieved. Nevertheless, we will continue to monitor the delivery of market and policy developments on a regular basis to inform our progress towards our targets.

<sup>8</sup>About Us - Science Based Targets

<sup>9</sup>A market-based approach allows flexibility to utilise market-based measures such as renewable energy to achieve net-zero. Conversely, a location-based approach doesn't factor in these measures and considers operational absolute emissions only.

<sup>10</sup>Page 311 | Annual Report and Accounts 2023 | Nationwide

<sup>11</sup>Scope 3 (upstream) categories 1, 2 and 4 have been included in our target due to meeting the SBTi guideline of covering at least two-thirds of emissions. Categories 3, 5, 6, 7 and 8, have been excluded from our emissions target due to them collectively accounting for around 9% of category 1-8 emissions in 2022/23.

<sup>12</sup>Page 73 | Annual Report and Accounts 2023 | Nationwide



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## Our intermediate (by 2030) science-based targets

Our intermediate (by 2030) science-based targets for scope 1, scope 2, scope 3 upstream, and scope 3 downstream category 15 (investments), including mortgages, RSL, and CRE portfolios, have been set using 2021/22 emissions data as our baseline. Information on how our baseline emissions have been calculated is within our Climate-related Financial Disclosures 2022<sup>13</sup>. Our baseline emissions were independently assured by Ernst and Young LLP (EY). Details on the assurance activity performed by EY can be found in the Emissions Assurance Report 2022<sup>14</sup>.

Our intermediate (by 2030) science-based targets for scope 1, 2, and 3 emissions are summarised below.

Emissions	Description	Category	Emissions/ emissions intensity baseline 2021/22 <sup>15</sup>	Emissions/emissions intensity target by 2030	Percentage reduction target by 2030	Control indicator <sup>16</sup>
<b>Scope 1</b>	Direct emissions from owned sources. This includes the emissions resulting from the use of gas in our buildings, diesel used to power our backup generators, and the fuel used by the Society's car fleet.	Energy and travel	3,002 tCO <sub>2</sub> e/y	1,741 tCO <sub>2</sub> e/y	42%	<b>Full control</b>
<b>Scope 2</b>	Indirect emissions from the generation and consumption of purchased electricity and heating. This includes the electricity bought by the Society to power its buildings.	Renewable electricity	0 <sup>17</sup> tCO <sub>2</sub> e/y (100% renewable electricity)	0 tCO <sub>2</sub> e/y (100% renewable electricity)	Continue to source 100% renewable electricity	<b>Full control</b>
<b>Scope 3 upstream – categories 1, 2, and 4</b>	Indirect upstream emissions that occur in our value chain from our supply chain. This includes the emissions resulting from the Society's spend across goods and services (category 1), capital goods (category 2), and upstream transportation and distribution (category 4). <sup>18</sup>	Purchased goods and services, capital goods and upstream transportation and distribution	230,000 tCO <sub>2</sub> e/y	133,000 tCO <sub>2</sub> e/y	42%	<b>Partial control</b>
<b>Scope 3 downstream investments – category 15</b>	Indirect downstream emissions that occur in our value chain from capital investment or financing. This includes the emissions associated with the Society's mortgage, RSL, and CRE lending.	Mortgages	19 kgCO <sub>2</sub> e/m <sup>2</sup> /y	11 kgCO <sub>2</sub> e/m <sup>2</sup> /y	44%	<b>Very limited control</b>
		RSL	22 kgCO <sub>2</sub> e/m <sup>2</sup> /y	12 kgCO <sub>2</sub> e/m <sup>2</sup> /y	45%	<b>Very limited control</b>
		CRE	46 kgCO <sub>2</sub> e/m <sup>2</sup> /y	25 kgCO <sub>2</sub> e/m <sup>2</sup> /y	46%	<b>Very limited control</b>

<sup>13</sup>Climate-related Financial Disclosures 2022 | Nationwide

<sup>14</sup>EY Emissions assurance report 2022 | Nationwide

<sup>15</sup>Baseline emissions for scope 1 and 2 are for financial year ended 4 April 2022. Baseline emissions for scope 3 are for calendar year ended 31 December 2021.

<sup>16</sup>The control indicator provides an indicative view on Nationwide's ability to control its emissions reductions, with full control indicating a level of control within Nationwide's abilities, and very limited control being a level of control outside of Nationwide's abilities, with significant reliance on government, customers and other industry parties.

<sup>17</sup>Our net scope 2 emissions net out at 0 tCO<sub>2</sub>e/y, through our renewable energy and Power Purchase Agreement carbon reduction activities, using a market-based approach.

<sup>18</sup>Further descriptions of scope 3 categories can be found in the Glossary on page 30.



# Actions – scopes 1 and 2

Nationwide understands the impact its own business operations can have on climate change and its carbon emissions. The Society is confident in its ability to achieve its scope 1 and 2 science-based targets. All actions are within our control. We have already made good progress towards our targets, and have a clear strategy to reduce scope 1 emissions and continue to source 100% renewable electricity for scope 2.

Throughout our transition plan we have included reference to control and impact indicators. The control indicator provides an indicative view on Nationwide's ability to control its emissions reductions, with 'full control' indicating a level of control within Nationwide's abilities, 'partial control' indicating a moderate level of control within Nationwide's abilities, and 'no control' being a level of control outside of Nationwide's abilities, with significant reliance on customer, cross-industry, supplier, and government action. The impact indicator provides an indicative view on the level of impact the action could potentially have on emissions reduction and progress towards our target, with 'high impact' indicating a significant impact on potential emissions reduction, 'medium impact' indicating a moderate impact on potential emissions reduction, and 'low impact' indicating an insignificant impact on potential emissions reduction.

Indicative progress indicators have also been included, with 'on track' indicating a high level of confidence in achieving the milestone, 'partially on track' indicating a moderate level of confidence in achieving the milestone, 'off track' indicating a low level of confidence in achieving the milestone, and 'complete' indicating where a milestone has been achieved.

**Target:** To reduce our absolute scope 1 emissions by at least 42% between 2021/22 and 2030.

**Expectation to achieve our target:** High, due to high levels of control relating to our operational energy usage, and actions underway to remove gas from our buildings.

## Scope 1

Actions to support progress towards our scope 1 target are in the table below.

Actions	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Removal of gas from our branches<sup>19</sup>.</b>	Removal of gas from 75% of our branches by the end of 2022.	<b>Complete – delivered 2022</b>	<b>Full control</b>	Around an 8% reduction in scope 1 emissions.	<b>Medium impact</b>
	Removal of gas from 100% of our branches by the end of 2025.	<b>On track</b>	<b>Full control</b>		<b>Medium impact</b>
<b>Removal of gas from our, or moving to gas-free, admin sites and data centres by 2030<sup>17</sup>.</b>	Removal of gas from 100% of our, or moving to gas-free, data centres by the end of 2024.	<b>On track</b>	<b>Full control</b>	Up to 7% reduction in scope 1 emissions by removing gas from data centres.	<b>Medium impact</b>
	Removal of gas from 100% of our, or moving to gas-free, admin sites by 2030.	<b>On track</b>	<b>Full control</b>	Up to 82% reduction in scope 1 emissions by removing gas from admin sites.	<b>High impact</b>
<b>Addressing fleet vehicles attributable to our business travel.</b>	Closure of the company car scheme by the end of 2026 and introduce an Electric Vehicle (EV) salary sacrifice scheme.	<b>On track</b>	<b>Full control</b>	Around a 3% reduction in scope 1 emissions.	<b>Low impact</b>
<b>Explore alternatives to diesel use in our backup generators.</b>	Continue to explore alternatives to diesel use in our backup generators through 2030.	<b>On track</b>	<b>Partial control</b>	Less than 0.5% reduction in scope 1 emissions.	<b>Low impact</b>

<sup>19</sup>Gas to be replaced by electrical solutions, powered by 100% renewable electricity.



## Scope 2

**Target:** To continually source 100% renewable electricity to 2030

**Expectation to achieve our target:** High, due to high levels of control regarding our renewable electricity usage.

Actions to support progress towards our scope 2 target are in the table below.

Actions	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Continue to source 100% renewable electricity through to 2030.</b>	Continue to acquire renewable electricity through a Power Purchase Agreement (PPA).	<b>On track</b>	<b>Full control</b>	Neutralisation of around two-thirds of our scope 2 emissions.	<b>High impact</b>
	Continue to purchase green tariff electricity.	<b>On track</b>	<b>Full control</b>	Neutralisation of around one-third of our scope 2 emissions.	<b>High impact</b>
<b>Continue to reduce our electricity consumption through to 2030.</b>	Continue to aim to reduce our absolute scope 2 carbon emissions through 2030.	<b>On track</b>	<b>Full control</b>	Reducing our absolute scope 2 emissions will contribute towards our target by reducing our reliance on renewable electricity sources.	<b>Low impact</b>

## Implementation strategy – scopes 1 and 2

### Ensuring our branches, admin sites, and data centres are gas-free

The use of gas in our buildings accounted for approximately 97% of our baseline scope 1 carbon emissions. Branches accounted for approximately 8% of our baseline scope 1 emissions, with admin sites and data centres accounting for approximately 82% and 7% respectively.

As at the end of 2022, we had removed the use of gas from over 75% of our branch network, replacing it with electrical solutions, powered by 100% renewable electricity. This, along with branch optimisation activity, and reduction of gas usage, has contributed to a reduction in scope 1 absolute emissions of approximately 21% in 2022/23, compared to our 2021/22 baseline. The Society is on track to remove 100% of gas from its branches by the end of 2025.

As part of Nationwide's property sustainability strategy, a project is currently underway to optimise the size and composition of its admin sites and data centres for its future needs, given Nationwide's evolving ways of working. By the end of 2024, Nationwide is aiming to remove 100% of gas from its data centres. We are continuing to explore the removal of gas from our admin sites, or the move to sites that are either gas-free or which use less gas. In October 2023 we downsized our London-based office.

Through these initiatives we intend to make our business operations gas-free by 2030, supporting us in reducing our baseline scope 1 emissions by approximately 97%. Because of this, it is our expectation that we will exceed our intermediate (by 2030) net-zero-aligned science-based target for scope 1 through the completion of this activity.

### Reducing emissions associated with our business travel

Business travel through fleet vehicles accounts for around 3% of our total scope 1 emissions. By the end of 2026, we will close the 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.

We are also exploring options to remove diesel usage in our backup generators. Whilst Nationwide has control over its backup power sources, there are currently limited alternatives to diesel generators to provide the power needed in case of an outage. We will continue to monitor advances in technology in this space over the medium-term. However, the impact on reducing our scope 1 emissions will be limited as diesel use accounts for less than 0.5% of total scope 1 emissions.





## Our approach to carbon offsets

We currently offset our scope 1 emissions through a pre-purchase agreement, which is made up of carbon avoidance and removal projects, such as community reforestation, validated and verified under either the Verified Carbon Standard (VCS) or the Clean Development Mechanism (CDM). Whilst Nationwide targets a reduction in absolute emissions across our scope 1 business operations of at least 42% by 2030, we will continue to use offsets to neutralise any scope 1 emissions that are not yet feasible to eliminate. However, the use of offsets does not form part of our intermediate science-based target.

## Achieving our scope 2 renewable energy target through continually sourcing green electricity

Approximately two-thirds of our scope 2 energy consumption is attributed to a 50MWh 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. On-site electricity is also supported by Solar Photovoltaic (PV) 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, as supported by the SBTi methodology.

Our scope 2 emissions are associated with purchased electricity only, as we do not purchase any steam, heat nor cooling. Our absolute (location-based) scope 2 emissions also continue to reduce as we embed new hybrid ways of working and optimise our energy usage. We will continue to aim to reduce these, but their reduction does not form part of our science-based target.

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. Should our approach to renewables change in the future, this would be reflected in any future versions of our transition plan, or in our annual Climate-related Financial Disclosures, as appropriate.

## Engagement strategy – scopes 1 and 2

### Embedding climate change into our culture

Nationwide regularly engages with its employees on climate change and its ambitions to support a net-zero future, and how they can support the Society in lowering its scope 1 and 2 emissions. This is mainly achieved through training, internal communications, and our employee-led group – the Green Network.

Formed of over 4,500 employees, the Green Network aims to lead the Society's internal conversations on green and sustainability, and to build and maintain a 'big picture' of all the green activity connected to the Society and colleagues. Launched in 2021, Nationwide's Green Network provides Nationwide's colleagues with information on sustainable issues through the internal SharePoint site which is accessible to all colleagues. The Green Network supports the sharing of information on how employees can be greener at work, at home, through travel, and across their lifestyles. It also runs regular webcasts with relevant partners to support colleagues understanding.

Nationwide introduced a company-wide climate change training module in 2022 that covered what climate change means to Nationwide. So far, over two-thirds of all Nationwide employees have completed this voluntary training. Additionally, an Environment, Social, and Governance (ESG) information sheet has been developed to support branch colleagues with their understanding of sustainability at Nationwide.

Resources have also been developed to support employees in making small, green, changes to their lifestyle through our employee Sustainability Toolkit. Nationwide is also aiming to increase the breadth of training available to our colleagues through our internal learning platform.



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## Working with our energy supplier to improve our data

In 2022 Nationwide embarked on a project with its new energy supplier, to better understand energy consumption and ensure data held by the Electricity Central Online Enquiry Service<sup>20</sup> is accurate. As part of this, we are on track to install smart meters in all of our properties by the end of 2024, removing the need for predicted meter readings and ensuring we are measuring accurate, real-time data. Through this activity we can monitor and manage better our energy consumption, identifying any anomalies in the data. We can also form a long-term view of our potential energy consumption across our buildings to influence our future property sustainability strategy, and understand better the progress towards our intermediate (by 2030) science-based targets and transition plan.

## Introducing a new sustainability-led property acquisition guide

Nationwide recently implemented a new, 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 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 achieve) gas-free. The framework also aims to improve the green credentials of our current buildings, by working with our landlords throughout the period of our lease.

## Metrics and targets – scopes 1 and 2

Nationwide's progress towards its scope 1 and 2 intermediate (by 2030) science-based targets is monitored on a quarterly basis as part of the Society's Mutual Good Commitment, *to support progress towards a greener society*.

Management information (MI) is also monitored and includes, but is not limited to, annual UK extreme weather events, volume of open climate change risks, and the potential percentage, and cause, of branches and admin sites impacted by climate-related physical risk (including flooding, coastal erosion, and subsidence). This MI forms part of our climate change MI dashboard which is used to inform decision making as part of our internal climate change governance model.

Nationwide will continue to track and report progress of its scope 1 and 2 intermediate (by 2030) science-based targets, and transition plan progress, as part of its annual Climate-related Financial Disclosures. Our latest progress is within our Climate-related Financial Disclosures 2023.

<sup>20</sup>ECOES



# Potential actions – scope 3 upstream

We manage our procurement processes and purchasing decisions, and are keen to work with our suppliers to achieve our scope 3 upstream science-based target. 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 those 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.

**Target:** To reduce our absolute scope 3 upstream emissions, across categories 1, 2, and 4, by at least 42% between 2021/22 and 2030.

**Expectation to achieve our target:** Medium, due to partial levels of control and influence over our suppliers and their ambitions to reduce emissions.

Potential actions to support progress towards our scope 3 upstream target are in the table below.

Potential actions	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Require a proportion of our suppliers join EcoVadis and share their ESG credentials.</b>	Request our top 20 suppliers (who account for around 50% of spend), and ensure 90% of them, join EcoVadis in 2022.	<b>Complete – delivered in 2022</b>	<b>Partial control</b>	Increased supplier awareness and focus on ESG is likely to result in more action to reduce emissions and contribute to us achieving our scope 3 upstream target.	<b>Medium impact</b>
	Maintain at least 67% of invited suppliers join EcoVadis each year until 2030.	<b>On track</b>	<b>Partial control</b>		<b>Medium impact</b>
	Ensure 90% of our suppliers who are signed up to EcoVadis are annually rated 'Good' or above, through to 2030.	<b>On track</b>	<b>Partial control</b>		<b>Medium impact</b>
<b>Encourage our suppliers to set, disclose, and achieve their own science-based targets.</b>	Request our suppliers, who account for 67% of our scope 3 upstream emissions, to set their own science-based targets by the end of 2025.	<b>On track</b>	<b>Partial control</b>	Encouraging those suppliers who account for two-thirds of our emissions to set, disclose, and track against science-based emissions reduction targets, should have an impact on reducing Nationwide's upstream scope 3 emissions.	<b>High impact</b>
<b>Continue to increase colleague awareness of the impact of procurement decisions on our ESG strategy.</b>	Include a 10% minimum weighting for sustainability actions as part of our supplier tendering process.	<b>Complete – delivered in 2022</b>	<b>Full control</b>	Ensuring we are evaluating suppliers based on the Society's values and in line with our sustainability commitments helps support our climate change strategy.	<b>Low impact</b>
	Deliver an all-colleague training module on how to purchase responsibly, with over 95% take-up across the Procurement function by the end of 2023.	<b>Complete – delivered in 2023</b>	<b>Full control</b>	By improving colleague awareness and understanding of our ESG and procurement strategy we can encourage purchasing decisions that consider the ESG credentials of our suppliers.	<b>Low impact</b>
	Deliver an all-colleague training module on supply chain emissions, with over 95% take-up across the Procurement function by the end of 2024.	<b>On track</b>	<b>Full control</b>		<b>Low impact</b>



## Implementation strategy – scope 3 upstream

### Working with our suppliers to share and enhance their sustainability credentials

Nationwide has taken steps to build climate change considerations into its procurement and supply chain management processes. We have partnered with EcoVadis, a sustainability ratings provider, to collect environmental performance data from third party suppliers using EcoVadis's shared information platform. Since 2021, Nationwide has invited over 200 of its suppliers to join EcoVadis. Some were able to share their existing scorecards, with the remainder requested to complete one. Using the information on the platform, Nationwide can understand better a supplier's impact on the Society's scope 3 upstream target.

In 2023, we achieved our target of over 67% of our invited suppliers, including our top 20 suppliers (which account for around 50% of spend), joining the platform. We have a target to maintain at least 67% of suppliers to join EcoVadis through to 2030 in support of this transition plan.

We want our suppliers to be rated 'Good' by EcoVadis and have set a target for 90% of our suppliers who are signed up to EcoVadis to achieve this rating annually, through to 2030. Whilst a 'Good' or above outcome does not necessitate alignment to net-zero, we expect those suppliers who score highly to have stronger ESG credentials, and hence be more focused on reducing their emissions.

### Supporting suppliers to set their own science-based targets

We are aiming for suppliers who account for two-thirds of our scope 3 upstream emissions to set and disclose science-based targets, aligned to net-zero, by no later than 2030. From 2024, specific new suppliers<sup>21</sup> must sign up to EcoVadis, and set and disclose science-based targets for scope 1, 2, and 3 emissions. We believe companies that are more ESG-focused will be more likely to improve their sustainability credentials, reduce their emissions and contribute to us achieving our scope 3 upstream target.

We have already enhanced the environmental requirements within our Third Party Code of Practice, including the need for all large<sup>22</sup> third parties to monitor and disclose their scope 1 and 2 emissions and set reduction targets, with material<sup>23</sup> third parties required to complete annual evidence-based controls testing against the code.

Should they refuse or are unable to fulfil this requirement, approval from our Chief Procurement Officer will be required, should we wish to continue using the supplier. Alternatively, a different supplier may be selected. We will continue to regularly review what is included within the Third Party Code of Practice and may enhance our expectations of third parties over time.

<sup>21</sup>Suppliers with a minimum contract spend of £3 million, and a minimum contract of 12 months.

<sup>22</sup>Suppliers with over 250 employees.

<sup>23</sup>Material suppliers are 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. For further information please see our Third Party Code of Practice.



## Engagement strategy – scope 3 upstream

### Progressing towards our target through supplier engagement

Nationwide continues to work with its suppliers to improve their sustainability credentials through its Procurement for Mutual Good Programme. Our aim, as we encourage certain suppliers to join EcoVadis, is to help improve the availability of sustainability data, and will help increase awareness of sustainability credentials, across the supply chain. We also recognise the importance of encouraging our suppliers to set and disclose science-based targets that align to a net-zero pathway, as well as producing supporting transition plans. We will achieve this through key engagements such as our Annual Partner Events and supplier training content.

### Enhancing our procurement processes

We have introduced a 10% minimum weighting for sustainability actions as part of our supplier tendering process. This is to ensure we are evaluating suppliers based on the Society's values and in line with our sustainability ambitions. We have developed a set of sustainability questions for our suppliers to complete (which can be adapted to suit the service being procured), including whether the company has set a science-based target in line with industry-standard methodology (such as the methodologies of the SBTi).

Training on how to purchase responsibly was launched in January 2023 and has been completed by over 95% of our Procurement function. This training 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. We will update this training every year. We are also planning to deliver a supply chain emissions training module on our internal learning platform in 2023/24 and are targeting a 95% completion rate by our Procurement function by the end of 2024.

In 2021, responsible business heat maps were included within our templates used for procurement planning. This involves assessing the relevance (potential impact or opportunity), and leverage, Nationwide has within a category with respect to climate change. Supplier emissions attributable to our supply chain are scaled based on the amount we spend as a percentage of the supplier's revenue. Whilst we can control our spend, we may see volatility in emissions due to factors outside of our control, such as fluctuations in a supplier's emissions or revenue.

## Metrics and targets – scope 3 upstream

Nationwide's progress towards its scope 3 upstream intermediate (by 2030) science-based target is monitored on a quarterly basis as part of the Society's Mutual Good Commitment, *to support progress towards a greener society*. Nationwide also monitors the number of suppliers who have signed up to EcoVadis (compared to its invited suppliers target), the average EcoVadis score across our supply chain, as well as those suppliers who are below EcoVadis' 'Good' benchmark.

In addition, we monitor the potential percentage, and cause, of suppliers exposed to physical risk (including flooding, coastal erosion, and subsidence). Physical risk to our third-party suppliers remains low, but we will continue to monitor and adapt our processes as our understanding of climate change impacts develops. This MI forms part of our climate change MI dashboard which is used to inform decision making as part of our internal climate change governance model.

Nationwide will continue to track and report progress of its scope 3 upstream intermediate (by 2030) science-based target, and transition plan progress, as part of its annual Climate-related Financial Disclosures. Our latest progress is within our Climate-related Financial Disclosures 2023.



# Potential actions – scope 3 downstream mortgages

The emissions associated with our residential mortgage lending account for the majority (over 80%) of our total emissions – they are also the most challenging to reduce. As explained on page 5, we have very limited control over practical measures to reduce emissions from properties which are owned by our borrowers, and without stronger government policy action and greater uptake of green retrofitting by our customers, it is highly unlikely we will be able to achieve our scope 3 mortgages science-based target.

There continues to be significant uncertainty around the existing Government policies, as detailed in the Climate Change Committee's (CCC's) *Progress in Reducing Emissions: 2023 Report to Parliament*<sup>24</sup>, and any future Government's policies in connection with the UK's housing stock. Even if customers retrofit their homes in line with expectations, and the Government delivers on its current policy commitments, there will still be a gap in the emissions intensity reduction needed to achieve our highly challenging science-based target by 2030. Our analysis predicts that additional actions are needed to close the gap. Based on our analysis on page 19 we believe it highly unlikely that our intermediate target for mortgages will be achieved.

**Target:** To reduce our scope 3 downstream category 15 (investments) emissions intensity for our mortgage portfolio by at least 44%, between 2021/22 and 2030.

**Expectation to achieve our target:** Very low, due to very limited levels of control and influence over government policy, and action by wider society including our customers, to green UK homes.

Potential actions by Nationwide to support progress towards its scope 3 mortgages target are in the table below.

Potential actions by Nationwide	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Continue to provide green finance propositions which support energy efficient home improvements.</b>	Launch a 0% green additional borrowing pilot in 2023.	<b>Complete – delivered in 2023</b>	<b>Full control</b>	Low potential reduction in scope 3 mortgage emissions intensity.	<b>Low impact</b>
	Launch a Home Energy Efficiency Tool in 2023.	<b>Complete – delivered in 2023</b>	<b>Full control</b>		<b>Low impact</b>
	Continue to engage with customers on our green finance offering and provide information which could help customers make energy efficient home improvements, through our greener homes hub, through to 2030.	<b>On track</b>	<b>Full control</b>		<b>Low impact</b>
	Sale of properties at our Oakfield development, consisting of 239 EPC A-rated homes.	<b>On track</b>	<b>Full control</b>		<b>Low impact</b>
	Consider developing further green finance propositions through to 2030.	<b>On track</b>	<b>Full control</b>		<b>Low impact</b>
<b>Continue to monitor the evolution of our book and new build growth in line with UK housing stock.</b>	Continue to monitor the growth and evolution of our book, in line with UK housing stock, through to 2030.	<b>On track</b>	<b>Partial control</b>	Medium potential reduction in scope 3 mortgage emissions intensity.	<b>Medium impact</b>

<sup>24</sup>2023 Progress Report to Parliament - Climate Change Committee (theccc.org.uk)



Actions needed by government to support progress towards Nationwide's scope 3 mortgages target are in the table below.

Actions by government	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>The delivery of current Government policy which supports the greening of UK homes.</b>	The Government delivering on its commitments for retrofitting UK homes, through to 2030.	<b>Off track</b> <sup>25</sup>	<b>No control</b>	Medium potential reduction in scope 3 mortgage emissions intensity.	<b>Medium impact</b>
	The Government delivering its 'Great British Insulation Scheme' through to the end of March 2026.	<b>Too early to tell</b> <sup>26</sup>	<b>No control</b>	Low potential reduction in scope 3 mortgage emissions intensity.	<b>Low impact</b>
	The Government delivering its heat pump installation targets, through its Heat and Buildings Strategy, through to 2030.	<b>Off track</b> <sup>27</sup>	<b>No control</b>	High potential reduction in scope 3 mortgage emissions intensity.	<b>High impact</b>
<b>The Government delivering on its decarbonisation ambition.</b>	The Government delivering on its ambition to decarbonise the electricity grid by 2035.	<b>Partially on track</b> <sup>28</sup>	<b>No control</b>	High potential reduction in scope 3 mortgage emissions intensity.	<b>High impact</b>
<b>Further, government-led, action that supports additional emissions reduction from UK homes.</b>	The development of further government policy to support the greening of UK homes, through to 2030.	<b>Off track</b> <sup>29</sup>	<b>No control</b>	Around a 5-10 percentage point gap in mortgage emissions intensity reduction remains, where further government policy action is required to close the gap and support to achieve our target.	<b>High impact</b>

Nationwide will track the progress of government actions against its target, recognising that we can only play a very limited role in influencing the development of further policy, and policy in action, relating to the greening of UK homes.

<sup>25</sup>The CCC's latest progress report to parliament describes the Government's progress of UK households receiving energy efficient measures as being 'significantly off track'.

<sup>26</sup>With the Great British Insulation Scheme announced in early 2023, it is currently too early to tell whether the current Government's commitment to support the UK's least energy efficient homes is on track.

<sup>27</sup>The CCC's latest progress report to parliament describes the Government's progress of heat pump installations for UK residential properties as being 'significantly off track'. In 2022, around 69,000 heat pumps were installed in UK homes. This is currently 'significantly off track' of the Government's target of installing 600,000 heat pumps per year by 2028. The CCC called out inhibiting factors such as high consumer costs and a low number of trained heat pump installers.

<sup>28</sup>Whilst the energy industry is continuing to explore renewable energy options, the CCC's latest progress report to parliament confirmed that government has not yet published an overarching plan or strategy for delivering a fully decarbonised electricity system by 2035.

<sup>29</sup>The CCC's latest progress report states that the UK's net-zero progress is now 'worryingly slow'. They recognise that whilst policy continues to develop, it is not at the required pace to support future targets. They are asking the Government for strong commitments to be delivered as quickly as possible.



## Implementation strategy – scope 3 downstream mortgages

### Continuing to develop green finance propositions which support the greening of UK homes

As something within our control, Nationwide is committed to continuing to offer green finance propositions over the short, medium, and long term, to support customers with energy efficient home improvements, emphasising the benefits of warm, affordable, and healthy homes.

#### Nationwide's 0% green additional borrowing and Home Energy Efficiency Tool

In June 2023, Nationwide launched its 0% Green Additional Borrowing pilot, enabling up to 5,000 households with a Nationwide mortgage the opportunity to borrow £5,000 – £15,000, up to a maximum of 90% Loan-to-Value across the two or five-year product term, to finance a range of retrofit home improvements.

Our aim is to understand if the 0% Green Additional Borrowing product increases customer interest in making green home improvements, and the appetite from society to retrofit. With the UK's 29 million homes producing around 16%<sup>30</sup> of the country's carbon emissions, Nationwide's approach aims to contribute towards reducing these emissions, while influencing the development of government's future policy to green UK homes.

Applications must be completed by a Nationwide Mortgage Adviser or an Intermediary on an advised basis, allowing for a thorough conversation around the use of funds to ensure the applicants are eligible for the product. All of the loan must be used to fund non-structural, energy-efficient home improvements, such as solar panels, an air source heat pump, window upgrades, boiler upgrades, cavity wall insulation, loft insulation, or an electric car charging point. Customers can use any local or national contractor or supplier for the work.

At the same time, we launched a Home Energy Efficiency Tool, with the Energy Saving Trust, supporting our customers in understanding the benefits of retrofitting their homes and helping them make better choices when considering different retrofit options. The tool produces a personalised action plan, providing detail on; a customer's current and estimated (after improvements) energy bills, current and estimated EPC rating, estimated savings after improvements and how much they will cost, and the current and estimated carbon emissions.

In addition to the 0% product, since 2021, Nationwide has offered a Green Reward mortgage, which provides cashback to customers purchasing a home rated EPC A or high B. For The Mortgage Works (TMW) customers, Nationwide offers a Green Further Advance mortgage to support landlords who want to increase the energy efficiency of their tenanted homes with affordable finance. Information on the uptake of these products is in our Climate-related Financial Disclosures 2023.

Whilst we are committed to continuing to provide green finance propositions which support our customers in the greening of their homes, we recognise that this alone is not enough to achieve our scope 3 downstream (investments) mortgages target. In the current policy environment, uptake of our green mortgage propositions has been low to-date, and hence the impact on our target and overall emissions reduction across our residential mortgage portfolio, from our green propositions, is expected to be low. We also need to continue to balance the benefits of new proposition development from both a cost and impact perspective.

### Supporting a just transition

As a mutual, and as a member of the Financing a Just Transition Alliance, we also believe in supporting a just transition and ensuring that the most vulnerable in society are not disadvantaged, and have access to housing, as we transition to a net-zero economy. For this reason, we do not intend to negatively select against less energy efficient mortgage properties and hence the composition of our mortgage book is likely to be broadly representative of the UK housing stock.

We have adopted five principles, that help articulate our commitment to progressing towards net-zero with a just transition in mind, as follows:

1. We will prioritise the principles of a just transition whilst aiming to achieve net-zero by 2050, led by our social purpose, to reduce the risk of mortgage prisoners in energy-inefficient properties
2. We will continue to innovate and develop cost-effective green finance propositions for those who want and can afford them
3. We will continue to drive customer engagement, awareness, and education around the benefits of greening homes
4. We will not compromise our credit quality by lowering our underwriting standards to support green lending
5. Any advice provided in relation to retrofit activity will focus on solutions likely to deliver good consumer outcomes.

<sup>30</sup>2021 Greenhouse Gas Emissions, Final Figures ([publishing.service.gov.uk](https://publishing.service.gov.uk))





## Launching our Oakfield housing development

Nationwide's Oakfield development, which consists of 239 EPC A-rated homes, was opened to the public in December 2022. Built on a brownfield site in Swindon, all the houses are fitted with air source heat pumps and solar panels. We hope our approach to Oakfield will become a blueprint for other responsible organisations who wish to build housing developments in collaboration with local communities.

We will continue to monitor and analyse the sales of our Oakfield homes to influence our propositional offerings going forwards. We will also use any learnings to engage with government to demonstrate the benefits of energy efficient new build homes.

## Engagement strategy – scope 3 downstream mortgages

### Supporting our customers with energy efficient home improvements

Nationwide has over 16 million customers. Our greener homes hub<sup>31</sup> provides useful information, tools, and products (including our new 0% Green Additional Borrowing mortgage and Home Energy Efficiency Tool), which could help customers make energy efficient home improvements.

Nationwide will continue to engage with customers through the branch network, telephony, and digital channels, ensuring all customer-facing colleagues have a good awareness of our green finance product offering. As and when new schemes, grants, and benefits to help with energy saving are introduced by government or other organisations, Nationwide will endeavour to make customers aware of help that might be available to them. The branches' ESG information sheet will also support our colleagues when having conversations with our customers regarding our green finance offering.

Nationwide has also contacted approximately 70,000 TMW customers (which accounts for around 33% of our buy to let book) who do not appear to have a valid EPC, with the aim to remind them of regulation and educate them about energy efficiency, referencing key government tools and guides.

## Collaborating cross-industry

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, to support the changes needed to transition the economy to net-zero and, importantly, help support the UK, and our customers, reduce emissions from homes.

In 2021, Nationwide formed the Green Homes Action Group – bringing together different groups of cross-sector leaders with a shared interest in addressing some of the barriers to greening homes, representing the housing, construction, financial services, charity, and energy sectors. The Green Homes Action Group meets approximately every six months.

By working with specialist organisations, Nationwide can increase expertise and understanding around those areas where it can make the greatest impact. Nationwide continues to engage with, but not limited to, the following organisations:

- Member of the Glasgow Financial Alliance for Net Zero (GFANZ) since 2021
- Member of the Net-Zero Banking Alliance (NZBA) since 2021
- Partner of the United Nations Environment Programme Finance Initiative (UNEP FI)
- Member of the Green Finance Institute's Coalition of Energy Efficiency of Buildings (GFI CEEB) since 2019
- Part of the London School of Economics Financing a Just Transition Alliance.

A full list of organisations we partner with is in our Climate-related Financial Disclosures 2023.

<sup>31</sup>Green Housing | Greener Homes | Nationwide



## Communicating with policymakers

In 2021, the Green Homes Action Group called for the Government to do more through seven policy asks to encourage a more comprehensive national retrofit strategy – these asks are:

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 continue to form the basis of our work in Green Homes Action Group, as well as forming the basis for much of our communication with policymakers.

We have also contributed to the following activities, to enhance our understanding of climate transition and to help influence the greening of UK homes:

- Supported the launch of UK Finance's *Net Zero Homes: Time for a Reset* report
- Respondent to key strategic consultations such as the Transition Plan Taskforce's framework and guidance
- Engaged with parliamentarians on green homes, and the delivery of low carbon heating and insulation.

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, and to help progress towards the UK's net-zero ambition.

## Monitoring progress of government policy action

We track the progress of current and proposed government policy as part of our climate change governance, to maintain awareness of potential and upcoming policy changes that could influence our strategy. The Government's *Powering up Britain* report detailed its plans to increase green energy production as well as retrofitting homes to make them more energy efficient. We have considered the implications of this report on our mortgage's science-based target and have included these considerations in our modelling analysis on page 19.

Nationwide also considers future potential government policy change across England, Scotland, and Wales. Future governments could introduce more aggressive targets for green energy, and further policy for retrofitting UK homes. Nationwide will consider any future changes to policy, including any impacts on progressing towards its intermediate (by 2030) science-based targets, as part of its annual Climate-related Financial Disclosures and future iterations of its transition plan.

We are calling for much-needed cross-industry, customer, and government action, to help us all achieve a just transition to net-zero. We recognise ambition alone is insufficient, so we will continue to try to influence government, and our customers, on the importance of taking action to green the UK's homes, to support the UK with this important agenda.



## Metrics and targets – scope 3 downstream mortgages

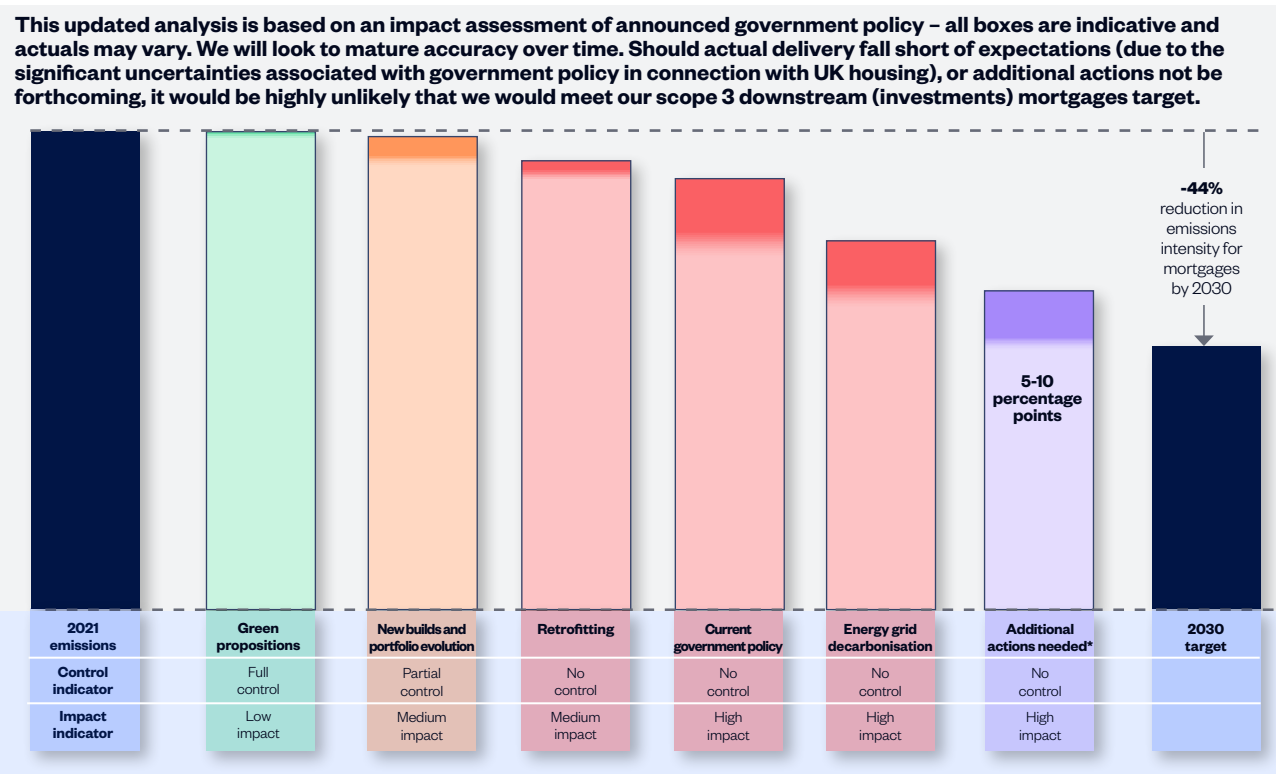
To support our science-based target setting activity, and to develop an understanding of the potential actions needed to help us achieve our residential mortgage target by 2030 and reduce our residential mortgage emissions intensity in line with a net-zero pathway, we have updated our model that estimates the impacts of key carbon reducing activities on UK housing. Our residential mortgage transition model applies several policy assumptions to estimate emissions reductions - these include:

- **New builds and portfolio evolution** — 300,000 new homes in England are built annually by 2030<sup>32</sup>
- **Retrofitting** — by 2030, around 1.7 million homes will be retrofitted per year<sup>33</sup> through measures such as loft and wall insulation, more efficient glazing, or the installation of solar panels.
- **Current government policy** — the Future Home Standard is in place from 2025 requiring all new-build homes to be fitted with low carbon heating, and high levels of energy efficiency and 600,000 heat pumps are installed per year at 2030 in line with the commitments of the Government’s *Heat and Buildings Strategy*<sup>34</sup>. In addition, we assume 300,000<sup>35</sup> (around 1% of the UK housing market) of the UK’s least energy efficient homes (below EPC D) reach a higher level of energy efficiency through to 2026 as part of the Government’s Great British Insulation Scheme.
- **Energy grid decarbonisation** — the energy grid is decarbonised by 2035 in line with the Government target announced in October 2021.

These assumptions are based on policy announcements made by the Government, and expectations of the Climate Change Committee (CCC)<sup>36</sup> who report to Parliament annually on its assessment of the Government’s performance in combatting climate change. The CCC’s latest report; *Progress in Reducing Emissions: 2023 Report to Parliament*, calls out ‘worryingly slow’ overall progress by the Government against its net-zero goal. The CCC’s confidence in the UK meeting its ambition from 2030 onwards is now markedly less

than it was in their previous assessment, a year ago. If the delivery of government policy continues to fall short of current government commitments, or in the absence of a strong homeowner response, there will be a need for substantial additional government-led policy actions.

We will monitor the delivery of these policies to inform our progress towards our highly challenging scope 3 mortgages target. The output of our modelling is shown below.



<sup>32</sup>Assumption in line with the commitments of the Government’s Heat and Buildings Strategy’s aim to meet this target by mid-2020’s. However, we have assumed a slight delay to the timings due to the impacts of the pandemic and current lack of progress as called out in the CCC’s latest progress report.

<sup>33</sup>We have aligned our model to a retrofit scenario mid-way between that seen historically (using publicly available BEIS data) and the ask of the CCC’s publication “UK housing: Fit for the future?” which depicts a net-zero aligned scenario and an aggressive retrofit plan. We believe this assumption is reasonable due to the unclear nature of policy action in this decade.

<sup>34</sup>Despite the Government’s Heat and Buildings Strategy aiming to deploy 600,000 heat pumps per year by 2028 we modelled a more prudent uptake, achieving 600,000 installations per year by 2030. This assumption is still ambitious, with the recent CCC progress report stating current heat pump installation progress is ‘significantly off track’.

<sup>35</sup>The Government’s new Energy Company Obligation scheme (the 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. For the purposes of our model, we assume market share as a portion of the 300,000 homes, in order to estimate the impact of this initiative on our target.

<sup>36</sup>The CCC measures the Government’s actions against the national and international legal obligations to which the UK is committed.

\*Additional government-led policy actions will be needed to reduce mortgage emissions intensity, across UK homes, in line with a 1.5°C pathway.



Currently, we believe that reducing our scope 3 residential mortgage emissions intensity by 44% by the end of 2030, from a 2021/22 baseline, will be highly unlikely as there are very limited actions in our control that we could use to drive a reduction in emissions intensity. Those within our control<sup>37</sup>, partially in our control<sup>38</sup>, or with no control<sup>39</sup> are highlighted above.

With the UK having the oldest homes in Europe<sup>40</sup> the most impactful actions to reducing UK home emissions is through the delivery of currently committed 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'.

The Future Homes Standard is expected to support the reduction in UK home emissions. It aims to ensure all new builds are built to the highest energy efficiency standards from 2025. With new builds tending to be more energy efficient than existing properties, emissions intensity is expected to naturally improve through time. However, the reduction in emissions intensity due to new build growth is expected to be slow. The effects of the Future Home Standard and the Department for Energy Security and Net Zero's consultation have been incorporated into our portfolio evolution modelling.

Retrofitting will also support the reduction in emissions. 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, suggests a slower implementation of retrofitting measures to-date. With the Government's Heat and Buildings strategy focused on low-carbon heating solutions, such as heat pumps, and with the Great British Insulation scheme only aiming to support around 300,000 of the UK's least energy efficient homes, there is little current policy in place to encourage the uptake of other retrofitting solutions. Therefore, we expect a low impact on emissions intensity reduction from retrofitting.

Whilst we will continue to develop green finance propositions to help support our customers make green home improvements, the uptake of these propositions has been low to-date. Our new 0% Green Additional Borrowing mortgage aims to test whether, by reducing the interest rate to zero percent (for up to 5,000 customers), it incentivises a larger uptake of green finance in the short-term. However, the potential impact on emissions intensity reduction, from green propositions (in the medium-term) out to 2030, is still expected to be minimal.

Despite the actions detailed in our modelling, including those within our control, additional measures and government-led actions will still be required for Nationwide and wider society to achieve net-zero mortgage targets. The government-led additional policy actions needed are the balance (around 5-10 percentage points) of our 44% emissions Intensity reduction target for mortgages. The balance is based on all other known measures having been fully delivered to the levels committed to by the Government. However, it currently seems unlikely all measures will be delivered in line with current targets, given current progress data and the outcomes in the CCC's latest progress report to parliament. With these challenges existing, it is unlikely that further emissions intensity reduction from UK homes will be possible without stronger policy action, led by the Government, and action by wider society. Based on this we believe it highly unlikely that our intermediate target for mortgages will be achieved.

As part of our annual climate-related financial disclosures, we will continue to consider the risks and opportunities associated with progressing towards our intermediate (by 2030) science-based targets and transition plan. We will also continue to consider potential future actions that we could take to help progress towards our target.

### Supporting metrics for scope 3 downstream mortgages

Nationwide's progress towards its scope 3 downstream mortgages intermediate (by 2030) science-based target is monitored on a quarterly basis as part of the Society's Mutual Good Commitment, *to support progress towards a greener society*. Nationwide also monitors metrics and targets linked to the greening of UK homes. This includes, but is not limited to, annual UK retrofit installation metrics (heat pumps, cavity walls, solid walls, loft insulation), UK extreme weather events, and the average age of EPCs across both owner-occupier and buy to let books. This MI forms part of our climate change MI dashboard which is used to inform decision making as part of our internal climate change governance model.

Nationwide will continue to track and report progress of its scope 3 downstream mortgages intermediate (by 2030) science-based target, and transition plan progress, as part of its annual Climate-related Financial Disclosures. Our latest progress is within our Climate-related Financial Disclosures 2023.

<sup>37</sup>In our control: continue to offer green finance propositions.

<sup>38</sup>Partially in our control: growth and evolution of our book (as, to support of a just transition, we are consciously choosing not to introduce a restrictive lending policy).

<sup>39</sup>Of no control: customers retrofitting their homes, delivery of current and future government policy, execution of the Government's plans to decarbonise the UK's electricity grid.

<sup>40</sup>The-Housing-Stock-of-the-United-Kingdom\_Report\_BRE-Trust.pdf (bregroup.com)



# Potential actions – scope 3 downstream RSL and CRE

Nationwide's lending to Registered Social Landlords (RSL) and Commercial Real Estate (CRE) accounts for around 10% and 3% of the Society's baseline emissions respectively. Like our mortgages portfolio, the reduction in carbon emissions intensity for RSL is heavily reliant on government policy and action, as well as steps being taken by our borrowers. We have discussed these challenges on pages 18, 19 and 20. Without accelerating decarbonisation of the grid and stronger regulatory developments to improve the efficiency of social housing, we believe it is highly unlikely we will achieve our scope 3 downstream RSL science-based target. Achieving our scope 3 downstream CRE science-based target is reliant on the completion of our portfolio run-off activity, but this is unlikely to occur before 2030.

## Scope 3 downstream RSL

**Target:** To reduce our scope 3 downstream category 15 (investments) emissions intensity for our RSL portfolio by at least 45%, between 2021/22 and 2030.

**Expectation to achieve our target:** Very low, due to very limited levels of control and influence over government policy and social landlords, to green social housing.

Potential actions by Nationwide to support progress towards its scope 3 RSL target are in the table below.

Potential actions by Nationwide	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Continue to provide and improve sustainable social housing propositions.</b>	Introduce a Sustainability Linked Loan for our RSL portfolio.	<b>Complete – delivered in 2021</b>	<b>Full control</b>	Encouraging the uptake of our SLL and working with our social landlords on their plans to create more sustainable housing will help support the reduction in emissions intensity.	<b>Medium impact</b>
	Include a Sustainability Linked Loan option in RSL loan documentation, by the end of 2023.	<b>Complete – delivered in 2023</b>	<b>Full control</b>		<b>Low impact</b>
	Continue to promote the benefits of our SLL to our RSL borrowers, through to 2030.	<b>On track</b>	<b>Full control</b>		<b>Medium impact</b>

Actions needed by government to support progress towards Nationwide's scope 3 RSL target are in the table below.

Actions by government	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Enhanced regulatory and policy developments of social housing standards.</b>	Increased future regulation and policy developments for social housing, through to 2030.	<b>Partially on track</b> <sup>41</sup>	<b>No control</b>	Regulation and policy developments have the potential to have the largest impact on improving energy efficiency, and emissions intensity, of social housing.	<b>High impact</b>
<b>The Government delivering on its decarbonisation ambition.</b>	The Government delivering on its ambition to decarbonise the electricity grid by 2035.	<b>Partially on track</b> <sup>42</sup>	<b>No control</b>	High potential reduction in scope 3 RSL emissions intensity <sup>43</sup> .	<b>High impact</b>

<sup>41</sup>The CCC's latest progress report to parliament confirmed the number of government-backed retrofits for fuel-poor homes has been insufficient for some years, and schemes such as the Home Upgrade Grant and Local Authority Delivery are yet to deliver on many measures. There is some progress in schemes such as the Government's Energy Company Obligation (ECO4) energy efficiency scheme, but the CCC reports a lag behind measures.

<sup>42</sup>Whilst the energy industry is continuing to explore renewable energy options, the CCC's latest progress report to parliament confirmed that government has not yet published an overarching plan or strategy for delivering a fully decarbonised electricity system by 2035.

<sup>43</sup>The assumptions for emissions intensity reduction potential have been kept the same as mortgages, due to the alignment with the decarbonisation assumptions of the CCC.



## Scope 3 downstream CRE

**Target:** To reduce our scope 3 downstream category 15 (investments) emissions intensity for our CRE portfolio by at least 46%, between 2021/22 and 2030.

**Expectation to achieve our target:** Low, due to the volatility over the CRE run-off activity, which will materially reduce our absolute emissions by 2030, as well as low control over our emissions intensity which will reduce at a slower rate until the portfolio has repaid in full. We also have very limited levels of control and influence over government policy to green UK homes and commercial property.

Potential actions by Nationwide to support progress towards its scope 3 CRE target are in the table below.

Potential actions by Nationwide	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>Continue to run-off the CRE book, completing in 2039.</b>	Reduce the book balance to less than £100 million by 2030.	On track	Full control	Around an 85% reduction in absolute emissions by 2030, but low expected impact on emissions intensity.	Low impact
	Complete run-off of the book by 2039.	On track	Full control	100% reduction in emissions intensity upon completion of run-off in 2039. High impact on emissions intensity reduction (to zero) by 2039, but low-medium expected impact by 2030.	Medium impact

Actions needed by government to support progress towards Nationwide's scope 3 CRE target are in the table below.

Actions by government	Milestones	Progress indicator	Control indicator	Outcome	Impact indicator
<b>The Government delivering on its decarbonisation ambition.</b>	The Government delivering on its ambition to decarbonise the electricity grid by 2035.	Partially on track <sup>44</sup>	No control	A reduction in emissions intensity will be seen across the portfolio as government decarbonises the electricity grid, impacting both residential and non-residential property, by 2035.	High impact

<sup>44</sup>Whilst the energy industry is continuing to explore renewable energy options, the CCC's latest progress report to parliament confirmed that government has not yet published an overarching plan or strategy for delivering a fully decarbonised electricity system by 2035.



## Implementation strategy – scope 3 downstream RSL and CRE

### Offering our social landlords sustainability linked loans

Nationwide has developed a Sustainability Linked Loan (SLL) for RSLs. The SLL aims to reward RSLs with a rate reduction if they achieve agreed sustainability criteria across their portfolio. It is our hope that the SLL will encourage RSLs to improve the energy efficiency of their portfolio, leading to warmer, more affordable, healthier homes for tenants.

Suitably ambitious sustainable key performance indicators (KPIs) are agreed with the RSL and, upon loan completion, performance against the KPIs is monitored on an annual basis. Once the sustainable KPIs are met, and are evidenced by the RSL, Nationwide provides an interest rate reduction on the relevant loan.

In 2023, Nationwide incorporated an SLL option into new RSL loan documentation, for those customers who opted in. By adding an SLL option into the documentation from the start, rather than as a separate loan, it gives RSLs the opportunity to opt-in to an SLL offering when they are ready to do so (although the impact on emissions reduction is expected to be low). This will give RSLs more flexibility as they progress towards their own green strategic objectives as well as increase efficiencies and the reduce costs of the SLL. Nationwide will continue to discuss the benefits of its SLL with new customers and as part of its renewals process.

### CRE run-off activity

Nationwide ceased lending to CRE in 2016. Since then, it has been our strategy to run off the CRE lending portfolio, with completion of CRE run-off expected in line with the last maturity, in 2039. Since its closure in 2016, we have reduced the portfolio size by approximately 85% (from £2.6 billion in 2016/17 to £0.4 billion in 2022/23). Residential property accounts for around 55% of our CRE portfolio (with the remainder comprising service sector buildings) so it is our expectation that some of the impacts from government policy intervention, for example the decarbonisation of the electricity grid, will impact the reduction in emissions intensity of the CRE book by 2030.

It is our expectation that our scope 3 downstream (investments) CRE target will not be achieved until the run-off activity has completed (which is expected in 2039). 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<sup>46</sup>, in line with the expectation that the balance of our CRE portfolio will be less than £100 million, and therefore immaterial post-2030.

To 2039, progress towards our scope 3 downstream (investments) CRE target could be volatile, due to the closed nature of the book. There is also a dependency on the order in which the run-off activity takes place. Should larger, commercial, buildings run off before smaller, residential, properties, we could see a greater reduction in both absolute emissions and emissions intensity, potentially helping us progress towards our 2030 target. However, there is a possibility that our progress towards our target could fluctuate out to 2030, particularly if we see a larger proportion of smaller, residential, properties run-off towards the end of the decade.

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).

## Engagement strategy – scope 3 downstream RSL and CRE

### Helping our social housing landlords prioritise sustainability

Nationwide continues to regularly engage with the RSLs it lends to, to understand and support them on their net-zero journey. By continuing to work with our RSLs to understand their needs for sustainable social housing propositions, we can encourage energy efficiency improvements within our social housing portfolio.

We also conduct due diligence on our RSLs ESG reporting, for all customers who intend to set ESG KPIs, or are seeking a new loan. This enables us to form a good understanding of how they are performing against their own ESG targets, and how it impacts our progress towards our intermediate (by 2030) RSL science-based target.

<sup>46</sup>Calculated based on predicted run-off rate to 2030 from our baseline portfolio size as at 31 December 2021.



## Monitoring developments of social housing regulation

The social housing sector is more highly regulated than the owner-occupier and buy to let sectors. In the UK, social landlords are 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 regulatory standards for social housing. Through the Clean Growth Strategy 2017, governments in England, Scotland and Wales have set EPC targets for social housing (England aiming for EPC C by 2030, Scotland for EPC B by 2032, and Wales for EPC A by 2032).

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. All measures are to be made by 30 June 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.

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. As our RSL portfolio is made up of 100% residential properties, and despite the higher levels of energy efficiency regulation for social housing, if delivered, policy activity such as the decarbonisation of the electricity grid should realise a similar emissions intensity reduction to mortgages.

## Managing timely run-off of the CRE portfolio

Nationwide has a dedicated team who manage the run-off of activity of our CRE portfolio. We regularly engage with our CRE landlords to ensure the process runs smoothly and effectively, and they fully understand their loan expectations. Where possible, we look for opportunities to reduce the time to complete the run-off activity, by actively managing our accounts with our CRE landlords. We will continue to explore opportunities to conclude this activity timely, to support a reduction in absolute emissions across the portfolio and progress towards our intermediate (by 2030) CRE science-based target.

## Metrics and targets – scope 3 downstream RSL and CRE

Nationwide's progress towards its scope 3 RSL and CRE intermediate (by 2030) science-based targets is monitored on a quarterly basis as part of the Society's Mutual Good Commitment, *to support progress towards a greener society*.

Nationwide also monitors internal metrics and targets linked to our RSL and CRE portfolios, including, but not limited to, EPC exposure of our RSL portfolio, percentage of our RSL portfolio subject to high physical risk, and run-off activity of our CRE portfolio. In addition, we also track the uptake of our SLL to gain a better understanding of the investment by housing associations to green their existing properties. This MI forms part of our climate change MI dashboard which is used to inform decision making as part of our internal climate change governance model.

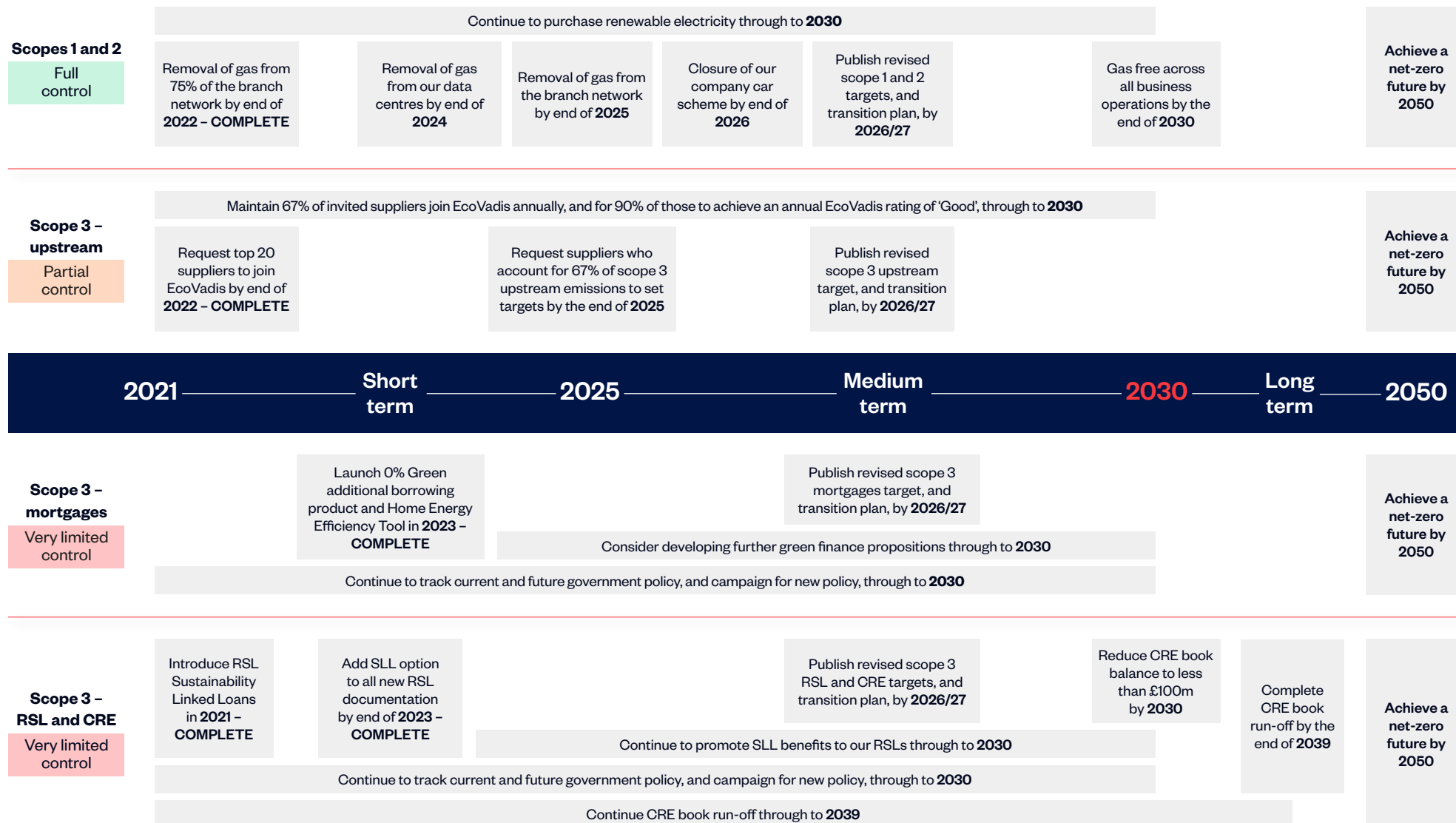
Nationwide will continue to track and report progress of its scope 3 downstream RSL and CRE intermediate (by 2030) science-based targets, and transition plan progress, as part of its annual Climate-related Financial Disclosures. Our latest progress is within our Climate-related Financial Disclosures 2023.





# Transition plan on a page

Our transition plan on a page summarises the key actions and potential actions, both within and outside of our control, to help progress towards our intermediate (by 2030) science-based targets.



Ambition and strategy

Intermediate science-based targets

Actions - scopes 1 and 2

Potential actions - scope 3

Governance

# Governance

## Our climate change governance model supports delivery of our transition plan

The progress of Nationwide's transition plan, and its intermediate (by 2030) science-based targets, is monitored and managed through its climate change governance model. Our climate change governance model also supports us with the delivery of our climate change strategy, aligns to our purpose, as well as our strategic driver *Beacon for mutual good*.

The Board has ultimate accountability for all climate change-related matters at Nationwide and is supported by formal governance committees and working groups. Our transition plan metrics and targets form part of our climate change MI dashboard. Climate updates are shared with our Climate Change Risk Committee (CCRC) on a quarterly basis, and Executive Risk Committee (ERC) and Board Risk Committee (BRC) on a six-monthly basis. Our intermediate (by 2030) science-based targets also form part of our Mutual Good Commitment measures. Progress of these is also shared with the Board quarterly.

Detail of our climate change governance model is outlined in the Governance section of our Climate-related Financial Disclosures 2023<sup>46</sup>.

## Transition plan governance, roles and responsibilities

The Board has approved Nationwide's transition plan. The Audit Committee also reviewed the transition plan, and recommended approval to the Board. The Society's Chairman, Chair of Audit Committee, Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Climate Board Advisor provided strategic direction during the process.

Operational ownership for the Society's transition plan (as well as day-to-day ownership for responding to climate change) sits with the Director of Strategy, Performance and Sustainability who reports into the CFO. Senior Managers Regime (SMR) accountabilities for climate change sit with the CEO. To deliver on these responsibilities, a number of management-level committees and working groups are in place to ensure it is managed effectively. All Board and Executive level committees, including those engaged on transition plan activities, 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.

Highly skilled teams, who lead on Nationwide's climate change agenda, sit within the Strategy, Performance and Sustainability team. The team has specialisms in climate change risk, carbon accounting, climate-related disclosures, climate strategy, and responsible business. Further details on Nationwide's climate change operating model are in the Governance section of our Climate-related Financial Disclosures 2023.

As part of our governance process, the risks associated with publishing a transition plan were reviewed. This included the consideration of the legal and reputational risks associated with a transition plan, that includes science-based targets, the achievement of which we do not have full control.

## Aligning remuneration to our climate change strategy

For 2023/24 Nationwide has aligned its directors' long term incentive arrangement with the Society's scope 1 and scope 2 intermediate (by 2030) science-based targets. This is captured within a wider ESG measure, with a defined weighting of 10%. In addition, our Executive Committee's performance scorecard for 2022/23 was inclusive of climate-related metrics, in determining individual variable pay outcomes for 2022/23. Further information on how we consider climate-related activities within remuneration is in our Climate-related Financial Disclosures 2023 and in our Annual Report and Accounts 2023<sup>47</sup>.

## Reporting on, and reviewing, our targets and transition plan

To align to the best practice guidance of the Transition Plan Taskforce, it is our intention to review our transition plan, at a minimum, every three years. Progress against our transition plan targets will be reported on externally, on an annual basis, within our Climate-related Financial Disclosures. We will also continue to monitor internal metrics, through our climate change MI, to help monitor progress of the individual actions within the targets to better track progress. This includes progress of others, including government, against their objectives upon which we are reliant.

Nationwide is committed to reviewing its intermediate (by 2030) science-based targets, at a minimum, every five years. Should significant changes to methodology, data availability, climate science, or guidance and expectations from regulators or industry-leaders change, Nationwide may deem it prudent to review its targets sooner. We reserve the right to determine whether the current or future methodologies and guidance remain applicable to Nationwide.

<sup>46</sup>Page 17 | Climate-related Financial Disclosures 2023

<sup>47</sup>Page 116 | Annual Report and Accounts 2023 | Nationwide



# Data dependencies and limitations

Nationwide recognises certain limitations in data affecting climate metrics and targets, including those within this transition plan, and their usefulness in strategic decision-making. Due to the limited availability of publicly available, and accurate data (especially emissions data on UK homes), Nationwide has applied a number of judgements in order to model its carbon emissions, which underpin our intermediate (by 2030) science-based targets contained in this transition plan. The main judgements are outlined below.

## Science-based target scenario alignment

We have set our intermediate (by 2030) science-based targets in accordance with the methodologies of the SBTi who provide methodologies aligned to both 1.5°C (ACA) and well-below 2°C (SDA) scenarios for the setting of intermediate science-based targets. We recognise that setting targets using the well-below 2°C SDA will mean that some targets (for scope 3 downstream category 15 (investments)) do 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 recently consulted on enhancements to the supporting finance-specific guidance. Nationwide will consider applying the new SDA approach, to align our intermediate targets for residential mortgages, RSL, and CRE targets to a 1.5°C-aligned scenario, in the future, as appropriate.

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 has calculated its emissions baselines for its targets across scope 3 downstream category 15 (investments) emissions (residential mortgages, RSL, and CRE) using the Partnership for Carbon Accounting Financials (PCAF) GHG Reporting Standard.

## Calculating our scope 1 emissions

We calculate our scope 1 emissions by converting Greenhouse Gases (GHG) into carbon dioxide equivalent (CO<sub>2</sub>e). This includes fluorinated gases such as hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>). To calculate this, we convert our energy usage (in kilowatt hours) into CO<sub>2</sub>e using the Department for Environment, Food and Rural Affairs (DEFRA) conversion factors. Our exposure to GHG other than carbon dioxide is low.

## Calculating our scope 3 emissions

Nationwide aligns emissions calculations for our scope 3 downstream (investments) emissions (residential mortgages, RSL, and CRE) 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. Only 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.

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.

Further detail on how we calculate our scope 3 (downstream) investments, and our scope 3 upstream, emissions can be found in the Metrics and targets section, and Data dependencies and limitations section, of our Climate-related Financial Disclosures 2023.

## Energy Performance Certificate (EPC) data, and the Standard Assessment Procedure (SAP) methodology, 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, and 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 low-carbon incentives** – the methodology rates efficient gas boilers above low-carbon 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.<sup>48</sup>
- **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 SAP methodology, which underpins the EPC assessment and used to determine EPC ratings, is continuously being updated by the Government. In 2020, the UK Government commissioned a project to design the next version of SAP (SAP 11) which takes into consideration potential enhancements to support net-zero commitments for buildings. SAP 11 is due to come into force in 2025, alongside the Future Homes Standard. SAP 11 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. We will consider applying an adjustment, in our modelling, to correct for this.

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 our carbon reporting, including calling on government to make actual energy usage data available.

<sup>48</sup>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.

## Reliance on the delivery of government policy relating to homes

Whilst Nationwide is committed to its ambition to achieve net-zero by 2050, we recognise significant challenges in achieving our highly challenging intermediate scope 3 downstream (investments) science-based targets, particularly for residential mortgages. These have been discussed on pages 18, 19 and 20.

As outlined in this transition plan, the Government has committed to delivering key policies, including the Future Homes Standard, its Heat and Buildings Strategy, its Great British Insulation Scheme, as well as targeting the decarbonisation of the energy grid by 2035. We need full implementation of these policies, within the committed time frames, in order to go some way towards helping us achieve our targets. However, we recognise current uncertainties over these policies (of which we have no control), and as a result, we consider it highly unlikely that we will achieve our scope 3 targets (particularly for residential mortgages). We also recognise the differences in policy regimes across England, Scotland, and Wales, and we will continue to monitor the development and delivery of policy relating to UK homes, to inform our progress towards our targets.



## Cautions about this report

This report is presented for information and reference purposes only and should not be relied upon or treated as giving investment advice. The information, statements and opinions contained in this report do not constitute a public offer under any applicable legislation, an offer to sell or solicitation of any offer to buy any securities or financial instruments, or any advice or recommendation with respect to such securities or other financial instruments. This report, the information, statements and disclosure included in this report are not formally part of any offering documents and are not contractually binding. This report is not intended to form part of any communication of any offering issued under this report and it is not intended to be an advertisement for the purposes of the UK Prospectus Regulation and investors should not make any investment decisions based on the information included in this report.

Where information contained in this report is based on reviews and analysis of our internal data, that data may derive from management systems separate from those that form part of our financial reporting internal controls framework. 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.

Whilst reasonable care has been taken in the preparation of this report and that exercise has been carried out in good faith, the information presented within the report is not warranted to be accurate or comprehensive and has not been externally audited. For certain information within the report, preparation has included various key judgements, assumptions and estimates.

Nationwide recognises that climate-related reporting is not yet subject to the same standardised disclosure framework as for traditional financial reporting, and that the sophistication of the models used continues to develop. This may result in non-comparable information or measures between organisations and between reporting periods as disclosure frameworks develop, and interpretations of terms used evolve over time.

## Forward-looking statements

Certain statements in this document are forward-looking with respect to plans, actions, potential actions, goals and expectations relating to the performance of Nationwide, including but not limited to Nationwide's intermediate (by 2030) science-based targets. 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 as of the date hereof, Nationwide can give no assurance that these expectations will prove to be an accurate reflection of actual results, which may differ materially from the plans, actions, potential actions, goals, and expectations expressed or implied in these forward-looking statements. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and may be affected by circumstances that are beyond the control of Nationwide including, amongst other things, UK and global economic and business conditions, market-related risks such as fluctuations 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, regulations and frameworks.

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
<b>Absolute Contraction Approach</b>	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.
<b>Carbon Budget</b>	A carbon budget places a restriction on the total amount of greenhouse gases the UK can emit over a five-year period. The UK is the first country to set legally binding carbon budgets.
<b>Climate Change Committee (CCC)</b>	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.
<b>CDP</b>	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.
<b>Department for Energy Security and Net Zero</b>	In February 2023 the Department for Energy Security and Net Zero; the Department for Science, Innovation and Technology; and the Department for Business and Trade replaced the Department for Business, Energy and Industrial Strategy (BEIS).
<b>Emissions Intensity</b>	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 <sub>2</sub> per square metre of floor area.
<b>Energy Performance Certificate (EPC)</b>	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.
<b>Future Homes Standard</b>	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.
<b>Great British Insulation Scheme</b>	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.
<b>Greenhouse Gases (GHG)</b>	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 <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF <sub>6</sub> ), and nitrogen trifluoride (NF <sub>3</sub> ). CO <sub>2</sub> makes up the vast majority of these emissions.
<b>Heat and Buildings Strategy</b>	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.
<b>International Energy Agency (IEA) Energy Technology Perspectives (ETP) Beyond 2°C Scenario (B2DS)</b>	The IEA ETP's global decarbonisation pathway to limit global temperature rises to well-below 2°C above pre-industrial levels.



Glossary and abbreviations	
Item	Description
<b>Low Carbon Heating</b>	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.
<b>Net-Zero Ambition</b>	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.
<b>Partnership for Carbon Accounting Financials (PCAF)</b>	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 Greenhouse Gas Accounting and Reporting Standard to calculate scope 3 carbon emissions.
<b>The Standard Assessment Procedure (SAP)</b>	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
<b>Science-based targets</b>	Emissions reduction targets set in line with the latest climate science. Nationwide uses the tools and methodologies of the SBTi.
<b>Science-based Target Initiative (SBTi)</b>	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.
<b>Scope 1 emissions</b>	Scope 1 emissions are direct emissions from owned sources, such as the fuel Nationwide burns to heat our buildings.
<b>Scope 2 emissions</b>	Scope 2 emissions are indirect emissions from the generation and consumption of purchased electricity and heating.
<b>Scope 3 upstream emissions (categories 1-8)</b>	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 lease assets.
<b>Scope 3 downstream emissions (categories 9-15)</b>	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.
<b>Sectoral Decarbonisation Approach</b>	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.



