tandem

# ESG Report



2024

tandem.co.uk

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# 2024 in numbers

**94k** Customers on Green or Pathway to Green[1] lending[2]

**572m** £££s of Green and Pathway to Green lending[3]

**70k** Tonnes of CO2 saved by our customers

**3,013** Carbon credits purchased to offset all of our operational emissions

**42%** Employees taking part in our Green Deal

**8,346** Total number of students included in our Financial Education Programme

**138,375** Employee minutes volunteered for charity

1. Green lending is categorised according to the EU Green Taxonomy; Pathway to Green is a Tandem definition of a loan that outperforms the national average green performance.
2. At the end of 2024
3. On the balance sheet at end of 2024



# Introduction

## About Tandem

Tandem's on a mission to help the UK transition to a lower carbon lifestyle. We call this banking for a greener future.

Banking shouldn't cost the earth. Tandem offers greener ways to save, borrow and spend. From loans for greener home improvements and vehicles to EPC discount mortgages, our products make it easier for more people to choose a greener lifestyle - helping save money, whilst reducing carbon footprints.

Launched in 2014 as one of the UK's original challenger banks, we're proudly headquartered in the North West, and now employ over 500 people across Blackpool, Cardiff, Durham and London.

Recognised in The Sunday Times Best Places to Work for 2024, Tandem also placed 27th in The Sunday Times 100 Tech 2025 – a list of the fastest growing tech companies in Britain, reflective of our growing industry presence.

Tandem Bank Limited t/a Tandem is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## About this Report

Welcome to Tandem's Environmental, Social and Governance Report; our comprehensive, standalone sustainability report that also incorporates our full Taskforce for Climate Related Financial Disclosure (TCFD) report.

In our 2024 Annual Report and Accounts, which includes our Climate-related Financial Disclosure (CFD), we gave a summary of how ESG contributed to the overall business performance. In this report we focus on ESG in more detail.

We know climate change poses risks and opportunities to our business strategy and operations. The TCFD framework provides recommendations that help us understand these potential impacts and incorporate climate risk management into our existing business processes. It gives guidelines under the headings: governance, strategy, risk management and metrics and targets.

The information from our TCFD-aligned climate risk assessment feeds into our business strategy, ensuring we understand the potential future needs of our customers and other stakeholders as we transition toward a low carbon economy. Leveraging the TCFD framework will contribute to fostering a more sustainable and socially responsible business environment. Throughout this report, we have included explanations of how our strategy, processes and reporting have been aligned with and guided by the TCFD recommendations.

# CEO opening statement



## Alex Mollart

CEO

### Banking for a greener future

2024 was an important year for Tandem and we've worked incredibly hard to get the Bank to a place where we're now posting our first statutory profit. We've done it whilst delivering new and innovative green products to help build a greener digital bank. We empower the transition to a lower carbon lifestyle and help save money along the way.

### Impact and sustainability is at the heart of Tandem

With clarity of our mission, we take our responsibility to society and the environment seriously. This year, we launched our ESG strategy, aligned with our commitment to achieving net zero emissions by 2050. This saw a new partnership with Climate Impact Partners which enabled Tandem to offset its operational emissions (all emissions with the exception of Scope 3 Category 15 Invested Emissions).

Our investment into the Green Hub and its tools and expertise – such as the expanded partnership with Project Solar – continue to educate consumers, whether a Tandem customer or not, to understand their own impact and empower them to reduce their carbon impact.

In 2024, Tandem also proudly signed a two year corporate sponsorship deal with charity partner Foundation92 to further offer our free Financial Education programme to even more young people across our North West base, supporting social mobility in underserved communities.



### Looking ahead

For 2025, we see strategic advantage in our status as a fintech with a full banking licence, strong consumer lending heritage, and focus on the fast growing green finance segment.

Our priorities include:

- Continuing to invest in technology and cybersecurity to provide a secure and world-class banking experience for all
- Expanding our market presence in our traditional markets, as well as adding new strategic green partnerships and innovative offerings via Tandem's Green Hub
- Continuing our focus on our green journey, having financed 21% Green loans by value, and 17% Pathway to Green loans in 2024
- Enhancing our ESG credentials and deepening our community impact.

I am deeply grateful to our talented team for their dedication and to our customers for their trust in us. I would also like to thank shareholders for their support. Together, we are building a Bank that supports the future of our planet; one which empowers the transition to a lower carbon lifestyle and helps save money along the way.

# Our progress in 2024

## ESG Strategy

We've created four strategic pillars which collectively cover all of the sustainability issues that we encounter in our business. The strategic sustainability pillars used to guide and inspire us to integrate sustainability across the business are set out below (Table 1) and we will use them to communicate our progress.

In the following section we summarise some of the progress we've made on each strategic sustainability pillar and take a brief look ahead to our 2025 ESG agenda.








## Together we are Tandem

We're here to make it easier for more people to choose a greener lifestyle.

### Impactful Products

Together we provide products that enable our customers to lead a greener lifestyle

We provide loans that help our customers to decarbonise their homes and cars. Some of our lending products also have the benefit of enabling our customers to reduce air pollution too.

### Our Green Company

Together we will leave the planet in better shape

Our journey to Net Zero includes reducing our own emissions, working with our suppliers to reduce their emissions and purchasing carbon credits to offset our operational emissions whilst we're on the journey.

### People who Care

Together we care about our impact

Our people include employees, partners and the communities in which we work. By being recognised as a Best Place to Work we want to inspire and reward sustainable actions.

### Effective Governance

Together we do things the right way

We're working to embed sustainability into every part of the Group, every day. Climate change is already part of our strategy, risk management, targets and reporting.

Table 1: Our Strategic Sustainability Pillars

# Impactful products

## "Together we provide products that enable our customers to lead a greener lifestyle"

Our biggest opportunity to make an impact on climate change is to provide loans that help our customers to transition to a lower carbon economy by decarbonising their homes and cars.

| Motor Finance | Home Improvement Loans | Mortgages | Savings |
|---|---|---|---|
| Focused on the used car market | Support retrofit of housing | First and second charge | Fixed term and instant access |
| Phase out cars that don't comply with requirements of Clean Air Zones; move towards more vehicles with ever decreasing $CO_2$ emissions | Renewable energy and energy efficiency including solar, heat pumps, boilers, doors and windows | A reduced interest rate for customers with the most energy efficient homes (EPC A & B) | Fixed term savings help fund our green and 'pathway to green' lending |

Table 2: Our lending and savings products and the green proposition

## Aligning with our TCFD opportunities

We have used the TCFD guidance to identify opportunities that the transition to a low carbon economy will present to our business. These opportunities fall primarily into the categories of 'products & services' and 'markets' and align with our strategic ESG pillars of Impactful Products and Our Green Company. Guided by TCFD recommendations, we have conducted in-depth assessments of these opportunities and associated risks, enabling us to formulate appropriate responses and establish a robust way of reporting our current standing and future strategies.

## Green product criteria

So we can provide clarity on our impactful, "Green" products, we created our Green Product Criteria that benchmarked our Products against the EU Taxonomy for sustainable activities (the Taxonomy). The Taxonomy is a classification system established to clarify which economic activities are environmentally sustainable. The aim of the Taxonomy is to prevent greenwashing and to help investors make informed sustainable investment decisions. Our products are defined as 'green' if they meet the requirements of the Taxonomy (see Table 3: Our Green Product Criteria).

Additionally, we have further defined our products that outperform the national average, whilst at the same time making a material contribution to sustainability without necessarily meeting the Taxonomy. We believe it is important to bring our customers on our sustainability journey, hence we have called this our 'pathway to green'.

This gives us confidence to communicate our success without risk of "green washing".

At the end of 2024 we had 94,000 Green or 'Pathway to Green' loan customers with a total lending of £572 million. Collectively, these customers reduced their emissions by an estimated 70,000 tonnes of $CO_2$ in 2024.

| Product | Green – EU Taxonomy | Pathway to Green – Tandem definition* |
|---|---|---|
| **Motor Finance** | until 31 December 2025: Euro 6 Vehicles <50g $CO_2$/km<br>from 1 Jan 2026: 0g $CO_2$/km | Euro 6 Vehicles with $CO_2$ emissions<br>50 - 110g$CO_2$/km |
| **Home Improvement Loans (HIL)** | Solar, heat pumps, doors / windows | Gas boilers ErP "A"** |
| **Mortgages (First and second charge)** | EPC A & B | EPC "C" |
| **Savings** | Fixed Term savings that provide funding for Green lending | Fixed term savings that provide funding for "Pathway to Green" lending. |

Table 3: Our Green Product Criteria

*Pathway to Green: acknowledging that sustainability is often a journey, Tandem defines the 'Pathway to Green' as outperforming the market or national average, whilst not yet meeting the high level of 'Green' according to the EU Taxonomy.

** Assumption is that the new boiler is more efficient than boiler being replaced.

## Motor Finance

The number of vehicles we financed meeting the Government Clean Air Zone criteria increased from 70% to over 80%, and the average $CO_2$ emissions continued to reduce to 127 grams per km compared to the UK average of 130, demonstrating a positive shift in the environmental impact of vehicles we finance in line with our greener roadmap.

Used electric vehicles continue to grow in popularity, however they remain a small proportion of the used car market. Tandem's strategic growth plans include growing our presence in used electric and low emission vehicles, while continuing to offer value for money to all customers. The market is primed to enable this objective with new electric vehicle registrations expected to proportionally increase from 22% in 2024 to 31% in 2025, and the share of the car parc to increase from 4% to 7%.

## Award winning performance

In 2024 the Finance and Leasing Association (FLA) recognised Tandem's greener motor finance with an ESG award for their commitment to B2C funding, specifically highlighting our work in green motoring, sustainability and transitioning to lower emission vehicles.

Our motor finance team also received the Credit Strategy company award for sustainability for demonstrating an outstanding level of commitment to sustainability.




Motor Finance team receiving the FLA award for ESG commitment to B2C funding.

## Home Improvement Loans

The Home Improvement Loans (HIL) business continues to deliver on Tandem's green mission by enabling customers to finance products such as solar panels, battery storage, energy efficient heating systems and energy efficient glazing. Circa 95% of the Bank's HIL book has funded green and pathway to green products installed into customers' homes. This market is driven by increased customer awareness of the need to reduce emissions and how individual households can be more energy efficient. We understand the limits of working on this challenge alone which is why we continue to engage with valued partners including the Green Finance Institute (GFI) and the Finance and Leasing Association (FLA). Tandem has so far provided in excess of £700m of funding to more than 160,000 customers as part of this mission. Going forward we plan to continue to lead and innovate in this sector with exciting new lending products being added to the in-house platform.

## Delivering impact through partnerships

### The Green Finance Institute

Led by mission-driven finance experts, the Green Finance Institute (GFI) collaborates with financial institutions, corporates, policymakers, academics, philanthropists, and civil society experts to catalyse investment in net zero and nature positive outcomes. The GFI has collaborated with the Loan Market Association (LMA) to launch the Green Home Finance Principles (GHFPs), a framework of guidelines that promote integrity in the market. Tandem collaborates with the GFI and its HIL product has been recognized as a GHFPs Pioneer Product

### The Finance and Leasing Association

The FLA, in conjunction with Tandem and other lender members, has played a central role in supporting the Department for Energy Security and Net Zero (DESNZ) and the Green Finance Institute (GFI) in the development of the Green Retrofit Market. Chaired by Tandem's Managing Director of HIL, Julian Nutley, the FLA's Consumer Finance Green Steering Committee has developed a Green Finance Roadmap.



## Mortgages

Tandem's second charge mortgage proposition offers a range of residential second charge mortgages for various purposes, including home improvements, debt consolidation and high-value consumer purchases. We offer an interest rate reduction to our customers who own the most energy-efficient homes: 0.5% reduction for an EPC 'A' and 0.3% for EPC 'B'. 2024 saw demand for second-charge mortgage products at the highest level since 2009.

We recognise that mortgages will play a significant role in decarbonising the UK housing stock. We are engaged in that process, however given that >90% of our mortgage volume is second charge where the product is predominantly utilised for debt consolidation, our current scope is limited.

## Savings

Most of our lending is funded by our savings deposits. Whilst we don't specifically have a green savings product, savings deposits fund our lending including green and 'pathway to green' lending.

## Our Impact

Our biggest impact comes from enabling customers to make purchasing decisions that reduce emissions from their homes and vehicles. As such mobilising the finance we provide to reduce our customers' emissions is our priority across all our sustainability efforts.

We estimate our customers' $CO_2$ savings based on proxy data from the Energy Savings Trust for our Home Improvement Lending business.

It is important to note that $CO_2$ savings are estimates that rely on several assumptions. We continue to improve these as well as the underlying data to give a fair picture of our impact.

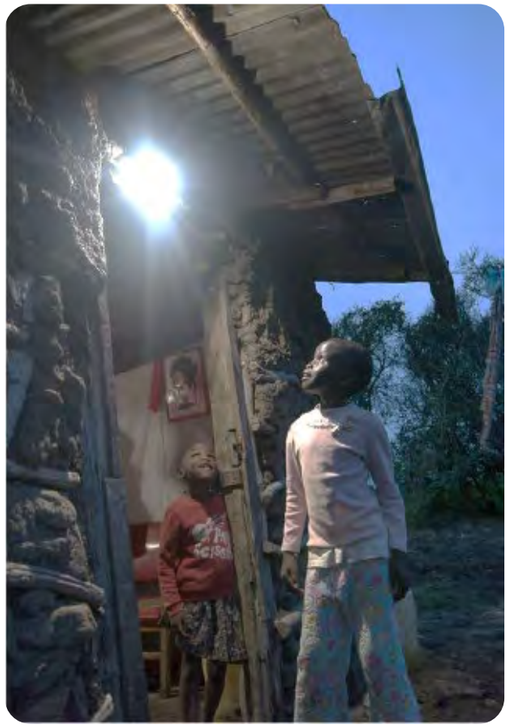
We used the inputs in Table 4 to estimate the $CO_2$ savings of 70k tonnes for 2024. We use the per unit savings and multiply it with the number of customers who have used the product. Customers who were with Tandem as of the 31 December 2023 are counted as a full year's worth of $CO_2$ savings and all new customers during 2024 are accounted for on a pro-rata basis, e.g. if a customer had an installation in January, they saved 11 months' worth of $CO_2$ for 2024.

| Product Type | Proxy data source | Methodology (based on Energy Savings Trust (EST) form) | $CO_2$ savings (kg/per annum) |
|---|---|---|---|
| **Solar PV Installation** | Energy Saving Trust | Smart export guarantee mechanism (using Manchester as location point) | 680 |
| **Gas Boiler Upgrade** | Energy Saving Trust | Replacing E/F with new A rating boiler | 673 (Internally sourced) |
| **Heat Pump Installation**<br>NB: Energy Savings Trust only provides proxy data for a 3/4 bedroom detached house on heat pumps. | Energy Saving Trust | Replacing G rated gas boiler with an air source heat pump | 2800 |
| | Energy Saving Trust | Replacing G rated gas boiler with a ground source heat pump | 4400 |
| **Double Glazing Installation** | Energy Saving Trust | A- (with typical gas boiler from average single glazed) | 330 |

Table 4: Data input into $CO_2$ Savings Calculations



# Our green company



## Together we will leave the planet in better shape

We believe that we all have a responsibility to tackle climate change and our starting point is reducing our own carbon footprint as a business. Although we have customers and business partners across the UK, our immediate footprint is quite simple, consisting of four offices in England and Wales.

As well as our carbon emissions, in our office space we consume small amounts of water and office materials which generate waste.

Our indirect carbon emissions are more complicated and more substantial, and broadly divided into two categories: those generated through our operations and those through our investments. Our operational emissions include those generated by our suppliers of goods and services as well as by our own employee commuting and business travel. By far our biggest indirect emissions are our invested emissions, those related to our lending products, in essence the operation of the cars, houses and home improvement equipment which we finance.

## Carbon neutral on our way to net zero

Climate change is central to our business and we've got a great story to tell. Our biggest impact comes from the reduction in our invested emissions. To reduce our own emissions, this year we set a net zero target of 2030 for Scope 1&2 carbon emissions and a net zero target of 2050 for our (indirect) scope 3 emissions. These are based on the Science Based Targets initiative (SBTi) guidelines, which define net zero as the requirement to reduce absolute emissions by at least 90%, with the remaining 10% or less to be offset.

2024 was our first full year on our net zero journey from our baseline in 2023 and we're delighted to report our first, successful steps. As set out in Table 5, we reduced our Scope 1 & 2 emissions by over 50%, fundamentally by moving offices and removing natural gas as a heating fuel. Our scope 3 emissions reduced by over 10,000 tonnes $CO_2e$ mainly through a reduction in our invested emissions but also due to a 19% reduction in emissions from our employees commuting to and from our offices.

In 2024, we made our first purchase of 3,013 carbon credits to offset all of our Scope 1, 2 and 3 operational emissions. We invested in a domestic solar panel project in East Africa which reduces the need for kerosene lamps and brings solar lighting systems to households across Kenya and Uganda. This initiative not only cuts down on $CO_2$ emissions but also improves health by reducing indoor air pollution and removes dangerous fire hazards, whilst providing affordable, clean energy to communities heavily impacted by climate change. This is a great way to complement our net zero commitment and means we are carbon neutral whilst we are on our way to netzero 2050.

### What's the Scope? How carbon emissions are categorized.

Greenhouse gas emissions, often referred to as "carbon emissions", include several gasses the most common of which is carbon dioxide ($CO_2$). In practice we report all emissions in $CO_2$ equivalent or $CO_2e$. All emissions are divided into the following categories:

**Scope 1:** directly generated by Tandem, for example by burning natural gas for heating.

**Scope 2:** indirect emissions from the production of the electricity that we purchase.

**Scope 3:** indirect emissions from up and down our value chain, including (categories 1–14) from our suppliers of goods and services, waste we generate and employee commuting, and (category 15, Invested Emissions) from the equipment, homes and cars that our customers buy with the money we lend them.

## Our route to Net Zero

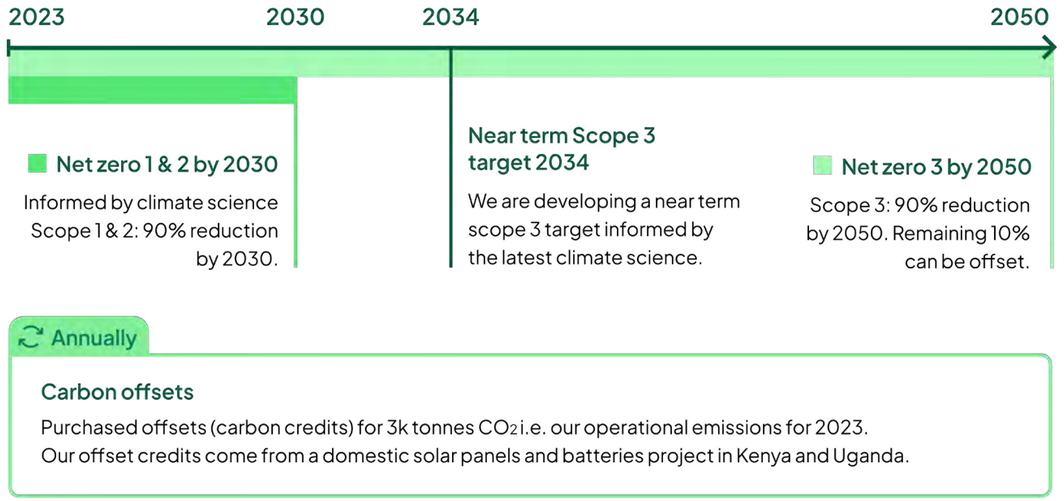



Figure 1: Our route to net zero".

| | 2023 Value (Re-stated) | 2024 Value | Progress Against Target |
|---|---|---|---|
| Absolute net zero (90% reduction) for Scope 1* and Scope 2 (market-based) by 2030 from a 2023 baseline. | 33.20 tonnes | 15.81 tonnes | 52.38% decrease from baseline; within this natural gas emissions have decreased significantly by 74.98%.<br>On track, a 6.27% annual reduction is needed going forward. |
| Absolute net zero (90% reduction) for all scopes (Scope 1*, Scope 2 (market-based) and Scope 3) by 2050 from a 2023 baseline. | 242,055.78 tonnes | 231,948.92 tonnes | 4.18% reduction from baseline. There was a decrease in Scope 3 emissions, mainly driven by a decrease in Scope 3 Category 15 (Investments) and Category 7 (Employee Commuting), which decreased by 4.30% and 19.55%, respectively.<br>On track, a 3.30% annual reduction is needed going forward. |

Table 5: Our Progress against Targets.

*The GHG Protocol, and therefore the SBTi, does not currently allow for Scope 1 market-based emissions. Therefore, Scope 1 emissions are reported using the location-based method.

## Our sustainable improvements

As part of our commitment to net zero we continually strive to improve our environmental performance. Where possible, Tandem purchases electricity from suppliers that demonstrate green procurement principles, evidenced by Renewable Energy Guarantees of Origin (REGO).

Our new Cardiff office site uses electric heating, which resulted in a significant decrease in our natural gas emissions this year and an increase in renewable electricity used. Transport emissions have decreased significantly following drops in travel activity and claimed mileage from the previous reporting period. Car mileage (grey fleet) was reduced as a result of a general aim to leverage more virtual collaboration opportunities.

We continue to make meaningful progress in enhancing the environmental performance of our facilities while ensuring alignment with regulatory standards and ethical practices.

- Outdated appliances across all sites are being replaced with energy-efficient alternatives—such as the fridge in our London office and portable heaters in Durham.
- Certified contracts are in place for the responsible recycling and repurposing of e-waste, including partnerships with private contractors and local councils.
- Ongoing rollout of recycling training and a Waste Segregation Guide.
- Streamlined fresh food delivery services to reduce excess and support responsible consumption.

Our full SECR report and carbon balance sheet figures are provided in the Appendix.

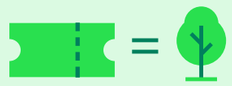
## Engaging our suppliers

Tandem currently uses over 150 suppliers. As part of our onboarding process, we ask them questions on a range of subjects including information security, data protection, regulatory compliance and business ethics.

Purchasing goods and services is our second largest contribution to our scope 3 emissions, therefore it is a priority for Tandem to verify these emissions and understand climate risk in the supply chain. In 2024 we issued the first ESG questionnaires to new and existing suppliers and we aim to have received all responses by the middle of 2025.

In 2025, we will use the information from the questionnaires to understand the key ESG issues that our suppliers are managing and prioritise our suppliers for engagement. This will allow us to update our carbon balance sheet based on actual (scope 3) emissions and work with suppliers to share experience with the aim of reducing $CO_2$ emissions and improving ESG performance more generally.

### 642 train journeys = 642 trees



We're working with our suppliers to improve our sustainability impact. In 2024 we partnered with Trainhugger who, with the help of the Royal Forestry Society, planted a tree for every train journey we booked.



# People who care

## Together we care about our impact

Tandem's approach to sustainability contributes to creating a safe and inclusive workspace for all with a passionate culture, whilst improving employee engagement and inspiring our people to choose a greener lifestyle.

Our commitment and focus on ESG helps to attract and retain top talent who share in our values and behaviours, with many stating our purpose 'Banking for a Greener Future' as an important reason for them joining the Bank, together with our sustainable focused benefits. Looking after our employees' health and wellbeing along with promoting a safe space for everyone, is fundamental for the long-term sustainability of Tandem.

Our workplace is somewhere everyone can feel safe to be themselves and thrive within. Being inclusive involves giving equal access, opportunities and resources to people who might otherwise be excluded. Inclusion and diversity (I&D) remains a key strategic focus for the Bank's people strategy. We continue to focus our efforts on the inclusion and diversity space, ensuring everyone's voice is seen, heard and valued. Employee resource groups (ERGs) focusing on ESG, I&D, Women in Finance, and Wellbeing created a sense of belonging and enabled the voice of our people to be heard. Together with pledges made to HMRC's Women in Finance Charter, these actions highlight the importance and commitment we're making for everyone here at Tandem.

**Catherine Diamond, Chief People Officer.**

## Best place to work

We continue to build a One Bank culture, where employees all feel safe, happy and belonging. We know that companies that have happier employees, tend to have lower staff turnover, so we regularly measure employee engagement levels in quarterly internal surveys. In 2024 we also signed up to an external independent assessment with The Sunday Times Best Places to Work. Measuring our employee happiness, Tandem successfully placed on the list within the top 100 big companies' category. Data was also measured based on specific I&D focus questions.

## Engaging our employees

The People team is also responsible for driving all internal communications and engagement via an internal comms calendar and several channels, including creating Tandem Hub (similar to an intranet and Blog platform), monthly eNewsletters, weekly volunteering emails, Teams groups, Townhall meetings, and new for 2025 – Viva Engage.

The team is focused on creating a diverse and vast range of activities, celebrations and awareness campaigns, to help support, educate and nurture our people. 2024 events included celebrating Shrove Tuesday (pancake day), Easter, Wimbledon, Diwali, Pride, International Women's Day, Eid Mubarak, Menopause Awareness Day, Mental Health Awareness Month, Black History Month, International Men's Day and Christmas.

## How did we engage our people for our International Men's Day campaign?

With the introduction of Mental Health First Aiders across the Bank, we are committed to providing continual colleague mental health awareness. Tandem supports a multitude of mental health initiatives throughout the year, including International Men's Day held in November.

In 2024, we created a whole week of celebrations focusing on how to assist male colleagues, family members and friends, on the following topics:

- Physical health
- Mental wellbeing
- Getting social
- Communication

Research suggests that men typically have difficulty in discussing their feelings or properly connecting with other men on an emotional level. We've been focused on breaking down these barriers by building and maintaining a psychological safe space within the Bank to enable important chats and conversations to happen.

We provided men the support to grow and develop their psychological safety with us through:

- Movember Challenge
- Raising awareness of the NHS 5 Pillars of Wellbeing
- An introduction to armchair yoga
- A webinar with UK Men's Shed Association

Supporting each of these practical sessions, we provided blogs, articles and resource links for help talking about emotional intelligence, how to combat toxic masculinity, mental health warning signs and a host of associated webinars.

## Developing our Talent

Tandem is dedicated to the ongoing development of our employees. We offer access to training programmes, workshops, and resources to enhance professional skills and support career advancement, including mentoring schemes and women in leadership forums. In 2024, 19% of our employees participated in professional development training.

From the induction of new employees to continuous professional development, ESG is integral to Tandem's talent development strategy. Delivered by our People Team, the primary objective of our ESG training is to ensure all employees understand the essential role of ESG, particularly sustainable finance, in our core business. We aim to demonstrate how they can contribute and empower them to contribute.

This development includes:

- New employee induction: This comprehensive programme for all new hires includes a focus on our mission; we're making it easier to help consumers choose a greener lifestyle, together with the fundamentals of ESG, our Green Product Criteria, Tandem's Green Deal for employees, and an introduction to safety, health and wellbeing.
- Mandatory training: Conducted monthly, this training is compulsory for all employees. Typically, there are two ESG modules each year, one of which is recycling training. Each participant must pass a short test at the end of the module.
- Townhall meetings: Held monthly, these Bank-wide meetings regularly feature ESG-related briefings including progress against our company goals, five of which are related to ESG.
- Inspire Me@3 sessions: These sessions with visiting experts provide additional learning opportunities especially covering ESG topics such as International Women's Day discussions.
- Tandem Hub: Similar to an intranet, Tandem Hub is a one-stop shop for our employees to stay up to date with the latest news and updates from around the Bank. It contains news articles, links, and briefings on a wide range of ESG topics, including participation in community events, tree planting, salary sacrifice cycle to work and electric vehicles schemes, and health and wellbeing initiatives – such as how to support colleagues and team members with female menstrual health challenges.

## Our Community Connection

Giving back to our communities represents an integral part of Tandem's culture and social impact strategy. Our people play a key role in how we engage with our communities, and we work collectively to drive sustainable change both inside and outside of the Bank.

Throughout 2024, we have focused on social mobility and educational opportunities, which will continue to be of focus in 2025 and beyond. Further, given the economic backdrop, we also supported local food banks.

We engage in several ways including volunteering, charity initiatives, sponsorship of various community events and targeted fundraising, as we continue to make a long-lasting, positive impact. Unsurprisingly, our people drive our community engagement as they are involved in nominating and choosing which initiatives we support. We encourage all Tandem employees to get involved with local community organisations and give each employee two volunteering days annually to use with any charity or community project of their choice.

**Charities we supported with donations or volunteering in 2024:**

- The BoatHouse Youth
- The Felix Project
- Foundation92
- Maggies
- Trees for Life
- 4Louis
- Bute Park
- Leighton Hall
- The Salvation Army

To support our social impact strategy we promote a volunteering campaign called One Million Minutes, celebrating the acts of kindness our people complete in their own personal time and as organised by Tandem during the working day. Each employee records actions that make an impact in our local communities such as helping a neighbour with shopping, volunteering with a Scout group, litter picking at a local beach, or giving blood. In 2024 alone we generated over 138,375 volunteering minutes dedicated to volunteering in our local communities and we aim to hit one million minutes by 2027.



## Hear how one of Tandem's employees is contributing to our One Million Minutes campaign...



**Gavin Fowler, Motor Finance Internal Sales Manager at Tandem**

"I'm Gavin Fowler, dad of 3 boys and I also coach three separate football teams in my spare time.

Tuesday evenings are spent coaching, while my Saturday and Sunday mornings, along with Saturday afternoons are taken up with games for all three groups.

Sadly, I lost my dad through the pandemic which was a very difficult time for me and the boys. Getting involved with football coaching was exactly what I needed to help me deal with the loss of my dad. My Dad would support the local homeless charity, and since his passing, the kid's teams have done many fundraising events (walking Pen y Fan etc) to make donations to the charity.

I became a volunteer coach by chance, pursued it because of the example set to me, but I now choose to do it because of how rewarding and satisfying it can be. I love that Tandem celebrates this."

Working with corporate charity partner Trees for Life, Tandem plants a tree for every new hire and encourages our employees to join The Green Deal by planting a tree and having renewable electricity at home. For 2024, 214 employees out of 500 took part in The Green Deal and each received an additional day of holiday as a reward for living a more sustainable lifestyle.

Trees for Life



## Our Financial Education Programme

Tandem's Financial Education programme has seen significant growth, expanding beyond our established relationships with colleges and charitable organisations in the North West, to reach across the UK with the help of our partnerships with Foundation92, Future First and The Talk.

**The Financial Education Programme provides young learners with:**

- Dedicated educational trainers to conduct sessions
- Six financial education modules including financial lifecycle, budgeting, forms of borrowing and online safety
- Full teaching plans and notes for schools to use as lesson guides
- Access to our dedicated Tandem mobile learning hub

Tandem's Financial Education Programme takes this one step further and supports our next generation to make better informed financial decisions.

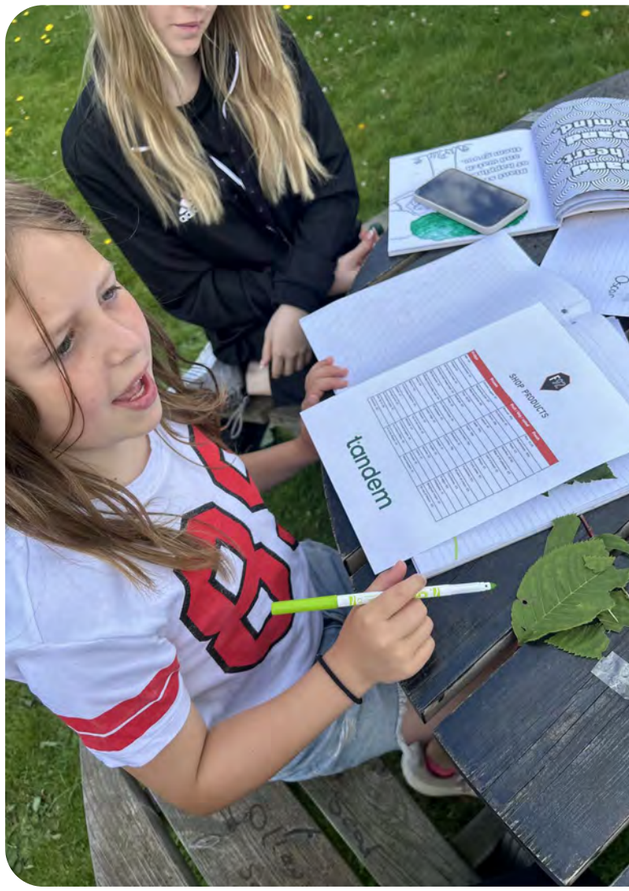
A key development has been the introduction of our Train the Trainer programme, which equips teachers and educators to deliver our financial education sessions in-house, removing the need for onsite facilitation. Additionally, our Tandem Hub serves as a central resource for key financial tools and support for employees.

Through our partnership with Foundation 92, we have enhanced our impact by providing volunteering opportunities for Tandem employees and co-delivering a collaborative Financial Education programme. Over the past 12 months, this programme has reached 446 individuals including young people in specialist schools, pupil referral units, and those at risk of exclusion, as well as families facing acute financial hardship due to lifestyle inequalities.

**Numbers of young people reached with our Financial Education programme in 2024:**

- 940 taught via our Education Manager
- 6,960 teachers trained
- 446 students within the Greater Manchester area

Since the launch of our Financial Education programme in January 2023, we have reached 10,944 individuals across the North West.



# Effective governance

## Together we do things the right way

We continue to develop our governance and in 2024 we refreshed two important elements: how we run our ESG Committee and our ESG Policy. One noteworthy part of the refreshed policy is the reference to the changing regulatory environment including:

- ESG reporting: Mandatory requirement to report against the UK Climate-related Financial Disclosure (CFD) framework (and voluntary reporting against the Taskforce for Climate-related Financial Disclosures (TCFD) framework).
- ESG Risk Management: PRA Climate Risk expectations in "SS3/19 - Enhancing banks' and insurers' approaches to managing the financial risks from climate change".
- Anti Greenwashing: FCA Anti-Greenwashing Rule (May 2024).

## Accountability at the highest level

At Tandem we recognise the critical role that financial institutions play in driving the sustainable economic transition. Therefore, our Board oversees climate-related risks and opportunities, with our Chief Financial Officer (CFO) ultimately accountable for climate risk.

| Governance Committees | | |
|---|---|---|
| **Board** | **Executive Committee** | **Principal Risk Types** |
| Risk Committee | Executive Risk Committee | Climate Risk |
| Audit Committee | ESG Committee | |
| Renumeration Committee | Operations Committee | |
| Nomination | IT Steering Committee | |
| Transaction | Transformation Committee | |
| | Asset & Liability Commitee | |

Figure 2: Tandem's ESG and climate risk governance (green) in the context of all other committees (grey).



The Board discussed Environmental, Social and Governance (ESG) matters five times during 2024, the content of which included signing off the climate risk register, approving the Climate-related Financial Disclosure (CFD) and a capacity building deep dive. This Board activity ensures that Tandem's strategy, purpose, and messaging are aligned with our ESG and TCFD priorities.

Due to the growing importance of climate risk the Board is supported by our ESG Committee, which we formed in 2022. The ESG Committee assists the Board in the management of climate-related risks and opportunities, including assessing and identifying such risks on an annual basis. The Board oversees the progress made towards addressing climate-related issues through the Executive Committee and its relevant sub-committees.

More details are available in the Tandem 2024 Annual Report and Accounts.

## Integrating Climate Change into our Strategy

To ensure climate-related risks and opportunities are factored into our strategy, we undertook climate scenario modelling as recommended by the TCFD. We modelled three possible global warming scenarios: below 2°C, between 2–3°C, and lastly above 3°C, within three timeframes: short-term (2024–28), medium-term (2029–38) and long-term (2039–53). We chose the three timeframes to align with the bank's revenue streams and product lifecycles. Since our loans have varying Loan-to-Value (LTV) ratios it was crucial to assess climate risk in relation to each product type. This approach ensures a comprehensive understanding of how climate change could impact both the revenue generated from these products and the overall value of the bank's assets.

This provided a deeper understanding of the risks and opportunities associated with climate change. In the last financial year we acknowledged Climate Change as a principal risk and we have done the same again this financial year.

The specific parameters and underlying assumptions for each of these global warming scenarios, along with a more detailed rationale for the chosen timeframes in relation to our portfolio, are comprehensively outlined in our Annual Report and Accounts. We encourage stakeholders to refer to this section for a complete understanding of our climate risk assessment methodology. This detailed disclosure underscores our commitment to transparency and provides crucial context for the resilience strategies we are developing across our business.

## Climate Change: Risk and Opportunity

Tandem continues to evaluate and take action to mitigate climate change risk. A Climate Risk Register is a mandatory requirement of TCFD. To inform or Climate Risk Register two workshops – one for each of Transitional and Physical risks – were undertaken where the risks were identified, rated and owners assigned.

Transition risks arise from the shift to a low-carbon economy and are categorised into four key areas: policy and legal risks, which involve changes in government regulations and laws



related to climate change; technology risks, which include the development of low-carbon technologies and potential disruptions to existing technologies; market risks, which encompass fluctuations in energy prices, carbon pricing, and changes in consumer preferences; and reputation risks, which relate to potential damage to an organisation's brand image due to climate-related issues.

Physical risks, on the other hand, stem from the direct impacts of climate change and can be either acute or chronic. Acute risks refer to one-off extreme events such as floods, heatwaves, droughts, wildfires, and storms, while chronic risks are long-term changes including rising sea levels, resource scarcity, and shifting weather patterns.

**The following two significant risks were identified:**

- Transition risk: Increased Stakeholder Concern. The risk is that Tandem makes false statements ("green washing") which result in breach of regulations and loss of customer trust. In mitigation of this risk a team was formed to review all of Tandem's external communications and change any language that was at risk of being labelled as green washing. We are continuing to build our ESG capacity and governance as well as monitoring all of our marketing and communications.
- Physical Risk: Flooding. Risks were identified at a regional level then Tandem undertook an assessment at a detailed property level and risk exposure was benchmarked against competitors (in general we were slightly less exposed). Tandem is currently working towards building a front-end solution for monitoring flood exposures. In the meantime the Bank will undertake a further assessment of the flood exposure of the mortgage portfolio using 2024 year-end data and will continue to re-run the exercise periodically until the front-end solution is in place. Although the two flood risk assessments used different methodologies and scenarios, this alignment of timelines across both assessments (regional- and property-level) provides a comprehensive and consistent view of potential flooding risks over time.

These risks are developed in more detail in Tables 6 & 7 and details of our risk management process are set out in our 2024 Annual Report.

Tandem's climate resilience is built upon our proactive approach to managing both transition and physical risks associated with climate change. By focusing on developing and expanding "green" financial products and services we are positioning ourself to capitalise on evolving consumer preferences and contribute to the low-carbon transition. This includes offerings like discounted mortgages for energy-efficient homes, financing for electric vehicles, and support for home improvements that reduce energy consumption. This strategy not only creates new revenue streams but also helps mitigate risks associated with a shift towards a greener economy. While our direct operational footprint might be less exposed to physical climate risks, our focus on financing and supporting customers in their transition strengthens the resilience of our portfolio. This approach allows Tandem to adapt to the changing landscape, manage potential financial risks related to climate change, and seize opportunities in the growing green economy, ensuring its long-term viability and success.



| Risk type | Main Financial Impact/ Consequences of Non-compliance | Potential Impact Description | Actual Impact Description | Timeframe | Scenario | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Reputation: Increased stakeholder concern | Reduced access to capital; reduced asset and company valuations.<br>Reduced revenue if customers choose not to use Tandem.<br>Reduction in ability to attract and retain talent.<br>Reputational risk is a critical consideration for Tandem as it can have cascading effects on other risk categories, such as market risk and liquidity risk. The potential cost to the business: £100,000–£500,000 | The potential risk that Tandem conveys a false impression or delivers misleading information about its products and services or that it makes unsubstantiated claims to deceive its consumers into believing that its products and services are sustainable or that they have a greater positive sustainability impact than they actually do.This can potentially result in reputational damage, regulatory penalties and loss of customer confidence. Non-compliance with the Financial Conduct Authority (FCA) Sustainability Disclosure Requirements (SDR) and investment labels policy statement (PS23/16). | As the world transitions to a decarbonised economy, stakeholders are likely to have increased interest and concern regarding sustainability credentials.<br>An actual or perceived inability to understand and be seen to be taking action to reduce Tandem's overall carbon footprint is likely to negatively impact investor sentiment / ratings, potentially limiting access to capital, as the focus on environmental impacts, climate change and net zero targets increases. To avoid greenwashing, the new FCA rule states that all sustainability-related claims about products and services must be fair, clear and not misleading. Breaching the rule could mean facing a reprimand or a fine. | Short - Medium Term (2024–2038) | <2°C<br>2–3°C | Publish standalone ESG Report incorporating TCFD, along with incorporating a mandatory short-form CFD report into Tandem's Annual Report to communicate efforts to stakeholders, including customers.<br>Allocate internal resources to plan a net zero strategy, ensuring Tandem remains committed to reaching net zero by 2050. Regularly monitor current and emerging regulations.<br>Tandem has further invested in ESG with the appointment of its first Head of ESG. This role is responsible for leading the sustainability and ESG agenda for the Group. Dedicated ESG resources focusing on sustainability and reporting to the Chief Financial Officer via Managing Director Corporate Development targeting greenwashing.<br>Continue developing green products and services to show action is being taken.<br>Defined green criteria for products and aligned to the best available regulation (EU Taxonomy) to avoid greenwashing claims.<br>Review undertaken of all external communications to assess language for compliance with FCA anti-greenwashing rule. Language edited /replaced with compliant text.<br>To mitigate the risk of increased stakeholder concern, Tandem has set ambitious absolute net zero targets: Scope 1 (location-based) and Scope 2 (market-based) by 2030, and all scopes by 2050, with 2023 as the baseline year. Progress towards these targets is regularly monitored and disclosed, demonstrating our commitment to reducing our carbon footprint, detailed in Table 7. |

Table 6: Transitional risk that was rated as significant and deemed material.

| Risk type | Main Financial Impact/ Consequences of Non-compliance | Potential Impact Description | Actual Impact Description | Timeframe | Scenario | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Acute: Increased Severity of Flooding<br>Note: assessment undertaken in two stages. Initial assessment at the "regional" level performed as part of our TCFD process. Detailed assessment performed by Tandem using property level data. | Decline in the credit quality of physical assets, such as mortgages, derivative products from mortgages, and real estate investments.<br>Potential depreciations of asset values due to property damage or increased risk exposure.<br>If Tandem lends heavily in high flood risk zones, loan repayments may drop in loan book quality.<br>Potential increased demand for funds by customers for damage repairs. This could have adverse effects on cash flows.<br>Further costs in managing flooding risk for sites and invested assets (for example, mortgaged properties).<br>Operational Risk: Higher costs and disruptions, including reputational damage from flood-related impacts.<br>Potential cost to the business: £100,000–£500,000 | **Direct Impacts**<br>Outside our mortgage portfolio, we also have our office sites, which could cause some business interruption if impacted by flooding. However, these are largely leased, so physical damage would be the landlords' responsibility.<br>**Indirect Impacts**<br>Long-term effects could cause the building's physical structure to be damaged and can lead to lengthy ongoing repairs.<br>Increases in insurance costs: Global property insurance premiums are forecast to rise by 29% by 2040 as weather-related catastrophes become both more intense and frequent. | **Direct Impacts**<br>Flooding can damage properties leading to an increase in renovation, repair and maintenance costs. Flooding is the main cause of infrastructure damage in the UK.<br>Building structure may be compromised resulting in high repair costs and possible site closures.<br>To assess the flood risk exposure in the mortgage book, the Bank partnered with a leading climate-related data third party (CLSQ) to procure climate data for the mortgage portfolio. This data includes coastal flooding, surface water flooding and river flooding at the property level. The Bank used the JBA market floodability index, which uses a Green, Amber, Red, Black 1 and Black 2 rating to categorise the risk of flooding and is based on the likelihood of being able to obtain insurance, with green being most likely and Black 2 being least likely. The time horizon of scenario analysis was selected based on the average maturity of each book, and the analysis is based on the balance sheet as at December 2023 and assumes a static balance sheet throughout the scenario horizon.<br>Tandem's mortgage book has a combined exposure to risk bands red-black 2 of 2.85%, on a volume basis, versus estimated market average of 3.60%.<br>**Indirect Impacts (Borrowers)**<br>Flooding can worsen borrower creditworthiness due to economic hardship of repairs and high insurance premia.<br>Flooding can depreciate asset values due to property damage or increased risk exposure/inability to access insurance.<br>Indirect Impacts (Tandem offices)<br>Transport networks around the site may be inundated, preventing employees from reaching the site, leading to reduced productivity.<br>Some of our sites at risk from flooding include our sites in Cardiff, London, Blackpool and Durham. | Regional level assessment RCP 6.0 scenario from the Met Office HadGEM model.<br>Property level assessment used the 2.9°C scenario. | 2031–2035 for second charge and first charge legacy products. 2046–2050 for first charge new products. | Tandem is currently working towards building a front-end solution for monitoring flood exposures and will consider how this exposure will be managed in line with the Bank's Risk Appetite Framework. In the meantime, the Bank will undertake a further assessment of the flood exposure of the mortgage portfolio using 2024 year-end data and will continue to re-run the exercise periodically until the front-end solution is in place.<br>Increased flooding risk threatens our operations. To combat this, we've set net zero targets: Scope 1 (location-based) and Scope 2 (market-based) by 2030, and all scopes by 2050 (from a 2023 baseline). Achieving these, as seen in Table 7, directly reduces climate factors that worsen flooding. Our 52.38% Scope 1 and 2 emissions reduction from the baseline lessens potential flood severity, building resilience. |

Table 7: Physical risk that was rated as significant and deemed material.

# Look ahead to 2025

Whilst we take great pride in the achievements of 2024 captured in this report, we realise that these are small steps on a long pathway. In the year ahead we plan to:

- Increase our engagement on sustainability with our customers by working with our partners and intermediaries for each Tandem product and directly through the Tandem Hub.
- Develop net zero pathway so that each part of the business has clear targets towards our net zero objective.
- Work with suppliers to better understand their climate change risks and enable those with greatest opportunity to reduce their emissions (our scope 3 emissions).
- Roll out our new strategic sustainability pillars within Tandem and build them into employee engagement.
- Review the way we contribute to society and maximise our positive social impact.
- Continue to develop our climate risk framework and our related governance more generally.

We're excited to play an increasing role in helping our customers decarbonize their homes and their cars.



# Appendices

## Carbon Balance Sheet*

| Emissions Scope & Category | FY24 $tCO_2e$ | FY23 $tCO_2e$ | % Change |
|---|---|---|---|
| **Scope 1** | **7** | **30** | -75% |
| Natural Gas | 7 | 30 | -75% |
| Transportation (excluding grey fleet) | N/A | N/A | N/A |
| Other Fuels | N/A | N/A | N/A |
| **Scope 2 (location-based)** | **53** | **46** | 17% |
| **Scope 2 (market-based)** | **8** | **3** | 239% |
| **Scope 3** | **231,934** | **242,023** | -4% |
| 1. Purchased Goods & Services | 2,556 | 2,320 | 10% |
| 2. Capital Goods | 79 | 29 | 169% |
| 3. Fuel-related Emissions | 19 | 20 | -5% |
| 4. Upstream Transportation and Distribution | 72 | 51 | 42% |
| 5. Waste Generated in Operations | 20 | 22 | -9% |
| 6. Business Travel | 168 | 207* | -16% |
| 7. Employee Commuting | 362 | 450 | -20% |
| 8. Upstream Leased Assets | N/A | N/A | N/A |
| 9. Downstream Transportation and Distribution | N/A | N/A | N/A |
| 10. Processing of Sold Products | N/A | N/A | N/A |
| 11. Use of Sold Products | N/A | N/A | N/A |
| 12. End-of-life Treatment of Sold Products | 30 | 21 | 42% |
| 13. Downstream Leased Assets | N/A | N/A | N/A |
| 14. Franchises | N/A | N/A | N/A |
| 15. Investments | 228,628 | 238,903** | -4% |
| **Total emissions (location-based)** | **231,994** | **242,099*** | -4% |
| **Total Emissions (market-based)** | **231,949** | **242,056*** | -4% |
| **All $tCO_2e$ (location-based) per FTE** | **479** | **474*** | 1% |

Table 8: Carbon Balance Sheet

*The reported Scope 1, 2 and 3 emissions have been rounded to two decimal places. Any year-on-year comparison calculations have been conducted using complete, unrounded figures.

**FY2023 Scope 3 emissions have been restated to account for updated DEFRA conversion factors and the inclusion of emissions from Tandem Bank's bond portfolio.

## Streamlined energy and carbon reporting

The tables and information below present Tandem's energy usage, associated emissions, energy efficiency actions and energy performance under the government's Streamlined Energy & Carbon Reporting (SECR). Tandem Bank's reported location-based Scope 1, Scope 2 and Scope 3 (Grey Fleet) emissions have decreased by 32.70% year-on-year, driven in part by the relocation of the Cardiff office during the reporting period. This resulted in a significant decrease in Tandem's natural gas emissions. Electricity emissions, conversely, have increased with the new Cardiff site which now uses electricity for heating. Transport emissions have decreased significantly following drops in travel activity and claimed mileage from the previous reporting period. Car mileage (grey fleet) was reduced as a result of a general aim to leverage more virtual collaboration opportunities.
The higher grey fleet activity rates in FY23 were linked to efforts in support of the Estate Consolidation.

| | FY24 Consumption (kWh) | FY23 Consumption (kWh) |
|---|---|---|
| **Utility and Scope** | **UK** | **UK** |
| **Scope 1 Total** | **40,836** | **163,189** |
| Natural Gas (Scope 1) | 40,836 | 163,189 |
| **Scope 2 Total** | **254,028** | **222,864** |
| Grid-Supplied Electricity (Scope 2) | 254,028 | 222,864 |
| **Scope 3 Total** | **202,482** | **351,529*** |
| Transportation (Scope 3) | 202,482 | 351,529* |
| **Total** | **497,346** | **737,582** |

Table 9: Tandem Money Limited's Total Energy Consumption (kWh).

*Transport emissions for FY23 have been restated to account for more accurate mileage data.

| | FY24 Emissions | | FY23 Emissions | |
|---|---|---|---|---|
| Utility and Scope | UK market-based ($tCO_2e$) | UK location-based ($tCO_2e$) | UK market-based ($tCO_2e$) | UK location-based ($tCO_2e$) |
| **Scope 1 Total** | **7.47** | **7.47** | **29.85** | **29.85** |
| Natural Gas (Scope 1) | 7.47 | 7.47 | 29.85 | 29.85 |
| **Scope 2 Total** | **8.34** | **52.60** | **3.35** | **46.15** |
| Grid-Supplied Electricity (Scope 2) | 8.34 | 52.60 | 3.35 | 46.15 |
| **Scope 3 Total** | **46.22** | **46.22** | **81.94*** | **81.94*** |
| Transportation (Scope 3) | 46.22 | 46.22 | 81.94* | 81.94* |
| **Total** | **62.03** | **106.29** | **115.14*** | **157.94*** |

Table 10: Tandem Money Limited's Total UK Location and Market-based Emissions ($tCO_2e$)*
*Transport emissions for FY23 have been restated to account for more accurate mileage data.

| Intensity Metrics | Location-based ($tCO_2e$) | | Market-based ($tCO_2e$) | |
|---|---|---|---|---|
| | FY24 | FY23 | FY24 | FY23 |
| **Total Number of FTE** | 484 | 511 | 484 | 511 |
| **All Scopes $tCO_2e$ per FTE** | 0.22 | 0.31* | 0.13 | 0.23* |
| **YoY Percentage Change** | **(28.99%)** | | **(43.15%)** | |

Table 11: Tandem Money Limited's Total Emissions Intensity Metric*.
*The reported Scope 1, 2 and 3 emissions have been rounded to two decimal places. Any year-on-year comparison calculations have been conducted using complete, unrounded figures.
**Transport emissions for FY23 have been restated to account for more accurate mileage data.



## Energy Efficiency Narrative

**Measures Undertaken in FY24:**

Estate Consolidation: Tandem Bank relocated operations in Cardiff, which has contributed to an overall reduction in energy consumption. The old site was reliant on natural gas and electricity whereas the new site is only reliant on electricity.

The Manchester site was also vacated at the end of July resulting in Tandem operating 4 offices from August to December 2024. The reduced office footprint allows the Group to better manage energy usage and emissions.

Office PIR implementation: The installation of Passive Infrared Sensors (PIRs) ensures that lighting and heating are only activated when required, reducing unnecessary energy consumption during periods of low occupancy or when areas are not in use.

Water-Efficient Sanitary Fittings: Water-efficient sanitary fittings minimise water wastage by offering options for reduced flow rates, thereby lowering overall water consumption and associated energy usage for water heating.

Hydrocarbon Refrigeration Systems: Hydrocarbon refrigeration systems offer higher energy efficiency and lower environmental impact compared to traditional refrigerants, contributing to overall energy savings and reducing greenhouse gas emissions.

**Next steps for FY25:**

Estate Consolidation: Tandem Bank will continue to optimise the estate to ensure that it is fit for purpose in terms of operations and energy consumption. Tandem has made significant progress since its decision to consolidate the estate in FY2024 and will continue to seek opportunities to enhance energy efficiency and realise substantial energy savings.

## Methodology

**SECR**

This report (including the Scope 1, 2 and 3 kWh consumption and $CO_2e$ emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard (World Resources Institute and World Business Council for Sustainable Development, 2004); Greenhouse Gas Protocol – Scope 2 Guidance (World Resources Institute, 2015); ISO 14064–1 and ISO 14064–2 (ISO, 2018; ISO, 2019); Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance (HM Government, 2019).

Government Emissions Factor Database 2024 version 1.1 has been used, utilising the published kWh gross calorific value (CV) and $kgCO_2e$ emissions factors relevant for the reporting period 01/01/2024 – 31/12/2024.

Estimations were undertaken to cover missing billing periods for properties directly invoiced to Tandem Money Limited. These were calculated on a kWh/day pro-rata basis at the meter level.

For properties where Tandem Money Limited is indirectly responsible for utilities (i.e. via a landlord or service charge) or no data is available for the meter, an average kWh/m2 consumption was calculated at meter level and was applied to the properties with similar operations with no available data. These

full-year estimations were applied to one electricity supply. All estimations equated to 13.44% of reported consumption.

Market-based emissions were calculated using REGO-backed electricity contracts, were verified by Tandem for the Cardiff (old office), London, Blackpool, and Durham (unit 2) sites. Consequently, an emission factor ($tCO_2$/ kWh) of zero was applied. A supplier-specific fuel mix was applied to Durham (unit 3) site, and residual emission factor applied for Manchester and Cardiff (new office) sites.

FY23 Scope 3 transport figure has been restated to account for more accurate mileage data.

Intensity metrics have been calculated using total $tCO_2e$ figures and the selected performance indicator agreed with Tandem Money Limited for the relevant report period: Total FTE in FY24 (FY23) 484 (511).

**Scope 3 Methodology**

Tandem Bank's emissions are reported using a consolidation, operational control approach defined by the GHG Protocol. All emissions have been calculated following the GHG Protocol's Corporate Accounting and Reporting Standard. All seven greenhouse gases defined by the Kyoto Protocol have been accounted for and reported on a tonnes of carbon dioxide equivalent ($tCO_2e$) basis.

Category 15 (invested) emissions, referred to as financed emissions, have been calculated following the PCAF guidance. For each type of financing, we provide covering mortgages, home improvements and motor vehicle loans, the emissions associated with the financed activity have been estimated and then attributed to us based on the current loan-to-value ratio.

- For home improvement loans, yearly energy consumption was estimated for each energy-consuming product type (i.e., boilers, heat pumps, holiday ownership, etc.), and emissions were then calculated using relevant BEIS 2024 emission factors. Energy consumption for each product type was based on UK averages. For example, the average natural gas consumption of a boiler was estimated based on Ofgem estimates of typical annual gas usage in Britain.
- For motor vehicle loans, annual fuel consumption for each loan-enabled vehicle was estimated using average annual mileage data and emissions were then calculated using BEIS 2024 emissions factors. Emissions were then attributed to Tandem based on the loan-to-value ratio of each purchased car.
- For mortgage-related loans, annual energy consumption was estimated based on average energy consumption data according to location and emissions were calculated using relevant BEIS 2024 emission factors. Emissions were then attributed to Tandem based on the current loan-to-value ratio of each mortgage.
- Corporate and Government bond emissions have been calculated in line with PCAF (2022) The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.



## All climate-related risks considered

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Policy and Legal | Enhanced emissions-reporting obligations | Short - Medium Term (2024–2038)<br><2°C<br>2–3°C | Tandem has already seen an increase in emission reporting regulations in the UK (e.g., SECR, ESOS, CFD).<br>The banking sector can be subject to the tightening of existing regulations, which can impact products and services offered.<br>The UK "anti-greenwashing rule" (ESG 4.3.1R), a key component of the Sustainability Disclosure Requirements (SDR), requires FCA-authorised firms to ensure that any references they make to the sustainability characteristics of their financial products and services are: consistent with the sustainability characteristics of that product or service/ fair, clear and not misleading.<br>Tandem are required to submit climate-related financial disclosures as part of their reporting cycle, including their climate transition plan, targets, and progress towards those targets.<br>EPC data is currently the main source for assessing energy efficiency and, therefore, carbon emissions of properties in the portfolio – a major part of financed emissions / Scope 3 emissions for Tandem.<br>Using this EPC data is crucial to making Scope 3 emissions more accurate and achieving the set Scope 3 net zero targets. | Increased regulation requirements will increase compliance costs for Tandem.<br>These costs will include increased third-party consultancy fees and increased internal resources.<br>Emissions reporting may require verification and validation before publication, resulting in increased costs and a faster emission calculation turnaround.<br>Failing to prepare or meet the enhanced regulations may result in litigation, non-compliance and reputational damage. | Likelihood: Possible<br>Impact: Low-Moderate<br>Overall Rating: Moderate | Continue to adapt existing products and introduce new products.<br>Monitor market trends in the EV sector.<br>Support mortgage customers to increase their residential energy efficiency and incentivise purchasing to ensure their mortgage portfolio has a higher EPC rating.<br>Working with third-party ESG consultants who also monitor and horizon scan for upcoming reporting obligations that may affect Tandem in the future. Such as the UK Taxonomy or TNFD. |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Policy and Legal | Mandates on and regulation of existing products and services | Short-Medium Term (2024–2038)<br><2°C<br>2–3°C | The banking sector can be subject to the tightening of existing regulations, which can impact products and services offered, such as the incoming UK Green Taxonomy.<br>This can increase compliance costs or require Tandem to comply with several sustainable finance requirements.<br>Changing regulations in the UK property sector may have a particularly profound impact on Tandem. This includes building decarbonisation regulations (electrification, transition from gas boilers to electric etc.), EPC requirement changes, and water use regulations.<br>The government has consulted on proposals requiring mortgage lenders to disclose energy performance across their property portfolios, and on introducing voluntary targets to improve portfolios to an average of EPC band C by 2030.<br>Leasehold properties are more difficult to make energy performance improvements to.<br>The government offers £7,500 to homeowners to replace a fossil fuel heating system with a heat pump. Increases in government grants or subsidies could negatively impact Tandem, as the amount borrowed by the customer would decrease. | Increased compliance costs. A swift policy change could risk the potential for stranded assets (especially as the proportion of first charge mortgages increases). Regulation around EPC ratings for properties may make some unlettable.<br>A reduced market due to changes in EPC regulations and targets. Such changes may decrease the available properties that can be mortgaged.<br>Reduced revenue growth than what the Bank has anticipated due to sudden changing regulations. | Likelihood: Possible<br>Impact: Low-Moderate<br>Overall Rating: Moderate | Continue to adapt existing products and introduce new products.<br>Monitor the market trends in the electric vehicle sector.<br>Over 70% of the vehicles financed met the Government Clean Air Zone criteria, and a greener roadmap was introduced detailing Tandem's ambition to increase this figure to 100%.<br>Tandem currently rewards customers with an A or B EPC rating. In FY25, Tandem will investigate the ratings of the portfolio as a whole.<br>Tandem's portfolio is currently above average in terms of EPC rating, and this is something we will continue to investigate further.<br>Overall, the mitigation strategies (product differentiation and adaptation and market monitoring) effectively address the challenges |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Policy and Legal | Carbon pricing mechanisms | Medium Term (2029–2038)<br>2–3°C | N/A | Expenditures – Increased direct costs from potential carbon tax on Scope 1 and 2 emissions<br>£8,500 – approximate cost based on location-based emissions | Likelihood: Rare<br>Impact: Minor<br>Overall Rating: Minor | Scope 1 and 2 emissions are low given the nature of Tandem's business and industry.<br>The scoring for this would only change if Tandem were to diversify and acquire another business, which was not a small office based financial services company. No plans to do so in FY25. |
| | Exposure to Litigation | Short-Medium Term (2024–2038)<br><2°C<br>2–3°C | The introduction of new policies, mandates and reporting requirements exposes Tandem to litigation risks.<br>To avoid climate litigation, compliance costs will increase. This will include third party, verification, certification and internal resource costs. | Expenditures – Increased operating costs (higher compliance costs)<br>Capital and financing –Decreased access to capital | Likelihood: Possible<br>Impact: Minor<br>Overall Rating: Minor | Allocate internal resources and engage with third-party ESG consultants to manage changing regulations and ensure Tandem is compliant. |
| Market | Changing customer behaviour | Short-Medium Term (2024–2038)<br><2°C | Although the general trend is towards lower carbon products, Tandem must be aware of short term policies and "shocks" that buck that trend and result in change in customer behaviour.<br>Increased Marketing required to continually understand customer segmentation and preferences.<br>Increased demand for green loans and mortgages that have a lower interest rate and profit margin associated with them potentially reducing Tandem's profit and financial performance. | Changing customer behaviour results in our products being either too "green" or not "green" enough.<br>Revenue – Decreased revenue and loss of revenue growth due to reduced demand for current products and services. | Impact: Minor<br>Overall Rating: Moderate | Continue to adapt existing products and introduce new products.<br>Continue to conduct market research on potential changes in consumer behaviour and preferences.<br>Tandem view this as an opportunity to the business, in terms of how quickly the business is suited to adapt to chnaging customer behaviour.<br>If the market moves, Tandem will move with that change. |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Market | Uncertainty of market signals | Short-Medium Term (2024–2038)<br><2°C<br>2–3°C | Tandem may need to become more adaptative and flexible to the changes in the market to ensure they can continue to generate revenue and profit.<br>Property values can decline suddenly after severe weather events and climate-related economic disruptions.<br>Changes in climate-related policy can lead to market re-pricing.<br>Uncertainty in EV policies can generate a stagnant EV market. | Revenue – Decreased revenue and loss of revenue growth due to reduced demand for current products and services<br>Capital and financing – Decreased access to capital due to a lack of clear sector transition plans to net zero | Likelihood: Possible<br>Impact: Moderate<br>Overall Rating: Moderate | Continue to adapt existing products and introduce new products.<br>Continue to conduct market research on potential changes in consumer behaviour and preferences.<br>Opportunity to provide financing for carbon reduction initiatives, green products and services.<br>Starting to develop a scorecard and mitigate the risk as it continuously moves forward, to potentially exclude properties that are in high risk flooding areas. |

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|---|---|---|---|---|---|---|
| Market | Increased cost of energy and raw materials | Medium - Long Term (2029–2053)<br>2–3°C<br>>3°C | **Energy:**<br>Increased costs of energy as more businesses convert to renewable contracts. (Supply vs demand).<br>As a digital bank, energy use and associated emissions will not be a major concern, due to limited physical properties.<br>For new mortgage loans, affordability assessments are crucial for Tandem to determine the mortgage payments that a borrower can afford and reduce the risk of arrears or defaulting on the loan.<br>With energy bills significantly higher on energy-inefficient properties, EPC data is needed to accurately check affordability. Rising energy prices might also increase the probability of borrowers defaulting on their loans.<br>**Raw Materials:**<br>The EU has identified plastic, steel, ceramics, hydrogen and fertilisers as high-impact materials.<br>High impact products will be forced to decarbonise as a result, new processes and technology may be introduced which increases the cost of the raw material. | Potential impact on cost of living and affordability can lead to reduced ability to repay loans.<br>Increased costs of raw materials such as steel and plastic may have unforeseen impacts on the price of real estate assets.<br>Increased energy and raw material prices have a direct impact on inflation and will therefore likely force the Bank of England to tighten monetary policy by raising interest rates.<br>This could financially impact Tandem and its borrowers resulting in an increased rate of customers defaulting on their loans and mortgages. | Likelihood: Possible<br>Impact: Minor<br>Overall Rating: Minor | Tandem Marketplace offers information and resources on greener financial choices, which start with information on retrofitting homes.<br>Net zero strategy to plan the transition to lower emissions operations and value chain.<br>Our proactive approach to energy affordability ensures that our customers are not burdened by unexpected defaults due to rising energy bills. We integrate utility costs into our affordability assessments three to six months in advance, utilizing ONS data and incorporating generous safety margins to account for potential fluctuations. This forward-thinking strategy helps us identify and address potential financial challenges before they arise, safeguarding our customers' financial well-being |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Reputation | Stigmatisation of sector | Short - Medium Term (2024–2038)<br><2°C<br>2–3°C | Awareness of high emission industries and their climate impacts is becomingly increasingly common among the public.<br>As a result, there is an increased risk of negative association of public opinion of the entire banking sector and its impact or contribution to global warming. | Loss of revenue, reduced profitability and reduced growth if the sector generally is stigmatised | Likelihood: Rare<br>Impact: Moderate<br>Overall Rating: Minor | Reduced revenue from decreased demand is relatively unlikely as banking is a crucial service to financial systems. Therefore, Tandem classify this as an extremely low risk to their business. |
| | Shifts in Consumer Preferences | Short - Medium Term (2024–2038)<br><2°C<br>2–3°C | Tandem's unique selling point is the fact that they are "green", so monitoring competitor products around sustainable finance is important. | Loss of revenue, reduced profitability and reduced growth if Tandem is unable to keep pace with changing consumer preference. | Likelihood: Unlikely<br>Impact: Moderate<br>Overall Rating: Moderate | Ensuring responsible and environmentally aware business practices.<br>Continue to adapt existing products and introduce new products.<br>Benchmarking exercise to compare against other 'green' and sustainable banks. |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Reputation | Increased stakeholder concern | Short - Medium Term (2024–2038)<br><2°C<br>2–3°C | As the world transitions to a decarbonised economy, stakeholders are likely to have increased interest and concern regarding sustainability credentials.<br>An actual or perceived inability to understand and be seen to be taking action to reduce Tandem's overall carbon footprint is likely to negatively impact investor sentiment / ratings, potentially limiting access to capital, as the focus on environmental impacts, climate change and net-zero targets increases.<br>To avoid greenwashing, the new FCA rule states that all sustainability-related claims about products and services must be fair, clear and not misleading.<br>Breaching the rule could mean facing a reprimand or a fine | Reduced access to capital; reduced asset and company valuations.<br>Reduced revenue if customers choose not to use Tandem.<br>Reduction in ability to attract and retain talent. | Likelihood: Unlikely<br>Impact: Major<br>Overall Rating: Significant | Publish standalone TCFD and ESG Reports, along with incorporating a mandatory short-form TCFD report into Tandem's Annual Report to communicate efforts to stakeholders, including customers.<br>Allocate internal resources to plan a net-zero strategy.<br>Regularly monitor current and emerging regulations.<br>Dedicated ESG resources (Head of ESG) focusing on sustainability and reporting to the Chief Financial Officer via Managing Director Corporate Development targeting Greenwashing.<br>Continue developing green products and services to show action is being taken.<br>Defined green criteria for products and aligning to the best available regulation (EU Taxonomy) to avoid greenwashing claims.<br>Review undertaken of all external communications to assess language for compliance with FCA anti greenwashing rule. Language edited / replaced with compliant text. |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk type by TCFD | TCFD Risk Alignment | Timeframe Climate Scenario | Actual Impact Description | Main Financial Impact/ Consequences of Non-compliance | FY24 Rating | Description of Risk Response (Mitigation) |
|---|---|---|---|---|---|---|
| Technology | Substitute existing products and services with lower emission alternatives | Short – Medium Term (2024–2038)<br><2°C<br>2–3°C | **Products and Services:**<br>Customer preferences are changing as people are considering the environment when making purchasing decisions.<br>**Financials:**<br>The costs to ensure Tandem's products and services are sustainable are likely to increase as it may need to reinvest or adapt their offerings to meet market demands. | Accelerating green loans: failure to act on this climate risk could result in loss of revenue. | Likelihood: Possible<br>Impact: Minor<br>Overall Rating: Minor | Given that Tandem are a greener Bank this is deemed as a low risk.<br>Monitoring changing market trends when developing their climate risk framework and net-zero strategy.<br>Development of lower carbon products and services.<br>Review pricing strategies to ensure that Tandem's products remain competitive in the market for sustainable financial solutions. |
| | Costs to transition to lower emissions technology | Short – Medium Term (2024–2038)<br><2°C<br>2–3°C | As Tandem aims to reduce its carbon emissions, it may need to invest in lower-emission technology in its offices, increasing capital costs.<br>Low-emission technology can be more expensive compared with traditional high emission alternatives, resulting in high capital costs. | Increased expenditure to transition to lower emissions technology such as LED rollouts in offices, and transition to more energy-efficient cloud service providers.<br>Customer repayments may be impacted. | Likelihood: Possible<br>Impact: Minor<br>Overall Rating: Minor | Monitoring changing market trends when developing their climate risk framework and net zero strategy.<br>Cloud servers are hosted by AWS and powered by renewable energy<br>The new Cardiff office has a better rating. Scope 1 calculations factored into the new office decision. |

Table 12: Transition risks identified in 2024 that may impact the business.

| Risk Type | TCFD Risk Alignment | Timeframe & Scenario | Business/Actual Impact Description | Potential Financial Impact | FY24 Rating | Description of Risk Response |
|---|---|---|---|---|---|---|
| Acute | Increased Severity of Flooding<br>[Note: assessment undertaken in two stages. Initial assessment at "regional" level performed as part of our TCFD process led by consultants InspiredESG.<br>Detailed assessment performed by Tandem using property level data provided by CLSQ. | 2031–2035 for second charge and first charge legacy products. 2046–2050 for first charge new products.<br>Regional level assessment RCP 6.0 scenario from the Met Office HadGEM mode<br>Property level assessment used 2.9 °C scenario | **Direct Impacts**<br>Flooding can damage properties leading to an increase in renovation, repair and maintenance costs. Flooding is the main cause of infrastructure damage in the UK.<br>Building structure may be compromised resulting in high repair costs and possible site closure.<br>To assess the flood risk exposure in the mortgage book, the Bank partnered with a leading climate-related data third party to procure climate data for the mortgage portfolio. This data includes coastal flooding, surface water flooding and river flooding at the property level. The Bank used the JBA market floodability index, which uses a Green, Amber, Red, Black 1 and Black 2 rating to categorise the risk of flooding and is based on the likelihood of being able to obtain insurance, with green being most likely and Black 2 being least likely. For prudency, reds are included in the analysis below. The time horizon of scenario analysis was selected based on the average maturity of each book, and the analysis is based on the balance sheet as at December 2023 and assumes a static balance sheet throughout the scenario horizon. The below analysis is based on RCP 6.0. Tandem's mortgage book has a combined exposure to risk bands red-black 2 of 2.85%, on a volume basis, versus market average of 3.60%.<br>**Indirect Impacts (Borrowers)**<br>Flooding can worsen borrower creditworthiness due to economic hardship of repairs and high insurance premia. Flooding can depreciate asset values due to property damage or increased risk exposure / inability to access insurance.<br>Indirect Impacts (Tandem offices)<br>Transport networks around the site may be inundated, preventing employees from reaching the site, leading to reduced productivity. | Decline in credit quality of physical assets, such as mortgages, derivative products from mortgages, and real estate investments.<br>Potential depreciations of asset values due to property damage or increased risk exposure.<br>If Tandem lends heavily in high flood risk zones, loan repayments may drop in loan book quality.<br>Potential increased demand for funds by customers for damage repairs and higher insurance premiums. This could have adverse effects on cash flows.<br>Potential inability to access insurance may decrease the market value of the asset<br>Further costs in managing flooding risk for sites and invested assets (mortgages). | Likelihood: Possible<br>Impact: Significant<br>Overall Rating: Significant | Tandem is currently working towards building a front-end solution for monitoring flood exposures and will consider how this exposure will be managed in line with the Bank's Risk Appetite Framework. In the meantime, the Bank will undertake a further assessment of the flood exposure of the mortgage portfolio using 2024 year-end data, and will continue to re-run the exercise periodically until the front-end solution is in place. |

Table 13: Physical Risks identified in 2024 that may impact the business.

| Risk Type | TCFD Risk Alignment | Timeframe & Scenario | Business/Actual Impact Description | Potential Financial Impact | FY24 Rating | Description of Risk Response |
|---|---|---|---|---|---|---|
| Acute | Increased Frequency of Wildfires | Long Term (2039 - 2053)<br>>3°C | **Direct Impacts**<br>Wildfires are not expected to have direct impacts to Tandem's operating sites, but as wildfire occurrence is expected to increase across Europe, this risk should be continually monitored.<br>Indirect Impacts<br>Smoke and ash from a wildfire may damage air filtration systems and air conditioning units, requiring them to be repaired or maintained more frequently.<br>Transport networks around a site may be inundated, preventing employees from reaching the site and reducing productivity.<br>There may be an impact on Tandem being able to offer mortgages in a high-risk area as insurance for wildfires may not be accepted for home stocks. | Potential depreciations of asset values due to property damage or increased risk exposure.<br>Increase in insurance costs.<br>Impact on the Bank's offering in risk areas.<br>Potential increased demand for funds by customers for damage repairs. This could have adverse effects on cash flows. | Likelihood:<br>Unlikely<br>Impact:<br>Moderate<br>Overall Rating;<br>Moderate | Monitor the development of climate analysis over the coming years. |
| | Heatwaves/Extreme Heat | Long Term (2039 - 2053)<br>>3°C | **People**<br>Extreme heat/heatwaves may adversely impact staff, causing a decrease in productivity.<br>To maintain optimal temperatures for staff, there may be an increased demand for cooling through air-conditioning (AC) units, leading to an increase in energy costs and Scope 1 & 2 emissions.<br>**Property & Infrastructure**<br>Certain construction materials and their properties may change under extreme heat conditions.<br>Electrical efficiency decreases as temperature rises, resulting in an increased demand for energy at potentially a higher cost.<br>Energy costs can rise by ~400% during a heatwave as distribution and production efficiency decreases.<br>Increased operational spend on water/ice for keeping employees cool.<br>Credit quality can decrease in extreme heat due to increased exposure of secured assets to physical climate change impacts.<br>Can damage assets, including branch networks, offices and data centres. | Extreme heat and heatwave events can decrease credit quality due to increased exposure of secured assets to physical climate change impacts.<br>Heatwaves will lead to a higher demand for cooling, increasing energy costs.<br>A decline in credit quality due to material exposure to assets impacted by physical climate events. | Likelihood:<br>Probable<br>Impact:<br>Minor<br>Overall Rating:<br>Moderate | Monitor the development of climate analysis over the coming years.<br>IT server infrastructure to be housed in appropriate temperature-controlled buildings.<br>All buildings to be fit for purpose in relation to heating, ventilation and air conditioning (HVAC).<br>This is also an opportunity as we can focus on acquiring charge mortgages in regions that have historically been less impacted by extreme heat. By doing so, we can potentially secure a steady stream of mortgage payments, even as homeowners in other areas may struggle. |

Table 13: Physical Risks identified in 2024 that may impact the business.

| Risk Type | TCFD Risk Alignment | Timeframe & Scenario | Business/Actual Impact Description | Potential Financial Impact | FY24 Rating | Description of Risk Response |
|---|---|---|---|---|---|---|
| Chronic | Sea Level Rise | Long Term (2039 - 2053)<br>>3°C | N/A | Insurance premiums may not cover future building upgrades, renovations or extensions. | Likelihood: Possible<br>Impact: Moderate<br>Overall Rating: Moderate | Monitor the development of climate analysis over the coming years.<br>Increasing the down payment for coastal and high-risk areas, decreasing the LTV (Loan to Value) ratio. |
| | Rising Mean Temperature | Long Term (2039 - 2053)<br>>3°C | N/A | Rising mean temperatures will lead to a higher demand for cooling, therefore increasing energy costs.<br>Decline in credit quality due to material exposure to assets impacted by physical climate events. | Likelihood: Possible<br>Impact: Moderate<br>Overall Rating: Moderate | Monitor the development of climate analysis over the coming years.<br>IT server infrastructure to be housed in appropriate temperature-controlled buildings.<br>All buildings to be fit for purpose in relation to heating, ventilation and air conditioning (HVAC). |
| | Chronic Water Stress | Long Term (2039 - 2053)<br>>3°C | N/A | Further infrastructure costs or additional costs required to maintain the invested assets in affected regions (London and the South East of England).<br>Borrowers may struggle to repay loans as utility costs increase, posing a credit risk.<br>Additional costs for customers for water supplies.<br>Further operational costs to install water-saving technologies in Tandem's offices. | Likelihood: Unlikely<br>Impact: Minor<br>Overall Rating: Minor | Monitor the development of climate analysis over the coming years. |

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