

tandem

Sustainability Report

Year End 2025

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2025 in Numbers

Customers on green or "pathway to green[1]" lending[2]

89k

(2024: 94k)

£££s of green and "pathway to green" Lending[3]

631m

(2024: 572m)

Tonnes of CO_2 saved by our customers

75.6k

(2024: 70k)

Carbon credits purchased to offset all of our operational emissions

3,321

(2024: 3,013)

Employees taking part in our Green Deal

51%

(2024: 42%)

Employee time spent volunteering for charity (minutes)

103,428

(2024: 138,375)

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 2025
3. On the balance sheet at 31 December 2025

Introduction

About Tandem

Tandem is a digital bank on a mission to help customers live more sustainably – where better financial choices make that easier, every day.

Tandem offers app-based savings that don't just grow, they help others make sustainable choices. 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 customers get more from their money.

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 and 2025, Tandem has also been named in The Sunday Times 100 Tech list in 2025 and 2026 – a list of the fastest growing tech companies in Britain, reflective of their growing industry presence. In 2025, Tandem was also awarded Investor in Customers' Gold Standard based on customer and employee feedback, and Certified™ Great Place to Work®.

About this Report

Tandem's Sustainability Report is an annual report, outlining progress across our four sustainability pillars and eleven recommendations incorporating the full Task Force on Climate-related Financial Disclosures (TCFD) report.

Our 2025 Annual Report and Accounts (ARA), which includes our Climate-related Financial Disclosure (CFD), provides a summary of how sustainability contributes to overall business performance. This report builds on that, with cross-references to the ARA where relevant.

We recognise that climate change presents both risks and opportunities for our business. The TCFD framework supports our understanding of these impacts and helps integrate climate risk management into our existing processes across governance, strategy, risk management, and metrics and targets.

The framework has been embedded within Tandem's strategic sustainability pillars, ensuring alignment between climate considerations and our broader business strategy.

Insights from our TCFD-aligned climate risk assessment inform our strategic direction, helping us anticipate the evolving needs of customers and stakeholders as we transition to a low-carbon economy.



Neil Chandler

Chief Executive Officer

CEO opening statement

Building sustainable banking for the long term

2025 has been a year of clear and deliberate choices for Tandem, guided by our mission to help customers live more sustainably, where better financial choices make that easier, every day. Having joined as CEO in June, I have been encouraged by the resilience, commitment and shared purpose demonstrated by colleagues across the Bank.

Sustainability is central to who we are and how we operate. Tandem is a customer first, tech enabled Bank, but it is our focus on responsible growth and helping customers make better, more sustainable choices that differentiates us in the market. This commitment is consistently championed by the Board and embedded across the business.

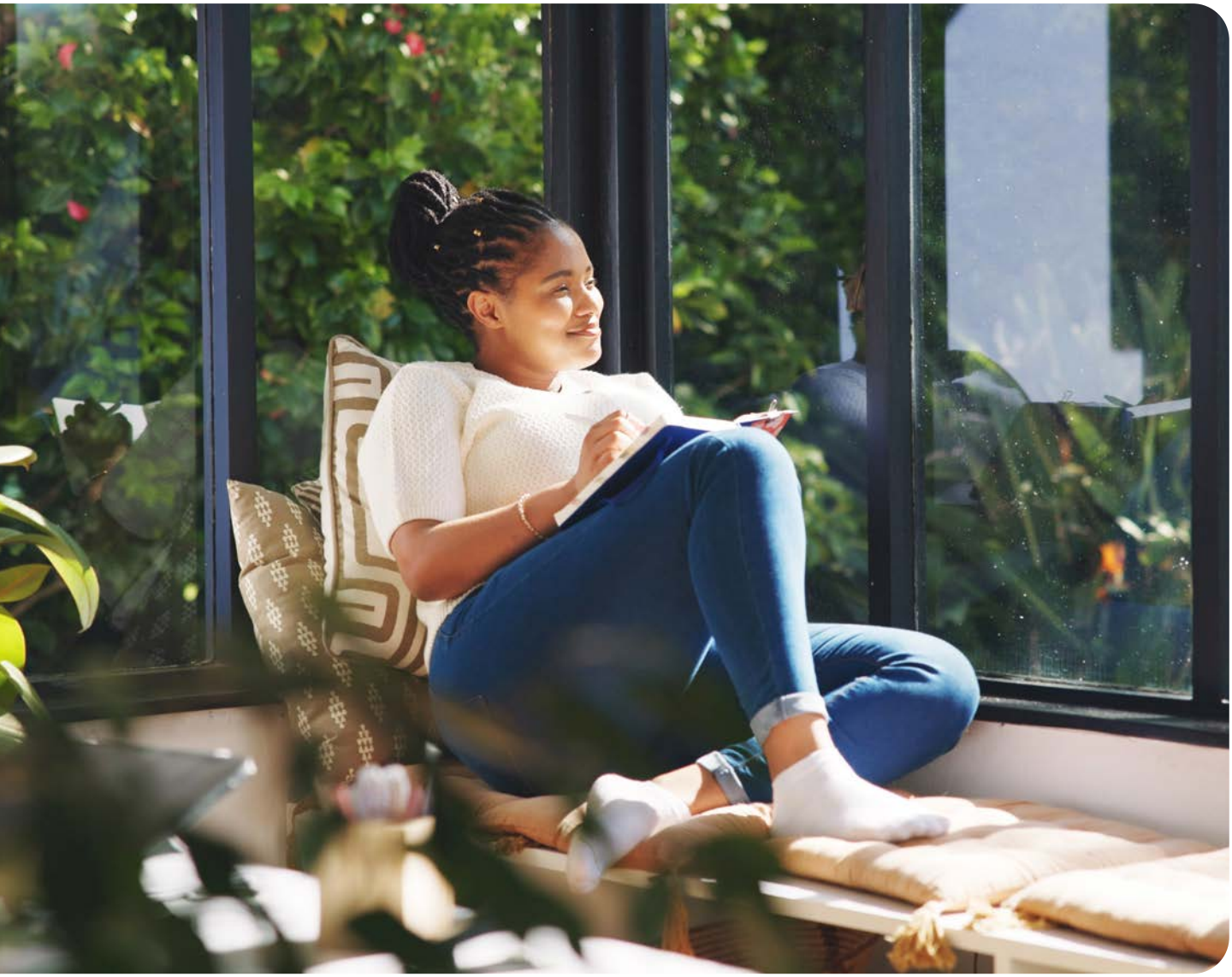
During the year, we sharpened our focus around four priorities: delivering an outstanding digital customer experience, driving profitable and responsible growth, simplifying how we operate, and embedding sustainability throughout Tandem. These priorities have guided disciplined investment and strengthened our foundations for long term success.

Our people and culture remain a key strength. Continued external recognition as a Great Place to Work™ reflects an inclusive environment where colleagues feel supported and empowered to contribute. We also made tangible environmental progress, including reducing Scope 1 emissions to zero through the relocation of our Cardiff office to a more energy efficient building.

As we look ahead to 2026, I am confident in Tandem's direction. With a clearer proposition, continued investment in digitisation and a strong sustainability focus, we are well placed to grow responsibly and create lasting value for all our stakeholders.

I am grateful to our talented team for their dedication and to our customers for their trust in us. Together, we are building a Bank which empowers the transition to a lower carbon lifestyle and helps save money along the way.

Neil



Our Progress in 2025

Sustainability Strategy

We've created four strategic pillars which collectively cover all of the sustainability issues that we encounter at Tandem. The strategic sustainability pillars (Table 1) are used to guide and inspire us to integrate sustainability, including the TCFD framework, across our business.

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 2026 sustainability agenda.

Table 1: Our Strategic Sustainability Pillars

Together we are Tandem

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

Journey to Net Zero

Together we act responsibly and reduce our environmental impact

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 Great 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.

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.

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

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
Grow the number of loans for cars that 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, efficient 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





Aligning with our TCFD opportunities

We have used TCFD guidance to identify both climate-related opportunities and risks arising from the transition to a low-carbon economy. The most material opportunities relate to markets and products and services, and are reflected in our strategic Sustainability pillars of Impactful Products and Our Journey to Net Zero.

Key climate-related risks include Policy and Legal factors (mandates and regulation of existing products and services) and Market factors such as changing customer behaviour and uncertainty of market signals. These have been assessed in line with TCFD recommendations, with further detail provided in Appendix 3.

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 2025 we had 89,000 Green or 'Pathway to Green' loan customers with a total lending of £631 million. Collectively, these customers reduced their emissions by an estimated 75,600 tonnes of CO_2 in 2025.

Table 3: Our green product criteria

Product	Green – EU Taxonomy	Pathway to Green – Tandem definition*
Motor Finance	Until 31 December 2025: Euro 6 Vehicles <50g CO_2/km from 1 Jan 2026: 0g CO_2/km	Euro 6 Vehicles with CO_2 emissions 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.

*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 finance meeting the Government Clean Air Zone criteria increased to 88% in FY25.

New electric vehicles continue to grow in popularity, however they remain a lesser proportion of the used car market. Figures from the Finance and Leasing Association (FLA) suggest that total used EV's in the UK during 2025 amounted to 8.91% of all used car sales and this figure is reduced to just 4.14% for EV's financed by hire-purchase (HP) agreements, which is the product that we offer our customers. Sales in used EVs averaged 2.32% of all Tandem's motor finance sales in 2025 and our plans to increase this in the near term include developing partnerships within the wider introducer community that have higher numbers of EV vehicles for sale.

Options that we are exploring to increase our EV sales in the medium term include expansion of our customer offering and a distribution model that would allow consumers to be able to consider newer vehicles at affordable monthly payments.

Home Improvement Loans

The Home Improvement Loans (HIL) business continues to support Tandem's green mission by enabling customers, through our embedded finance offering, to invest in technologies such as solar panels, battery storage, low-carbon heating systems and energy-efficient glazing.

Approximately 76% of the Bank's HIL portfolio (by value) has funded green products installed in customers' homes. Demand in this market is being driven by growing customer awareness of energy efficiency, the impact on household bills, and the need to reduce emissions.

To date, Tandem has provided over £820 million of green and pathway to green funding to more than 170,000 customers, helping them make practical improvements to their homes.

We recognise that delivering meaningful progress in this space requires collaboration. Tandem continues to work closely with key partners including the Green Finance Institute (GFI) and the Finance & Leasing Association (FLA). We are a Strategic Partner of GFI and a Pioneer of the Green Home Finance Principles.

Tandem is also actively engaged with the FLA, where our Managing Director of HIL, Julian Nutley, serves as a Board Director, and our Head of Sustainability, James Streeter, is Deputy Chair of the FLA's Sustainability Group.

Delivering Impact Through Policy

The UK Government recently announced its Warm Homes Plan, a long-term initiative to upgrade five million homes by 2030, with the aim of reducing energy bills and tackling fuel poverty. A key component of the plan is the development of government-backed financing solutions to support household adoption of energy-efficient technologies.

Tandem has been invited to play a leading role across the four working groups within the Green Home Finance Strategic Partnership. Through this, we are contributing practical insight to help shape scalable, accessible solutions for the market.

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'. In 2025 10% of our mortgages were either EPC 'A' or 'B'. 2025 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

Around 80% of our lending is funded by our fixed-term savings deposits. Whilst we don't specifically have a green savings product, savings deposits do contribute to funding our green and 'pathway to green' lending. In November 2025, we launched our ISA products and next year we look forward to reporting back about how they are contributing to our 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 the emissions saved by customers who finance or purchase lower-emission products. Where usage data is unavailable, estimates are based on industry assumptions and published data from sources including the Energy Saving Trust and emissions factors from the UK Department for Energy Security and Net Zero (DESNZ). For Motor Finance, we use manufacturer-specified tailpipe emissions for each vehicle model (with electric vehicles recorded as 0gCO_2/km). Calculations exclude upstream emissions such as fuel production and electricity transmission losses. Estimated customer emissions savings are reported separately and are not included in Tandem's operational emissions totals or treated as offsets.

We used the inputs in Table 4 to estimate the CO_2 savings of 75.6k tonnes for 2025. 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 2024 are counted as a full year's worth of CO_2 savings and all new customers during 2025 are accounted for on a pro-rated basis, e.g. if a customer had an installation in January, they saved 11 months' worth of CO_2 for 2025.



Table 4: Data input into CO_2 Savings calculations

Product Type	Proxy data source	Methodology	CO_2 Savings (kg per annum)
Solar PV installaiton	DEFRA 2025 grid intensity factor	4 kw solar panel array located in Birmingham multiplied by the average grid intensity factor	602
Gas boiler upgrade	Energy Saving Trust (average cost saving) Uswitch (average gas price) UK Gov DESNZ (greenhouse gas conversion factors)	Upgrade of G to A+ rated boiler, semi detached house in Eng /Scot /Wales based on average cost saving.	983
Air source Heatpump	Energy Savings Trust	Air source Heatpump replacing Gas Boiler (G rated) semi detached house	2900
Double Glazing	Energy Savings Trust	Installing A-rated double glazing in an entirely single-glazed semi-detached home	380
All Motor Vehicles in our loan book	Nimblefins (average Car mileage 7100miles /11,360km) Average UK car CO_2 emission (126.6gCO_2/km estimated by Tandem as official figure not yet published)	UK average emissions of CO_2 per vehicle compared to the specific emissions from each vehicle in the Tandem loan book.	specific to each vehicle

Our Journey to Net Zero

Together we act responsibly to reduce our environmental impact

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 employees 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.

Every year we report on energy use and emissions associated with Scope 1, Scope 2, and Scope 3 (see below for an explanation of the what the different "scopes" mean), in line with the UK Government's requirements (Companies Energy and Carbon Report Regulations 2018). For full transparency, Tandem also voluntarily discloses its full emissions (Appendix Table 8, Carbon Balance Sheet). All emissions are calculated using the Greenhouse Gas (GHG) Protocol, with Scope 3 Category 15 (Investments) additionally following PCAF[4] guidelines.

Carbon neutral on our way to Net Zero

Climate change is central to our business and we've got a great story to tell. To reduce our own emissions, in 2024 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. The Scope 3 target date is later than the Scope 1 and 2 target date, due to the complexities associated with reducing emissions that are beyond our direct operational control. 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 with permanent carbon removals.

2025 was our second full year on our Net Zero journey from our baseline in 2023 and we're delighted to report continued progress. As set out in Table 5, we reduced our Scope 1 emissions to zero & our scope 2 emissions by over 79% compared to 2024, fundamentally by moving offices and removing natural gas as a heating fuel. Our scope 3 emissions reduced by over 8,000 tonnes CO_2e mainly through a 4% reduction in our invested emissions.

4. PCAF: Partnership for Carbon Accounting Financials.

Whilst our grey fleet emissions increased by 65%, due to a strategic business decision to increase our "in person" engagement with motor dealers, decreases in other business transport emissions meant that our total business travel emissions actually decreased by 10%.

In 2025, we made a purchase of 3,321 carbon credits to offset all of our Scope 1, 2 and 3 operational[5] emissions from financial year 2025. As we did in the previous year, 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 Net Zero 2050.



5. Operational emissions are all our scope 1, 2 and 3 emissions with the exception of our Scope 3 category 15 Invested Emissions.



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 business travel and 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

2023 — 2030 — 2040 — 2050

- Net Zero Scope 1&2 by 2030
- Net Zero Scope 3: aligned with climate science, 90% reduction and 10% offset by 2050
- Offset operational emissions* every year: in 2025 we purchased 3,321 tonnes of carbon credits

*Operational emissions are all our scope 1, 2 and 3 emissions with the exception of our Scope 3, category 15, Invested

Table 5: Our progress against targets

Target	Absolute Net Zero (90% reduction) for Scope 1* and Scope 2 (market-based) by 2030 from a 2023 baseline.	Absolute Net Zero (90% reduction) for all scopes (Scope 1*, Scope 2 (market-based) and Scope 3**) by 2050 from a 2023 baseline.
Current year FY25 (tCO_2e)	1.77	196,465.69
Previous year FY24 (tCO_2e)	15.81	204,647.39
Baseline year FY23 (tCO_2e)	15.41	241,805.52
Progress against target	Since the 2023 baseline, there has been an 88.51% reduction in overall Scope 1 and 2 emissions (market-based). Emissions from natural gas and electricity have decreased by 100% and 47.05% respectively. The Bank is currently on track to hit the Net Zero target. To hit the target by 2030, 2025 emissions will need to be reduced by 2.59% per year through 2030.	Since the 2023 baseline, there has been an 18.75% reduction in overall Scope 1, 2 (market-based), and 3 emissions. The majority of this reduction has come from Scope 3 Category 15 emissions (Investments), which has decreased by 19.00% since the baseline. Tandem is currently on track to hit the Net Zero target. To hit the target by 2050, 2025 emissions will need to be reduced by 3.51% per year between 2025 and 2050.

*Refrigerant data in FY25 was not available and therefore emissions from refrigerants have not been included in the FY25 calculations. This lack of data availability is being addressed to include refrigerant emissions in the FY26 calculations.
**FY23 and FY24 Scope 3 emissions have been restated to use updated DEFRA spend conversion factors in the following categories: Category 1 - Purchased Goods and Services, Category 2 - Capital Goods, Category 4 - Upstream Transportation and Distribution, and Category 6 – Business Travel. FY24 Category 15 emissions were restated to reflect the Partnership for Carbon Accounting Financials' (PCAF) new methodology around securitised products and covered bonds. This methodology was not available at the time of the original FY24 calculations.

Our sustainable improvements

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

In 2025, we reorganised the layout of our Blackpool office to make our heating and cooling more efficient. In Cardiff, Tandem moved to new serviced offices powered solely by renewable electricity. In London, Tandem attended webinars about sustainability hosted by the London office management company. These webinars work as an avenue to discuss and report ideas and feedback for energy efficiency improvements. Our full SECR report and carbon balance sheet figures are provided in the Appendices 1&2.

Engaging our suppliers

Tandem currently uses over 150 suppliers and many of our Scope 3 emissions are generated by them. 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. Our aim is to better understand their sustainability progress, in particular their greenhouse gas emissions, and work together to improve our impact.

Case Study: Partnering with our supplier, ICT Reverse

Tandem partners with ICT Reverse to responsibly manage our electronic waste. In 2025, ICT Reverse collected 42 laptops from us, remanufacturing 27 for reuse in the UK.

Choosing refurbished laptops over new ones can cut environmental impact by up to 97%, saving 127 kg of raw materials and 27 kg of greenhouse gas emissions per device each year.

This collaboration helps us reduce Scope 3 emissions from purchased goods and services—our second largest source of indirect emissions.

903 train journeys = 903 trees

We're committed to making business travel more sustainable by partnering with suppliers who share our environmental values. In 2024, we launched a collaboration with Trainhugger and the Royal Forestry Society to plant a tree for every train journey booked by Tandem employees.



People Who Care

Together we care about our impact

"At Tandem, our people are central to the impact we create for customers, communities and wider society. We bring together diverse backgrounds, skills and perspectives to build an inclusive, supportive workplace where everyone feels valued and able to thrive.

We believe a strong, caring and inclusive culture drives meaningful social impact and underpins sustainable banking. Our commitment to wellbeing, fairness and shared responsibility helps us attract and retain people who share our values and want to make a positive difference."

– Catherine Diamond, Chief People Officer.

Best Place to Work

We are building a culture where employees feel safe, happy and a true sense of belonging. This commitment has been recognised by The Sunday Times, with Tandem named a Best Places to Work in 2024 and 2025, and featured in the Sunday Times 100 Tech list for the last two consecutive years, highlighting our growing presence within the industry.

In 2025, Tandem was also awarded the Investors in Customers Gold Standard, based on both customer and employee feedback, and achieved Great Place to Work® Certification™. We regularly measure employee engagement through quarterly internal surveys, including focused Inclusion and Diversity questions, to ensure we continue listening to our people and strengthening our culture.

Supporting our people

Supporting our people is a core pillar of Tandem's sustainability strategy. As a member of Business in the Community, we are committed to inclusion, diversity and responsible business practices, creating an equitable workplace where colleagues feel valued and able to thrive.

Inclusion and diversity sit at the heart of our people strategy. Tandem became a signatory to HM Treasury's Women in Finance Charter back in February 2024, committing to 35% of

senior leadership roles will be held by women by December 2026. Progress is supported through inclusive recruitment, flexible working and targeted leadership development.

During the year, we launched our Women in Finance Charter pledges, expanded our Women in Leadership Programme - supporting 28 women to date - and partnered with Henpicked to support menstrual health and menopause support within the workplace. Employee affinity groups for Working Parents and Carers, Neurodiversity and Women in Finance, further strengthen belonging and ensure every voice is seen, heard and valued across Tandem.

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 2025, 21% of our employees participated in professional development training including;

- New employee induction: This comprehensive programme for all new hires includes a focus on our mission to support sustainable banking, together with the fundamentals of sustainability, our Green Product Criteria, Tandem's Green Deal for employees, and an introduction to health and wellbeing.
- Mandatory training: Compulsory for all employees, there are two sustainability modules annually that need completing, 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 sustainability-related briefings including progress against our company goals.
- Inspire Me@3 sessions: These webinars hosted by visiting experts provide additional learning opportunities especially covering sustainability topics such as International Women's Day.
- Tandem Hub: Tandem Hub, (intranet) is a one-stop shop for 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 sustainability 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 2025, we have focused on social mobility and educational opportunities. Further, given the economic backdrop, we also supported local food banks.

We engage in several ways including volunteering, charity initiatives 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 up to two paid volunteer days annually, to use with any charity or community project of their choice.

Charities supported with donations or volunteering in 2025;

- The Salvation Army
- Trinity Hospice
- Macmillan Cancer Support
- Blackpool PRIDE
- 4Louis
- Easterleigh Animal Sanctuary
- Foundation 92
- Durham Council
- Bute Park
- Pancreatic Cancer
- Cardiff and Blackpool Foodbank

At the end of 2025, we piloted a matched funding campaign. Matched Funding will be our way of saying thank you and helping our employees make an even bigger difference for charities close to their heart.

From 2026, our employees will have the opportunity to take part in 'Doing Good with Matched Funding'. This will mean Tandem matching up to £200 per employee ensuring their impact goes that little bit further.

Mighty Hikers 2025

Tandem's employees were involved with fundraising and volunteering to spread awareness for Macmillan Cancer Support.

Mighty Hikes is an award-winning series of marathon and half marathon hikes. Our Tandem team ticked off three separate locations in the Lake District, Peak District and Yorkshire Dales. Collectively, the team raised over £10,000 with over 20 employees taking part.



Trees for Life

Working with Trees for Life, Tandem plants a tree for every new hire and encourages our employees to join The Green Deal annually, by planting a tree and having renewable electricity at home. For 2025, we saw an increase of 20.4% of employees taking part in The Green Deal and each received an additional day of holiday as a reward for living a more sustainable lifestyle.

Tandem's 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
- Supports next generation to make better informed financial decisions.

Tandem's Financial Education Programme continued to be delivered via established relationships with colleges and the charitable organisation, Foundation92 (F92), based in the North West. Through our 2–year partnership with F92, 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 2025[7] :

- 409 taught via our Education Manager
- 338 students within the Greater Manchester area

Since the launch of our Financial Education programme in January 2023, we have reached 11,928 individuals across the North West.



7. The figures are from F92 and Tandem's direct delivery. Data from Future First and The Talk will be incorporated when available.

Effective Governance

Together we do things the right way

At Tandem, effective governance means putting customers at the heart of our sustainability journey. That's why we've chosen to move beyond the term ESG - because our focus isn't on labels or disclosures, but on embedding sustainability into how we design products, manage risk and support customers every day.

We believe that sustainability is about creating long-term value and security for our customers -helping them make financial decisions that not only benefit their lives today, but also support a better tomorrow.

By embedding sustainability into every part of our business, from product design to risk management, we ensure that our customers have access to transparent, responsible financial solutions.

This approach empowers customers to improve the efficiency of their homes, reduce costs, and build resilience against future challenges, all while contributing to a more sustainable society.

Our commitment to doing things the right way means customers can trust that their bank is focused on their needs and the needs of future generations.

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, along with its committees, oversees sustainability and climate-related risks and opportunities, with our Chief Financial Officer (CFO) ultimately accountable for climate risk.



Fig. 1: How Tandem governs climate risks



The Board

Board oversight is exercised through the Board Risk Committee (BRC) and Board Audit Committee (BAC) as part of their responsibilities for principal risks and assurance. Through effective governance and clear accountability, the Board delegates the ongoing management to the Chief Executive Officer (CEO) and the Executive Committee (ExCo).

The Board approves the Climate Risk Framework and the climate risk appetite on an annual basis. This includes strategic risk objectives, the policy framework, and Key Risk Indicators (KRIs), such as loan book physical risks (e.g. flooding), and Key Performance Indicators (KPIs), such as progress against Net Zero targets and uptake of green finance products, used to monitor the Group's exposure to climate-related transition and physical risks.

The Board Risk Committee (BRC) reviewed the climate risk appetite statements and associated metrics and agreed on their continued appropriateness. These committees provide focused challenge and assurance, ensuring that material climate risks, key updates, and relevant regulatory developments are appropriately escalated to the full Board.

Climate-related risks and opportunities are considered as part of the Board's oversight of the Group's strategy, targets, and risk management framework, and inform

discussions on long-term business planning and mitigation actions. These considerations support the Board when reviewing strategic priorities, major action plans, and climate-related initiatives.

The Executive

The Executive Committee, ExCo, is responsible for the day-to-day management of sustainability climate risk and delegates second-line oversight of climate risk to the Executive Risk Committee (ERC) and the Credit Risk Committee (CRC), with first-line activities overseen through the Sustainability Committee.

The Chief Financial Officer (CFO) holds overall Senior Management Function (SMF) responsibility for climate risk and has formal accountability for annually identifying, assessing, managing, and reporting on the financial risks arising from climate change. The CFO works closely with the Chief Risk Officer (CRO) and the Sustainability Committee to ensure that climate-related financial risks are appropriately integrated into decision-making and are managed within the Board-approved climate risk appetite.

The Sustainability Committee is responsible for the day-to-day management of sustainability and climate-related initiatives and risks, including matters forming part of the Climate Risk Framework, such as risk appetite, risk identification, and the delivery of mitigation actions identified in the Climate Risk Register.

More details are available in the Tandem 2025 Annual Report and Accounts pages 33–26.

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, medium-term, and long-term. 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.

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 pages 40–44.

Climate Change: Risk

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 material risks were identified:

- **Transition risk:** Increased Stakeholder Concern. The risk that any perceived inaction, inconsistency, or exaggeration in Tandem's climate performance could undermine its credibility, investor confidence, and ability to attract capital, customers, and talent. In mitigation to this risk the bank openly communicates its progress in the annual CFD /TCFD and sustainability reports, has set a Net Zero target, incorporated climate risk into its risk management framework, assessed greenwashing risk in its capital adequacy and liquidity processes, benchmarked green lending performance to the EU Taxonomy, and set up a communications procedure to ensure compliance with the FCA's anti greenwashing rule.
- **Physical Risk:** Flooding. The risk that more frequent and severe flooding damages customers' mortgaged properties, increasing loan defaults and creating material credit risk for Tandem. Risks were identified at a regional level then Tandem undertook an assessment at a detailed property level and our risk exposure was benchmarked against competitors. To manage risk in line with the Bank's Risk Appetite Framework the Bank continues to assess the flood exposure of the mortgage portfolio periodically until the front-end solution is in place. All Tandem mortgage customers are obliged to have home (buildings) insurance, including flood protection.

These risks are developed in more detail in Tables a & b and details of our risk management process are set out in our 2025 Annual Report and Accounts pages 37–40.

Climate Change: Opportunity

By focusing on developing and expanding "green" financial products and services we are positioning ourselves 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.

Our two, material climate related opportunities are:

- **Products and Services: New and low-emission product and service lines.** Expanding Tandem's portfolio of green financial products, including mortgages, home improvement loans, and vehicle finance, creates new revenue streams, strengthens competitive positioning, and supports the UK's broader transition to a Net Zero economy.
- **Markets: New emerging low-emission markets.** The global transition to a low-carbon economy presents significant market opportunities for financial institutions. Tandem can capture new and growing demand for sustainable finance products, attract sustainability-oriented customers, and access lower-cost green capital to fund future growth.

Our climate related risks and opportunities are set out in full in the Appendix and details of our risk management process are set out in our 2025 Annual Report and Accounts.



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

Risk type by CFD	Reputation: Increased stakeholder concern Risk Statement: Reputational Any perceived inaction, inconsistency, or exaggeration in Tandem's climate performance could undermine its credibility, investor confidence, and ability to attract capital, customers, and talent.
Main financial impact	Higher operating costs due to increased ESG disclosure, stakeholder engagement, third-party assurance, and audit requirements. Increased cost of capital if investor confidence weakens, reducing access to ESG-linked financing or raising funding spreads. Revenue impact if sustainability-driven customers switch to providers perceived as more credible, reducing customer acquisition and loan origination.
Potential impact description	Stakeholders may perceive Tandem's climate disclosures or marketing claims as overstated or unsupported. As a purpose-driven digital bank, Tandem's green reputation is a key driver of customer acquisition and investor trust, meaning any reputational damage could directly affect financial performance and access to capital. Non-compliance with the FCA's Sustainability Disclosure Requirements (SDR) and investment labels (PS23/16) could result in formal sanctions or fines. Regulators, investors, and NGOs increasingly expect clear, quantifiable evidence of emissions reductions, sustainable lending practices, and verified green products.
Actual impact description	As the world shifts toward a decarbonised economy, stakeholders are placing greater emphasis on sustainability credentials. Tandem's perceived or actual failure to take meaningful action to reduce its carbon footprint could harm investor sentiment, credit ratings, and access to capital. As a self-proclaimed sustainable bank, Tandem faces heightened scrutiny from investors, regulators, and customers, who monitor its climate transition plan, targets, and progress to ensure alignment with public claims. To prevent greenwashing, the FCA requires that all sustainability-related claims about products and services be fair, not misleading.



Scenario/ timeframe/ residual ratings	• Scenario: Proactive: <2°C Timeframe: Short - Medium Term: 2025–2039 • Scenario: Reactive: 2–3°C Timeframe: Timeframe: Short - Medium Term: 2025–2039 **Likelihood:** Unlikely **Impact:** Major **Overall Rating:** Significant
Description of risk response (mitigation)	Tandem publishes its Annual CFD report and a standalone ESG report to communicate climate-related actions to stakeholders, including customers. The Bank allocates dedicated internal resources to develop a Net Zero strategy and regularly monitor regulatory developments. Tandem maintains ESG leadership, focusing on sustainability, reporting, and mitigating greenwashing risk. Tandem continues to develop green products and services, apply defined green eligibility criteria aligned with the EU Taxonomy, and review all external communications to ensure compliance with the FCA's anti-greenwashing rules. To prevent greenwashing, the Bank uses objective standards, including Energy Performance Certificate (EPC) data for home lending and, where applicable, zero-emission vehicles for motor finance.
Alignment with our targets	Tandem's near-term and Net Zero targets, a 90% absolute reduction in Scope 1 and 2 (market-based) emissions by 2030 and a 90% reduction across all scopes by 2050 (from FY23) are central to its climate credibility. As of FY25, Tandem has achieved an 88.5% reduction in Scope 1 and 2 (market-based) emissions and an 18.8% reduction across Scope 1, 2, and 3 emissions. Please see Table 9.

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

Risk type by CFD Acute: Increased severity of flooding	
I. Regional-level assessment	**Risk statement:** Credit: More frequent and severe flooding damages customers' mortgaged properties, increasing loan defaults and creating material credit risk for Tandem. Operational: More frequent and severe flooding disrupts access to office facilities, resulting in material operational interruptions and related costs.
II. Property-level assessment	The second stage involved a more granular, property-level assessment conducted by Tandem, utilising data provided by CLSQ. This data included coastal flooding, surface water flooding and river flooding at an individual property level.
Main financial impact	
I. Regional-level assessment	**Credit:** Flooding may reduce the credit quality of mortgages, mortgage-backed products, and real estate, and depress asset values. Heavy lending in high-risk zones could lower loan repayments, while increased repair and insurance costs may strain cash flows. Limited insurance access could further reduce asset market value.
II. Property-level assessment	As above.
Potential impact description	
I. Regional-level assessment	**Capital risk:** Flood-affected customers could drive higher loan impairments, weakening capital buffers. **Operational:** Flooding of data centres or third-party providers poses operational risk, and rising flood insurance premiums are an emerging cost.
II. Property-level assessment	As above.

Actual impact description	
I. Regional-level assessment	**Credit:** Customers in flood-prone areas may face financial hardship, causing delayed payments, reduced collateral values, and higher defaults, increasing loss given default. Operational: 75% of offices (Cardiff, Durham and London) face indirect flood disruption, while direct property risk is low. Flooding of data centres or third-party providers may cause temporary interruptions, and rising insurance premiums add costs for both borrowers and operations.
II. Property-level assessment	As above, plus: Residual flood risk remains; potential insurance gap after 2039; long-term default risk if flooding increases.
Scenario/timeframe/loan book/residual ratings	
I. Regional-level assessment	Scenario: RCP 6.0 HadGEM* Timeframe: Long term (2040–2054) First charge: 4% Second charge: 8% Scenario: Inactive >3°C Timeframe: Medium term (2030–2039) First Charge: 8% Second Charge: 36% Scenario: Inactive >3°C Timeframe: Long term (2040–2054) First Charge: 8% Second Charge: 36% **Credit/Operational** **Likelihood:** Possible/Unlikely **Impact:** Significant/Moderate **Overall Rating:** Significant/Moderate
II. Property-level assessment	**Scenario:** RCP 6.0 (2.8°C) and RCP 8.5 (4.3°C). The temperature pathway used in this scenario is based on the 90th percentile of the projected distribution of warming outcomes conditional on no further policy action. Timeframe: RCP stress horizons are aligned to the average maturity of each loan book, with second charge and first charge legacy loans assessed to 2032–2035 and first charge active loans to 2046–2050.

Description of Risk Response (mitigation)	
I. Regional-level assessment	In order to manage risk in line with the Bank's Risk Appetite Framework the Bank continues to assess the flood exposure of the mortgage portfolio periodically until the front-end solution is in place. All Tandem mortgage customers are obliged to have home (buildings) insurance, including flood protection.
II. Property-level assessment	The assessment shows overall exposure is below UK benchmarks, and most mortgage books are covered by Flood Re until 2039. With low exposure to the highest-risk categories, flood risk is reduced. Tandem will continue to monitor exposure and reassess periodically and develop a front book risk assessment at the appropriate time.
Alignment with our Targets	
I. Regional-level assessment	Tandem's commitment to Net Zero addresses flooding through both mitigation and resilience. By 2025, the Bank had reduced Scope 1 and 2 (market-based) emissions by 88.51% towards its 2030 target and achieved an 18.75% reduction across Scope 1, 2, and 3 emissions towards its 2050 target from a 2023 baseline. Please see Table 9. At the same time, this transition enhances resilience, optimising operational emissions reduces exposure to flood risk, while rigorous monitoring of emissions metrics allows better management of flood-related credit risk within the mortgage portfolio.
II. Property-level assessment	As above.

Look Ahead to 2026

Whilst we take great pride in the achievements of 2025 captured in this report, we realise that these are small steps on a long pathway. In the year ahead we plan to:

- Continue to execute our Net Zero strategy and integrate it into our business plan.
- 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 matched funding programme to help our employees raise funds for charities that are particularly important to them.
- Further develop our climate risk framework.
- Exploring a customer value proposition centered around the broader concept of sustainability that has wider applicability across our product portfolio.

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





Appendices

Appendix 1: Carbon Balance Sheet

Table 8: Carbon balance sheet

Emissions scope & category	FY25 (tCO_2e)	FY24 (tCO_2e)	% Change
Scope 1	**n/a**	**7**	-100%
Natural Gas	n/a	7	-100%
Transportation (excluding grey fleet)	n/a	n/a	-
Other Fuels & Refrigerants*	n/a	n/a	-
Scope 2 (location-based)	**38**	**53**	**-28%**
Scope 2 (market-based)	**2**	**8**	**-79%**
Scope 3	**196,464**	**204,632**	**-4%**
1. Purchased Goods & Services**	2,204	2,250	-2%
2. Capital Goods**	80	107	-25%
3. Fuel- and energy-related Activities	15	19	-21%
4. Upstream Transportation and Distribution**	90	77	17%
5. Waste Generated in Operations	6	20	-71%
6. Business Travel**	157	175	-10%
7. Employee Commuting	372	362	3%
8. Upstream Leased Assets	n/a	n/a	-
9. Downstream Transportation and Distribution	n/a	n/a	-
10. Processing of Sold Products	n/a	n/a	-
11. Use of Sold Products	n/a	n/a	-
12. End-of-life Treatment of Sold Products	35	30	17%
13. Downstream Leased Assets	n/a	n/a	-
14. Franchises	n/a	n/a	-
15. Investments***	193,505	201,592	-4%
Total Emissions (location-based)	**196,502**	**204,692**	**-4%**
Total Emissions (market-based)	**196,466**	**204,647**	**-4%**
All tCO_2e (market-based) per FTE	**401**	**423**	**-5%**

*Refrigerant data in FY25 was not available and therefore emissions from refrigerants have not been included in the FY25 calculations. This lack of data availability is being addressed to include refrigerant emissions in the FY26 calculations

**FY24 Scope 3 emissions have been restated to use updated DEFRA spend conversion factors

*** FY24 Category 15 emissions were restated to reflect the Partnership for Carbon Accounting Financials' (PCAF) new methodology around securitised products and covered bonds. This methodology was not available at the time of the original FY24 calculations.

Appendix 2: Streamlined Energy and Carbon Reporting (SECR)

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's reported location-based Scope 1, Scope 2 and Scope 3 (Grey Fleet) emissions have increased by 7.07% year-on-year, driven by the 64.53% increase in grey fleet emissions relating to the recruitment of a new team that frequently drives to client sites. Conversely, moving into a more efficient Cardiff office in 2024 has allowed Tandem to recognise the emissions benefit for the entire 2025 reporting period. This has resulted in a 100% decrease in Scope 1 emissions and a 78.76% decrease in Scope 2 (market-based) emissions compared to the previous year. Total energy consumption increased from 497,345 kWh in 2024 to 545,332 kWh in 2025, driven primarily by the increase in grey fleet transportation mentioned above.

Table 9: Our total energy consumption (kWh)

	FY25 Consumption (kWh)	FY24 Consumption (kWh)
Utility and Scope	UK	UK
Scope 1 Total	**0**	**40,836**
Natural Gas (Scope 1)	0	40,836
Scope 2 Total	**213,317**	**254,028**
Grid-Supplied Electricity (Scope 2)	213,317	254,028
Scope 3 Total	**332,014**	**202,482**
Transportation (Scope 3)	332,014	202,482
Total	**545,331**	**497,346**

Table 10: Our total UK market and location-based emissions (tCO_2e).

	FY25 Emissions		FY24 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	**0.00**	**0.00**	**7.47**	**7.47**
Natural Gas (Scope 1)	0.00	0.00	7.47	7.47
Scope 2 Total	**1.77**	**37.76**	**8.34**	**52.60**
Grid-Supplied Electricity (Scope 2)	1.77	37.76	8.34	52.60
Scope 3 Total	**76.05**	**76.05**	**46.22**	**46.22**
Transportation (Scope 3)	76.05	76.05	46.22	46.22
Total	**77.82**	**113.81**	**62.03**	**106.29**

*Refrigerant data in FY25 was not available, and therefore emissions from refrigerants have not been included in the FY25 calculations. This data availability issue is being addressed to include refrigerant emissions in the FY26 calculations.
**Market-based emissions are reported in tCO_2 only and reflect the specific emissions associated with a supplier-specific fuel mix.

Table 11: Our total emissions intensity metric*.

Intensity Metrics	Market-based (tCO_2e)		Location-based (tCO_2e)	
	FY25	FY24	FY25	FY24
Total Number of full-time equivalents (FTE)	490	484	490	484
All Scopes tCO_2e per FTE	0.16	0.13	0.23	0.22
YoY Percentage Change	**+24.10%**		**+5.91%**	

*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.

SECR Methodology

SECR (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 2025 version 1.0 has been used, utilising the published kWh gross Calorific Value (CV) and $kgCO_2e$ emissions factors relevant for the reporting period 01/01/2025 – 31/12/2025.

Estimations were undertaken to cover missing billing periods. These were calculated on a kWh/day pro-rata basis.

For the London office, where no data was available, an average kWh/m^2 consumption was calculated using the floor area and energy benchmarks from the Chartered Institution of Building Services Engineers (CIBSE). These full-year estimations were applied for the electricity at the London site. All estimations equated to 11.28% of reported consumption.

Market-based emissions have been calculated using the supplier-specific fuel mix from Tandem's electricity suppliers, along with contracts backed by REGOs. The breakdown of Tandem's supplier-specific emission intensities are as follows:

- British Gas: 0.00 tCO_2/kWh
- Bryt Energy: 0.00 tCO_2/kWh
- Good Energy: 0.00 tCO_2/kWh
- Opus Energy: 0.00 tCO_2/kWh
- Pozitize Energy: 0.00 tCO_2/kWh
- Total Energies: 0.000292 tCO_2/kWh

Intensity metrics have been calculated using total tCO_2e figures and the selected performance indicator for the relevant report period: FTE 2025 (2024): 490 (484).

Scope 3 methodology

Tandem'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 tonne of carbon dioxide equivalent (tCO_2e) basis.

Category 15 (Investments) emissions, referred to as financed emissions, have been calculated following the PCAF guidance for the relevant financial activity. All our financial activities are covered in our emissions, including emissions from home improvement loans, mortgages, motor vehicle loans, and our bond and securitised mortgage portfolio.

- Emissions from home improvement loans were estimated based on the number of loans for each type of product being loaned. Only products that directly consume energy were included, and energy use was estimated based on averages. Energy consumption was converted to emissions using the Government Emissions Factor Database 2025 version 1.0, which utilises published kWh gross Calorific Values (CV) and kg CO_2e emissions factors.
- Energy use for properties in the First Charge Portfolio was estimated based on the property type and region, using energy averages from DESNZ. Energy use for properties in the Second Charge Portfolio emissions was estimated based on region and EPC rating, using energy averages from DESNZ. Energy consumption was converted to emissions using Government Emissions Factor Database 2025 version 1.0 was used, utilising the published kWh gross Calorific Value (CV) and kg CO_2e emissions factors.
- Distances were estimated for vehicles within the Motor Finance Portfolio using vehicle mileage averages based on fuel-type from the Department for Transport. Distances were converted to emissions using DESNZ 2025 emissions factors.
- Emissions from bonds were estimated based on the type of bond and using the emissions of the bond issuer. Covered bonds, backed by mortgages, used the securitisation of mortgages as a proxy.
- Emissions from the securitised mortgages were estimated using the estimated energy consumption based on the region and property type. Energy estimations were made using energy averages from DESNZ. Energy consumption was converted to emissions using Government Emissions Factor Database 2025 version 1.0 was used, utilising the published kWh gross Calorific Value (CV) and kg CO_2e emissions factors.

Appendix 3: Transition and physical risks

Table 12: Transition risks identified in 2025 that may impact the business.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Policy and Legal: Enhanced emissions-reporting obligations Risk Statement: Operational: Expanding ESG disclosure requirements increases compliance complexity, audit workload, and data-collection demands, resulting in higher operating costs, accelerated reporting timelines, and potential operational penalties for non-compliance.	Rising regulatory requirements will increase Tandem's compliance costs, including higher consultancy fees and increased use of internal resources. Emissions reporting may need verification, accelerate turnaround and add costs, while non-compliance could lead to litigation, penalties, and reputational damage.	The UK's Net Zero 2050 strategy and related policies may impact lending portfolios, especially in carbon-intensive sectors. Tandem already complies with SECR, CFD, and FCA ESG rules, with UK SRS (IFRS S1/S2) expected from January 2026 to formalise climate disclosures. EPC data informs Scope 3 financed emissions, supporting portfolio-level climate risk assessments, while frameworks like Taskforce on Nature-related Financial Disclosures (TNFD), Global Reporting Initiative (GRI), and Carbon Disclosure Project (CDP) may create additional reputational and investor expectations.	Tandem's climate and emissions reporting, including SECR and CFD, has increased, covering its transition plan, targets, and progress. The UK's climate-reporting requirements, based on IFRS S1 and S2 under the UK SRS, are under consultation and expected to take effect from January 2027.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Possible **Impact:** Minor **Overall Rating:** Minor	Tandem maintains a dedicated ESG reporting team responsible for SECR, CFD, SDR, and upcoming UK SRS compliance. The Bank is also supported by third-party ESG consultants who monitor emerging obligations such as the UK Taxonomy and TNFD. The Bank engages proactively with regulators, auditors, and industry bodies to anticipate changes and manage compliance risk.
Policy and Legal: Mandates on and regulation of existing products and services **Risk Statement: Operational:** Stricter energy and sustainability mandates could raise operating costs through building retrofits, updated lending practices, and enhanced reporting. Credit: Non-compliant borrowers and high-emission loans may lead to defaults or stranded assets, impacting portfolio quality and revenue.	Rapid EPC-related policy changes could create stranded assets, reduce mortgageable property supply, and render some properties unlettable.	Rapid policy changes, particularly in EPC regulations, could create stranded assets and reduce the pool of mortgageable properties. Financing high-emission assets may lead to depreciation, credit losses, and lower revenue growth. Tandem must follow the Prudential Regulation Authority (PRA)SS3/19 to manage climate-related financial risks, with current strategies relying on EPC data to assess property energy efficiency and financed emissions.	Tandem must manage climate-related financial risks in line with PRA SS3/19, embedding them into risk management and governance frameworks. Under the Financial Conduct Authority's (FCA) anti-greenwashing rule (ESG 4.3.1R/ SDR), all sustainability claims must be accurate and not misleading. Energy Performance Certificate (EPC) data is used to assess mortgage portfolio energy efficiency, supporting lending strategy and product decisions.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Unlikely **Impact:** Moderate **Overall Rating:** Moderate	Tandem continues to adapt existing products and launch new ones to align with sustainability goals. Over 70% of financed vehicles meet Government Clean Air Zone criteria, with a roadmap to reach 100%. While EPC ratings have limited impact, Tandem rewards customers with A or B ratings and will re-assess the overall portfolio in FY26, which is currently above average. Mitigation strategies include product adaptation, differentiation, and market monitoring, which effectively address regulatory and market challenges. ICAAP stress testing is used to evaluate the impact of stricter mandates on the portfolio, credit risk, and operational costs.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Policy and Legal: Carbon pricing mechanisms **Risk Statement: Operational:** The introduction or escalation of carbon pricing mechanisms (e.g., the United Kingdom Emissions Trading Scheme (UK ETS), Carbon Border Adjustment Mechanism CBAM) could increase indirect operating costs by raising supplier and service expenses. This could marginally increase the Bank's Scope 3 footprint and operational expenditure.	Supplier-pass-through of carbon pricing may increase the costs of procurement, cloud services, physical operations (e.g., courier services, energy bills), and business travel.	Tandem's direct carbon exposure (Scope 1 and 2) is minimal, with potential carbon tax costs under £7,500 per year even in a high-price scenario. Indirectly, higher carbon prices could drive inflation and monetary tightening, affecting credit performance. Long-term carbon costs are expected to rise due to the UK's planned carbon border tax (2027) and expanded UK ETS coverage, in line with the national Net Zero Strategy. Regulators (PRA, FCA) are increasingly factoring carbon price sensitivity into stress testing, which may influence capital requirements for exposures to carbon-intensive sectors.	Tandem, as a digital bank, has a minimal Scope 1 and 2 carbon footprint. Carbon pricing is expected to have only a minor financial impact, with the highest projected cost under the medium-term Reactive scenario at £7,016. From a credit risk perspective, carbon taxes or rising fuel costs could increase expenses for motor finance customers with high-emission vehicles and for mortgage customers in low-efficiency homes, potentially raising the risk of loan defaults.	Scenario: Reactive 2–3°C Timeframe: Medium Term (2030–2039) **Likelihood:** Possible **Impact:** Moderate **Overall Rating:** Moderate	Tandem's direct carbon exposure is minimal, and the financial impact of carbon pricing has been assessed by third-party ESG consultants as part of the climate risk workshop exercise. No internal carbon price has been applied in Tandem's financial planning, as current emissions are low and costs are not expected to materially affect profitability. The Bank continues to monitor developments in carbon pricing and integrates findings into operational and credit risk considerations where relevant.
Policy and Legal: Exposure to Litigation **Reputation:** Given Tandem's "green bank" brand positioning, any misalignment between sustainability claims and actual impact heightens litigation risk and reputational exposure. This could lead to media scrutiny, loss of investor confidence, and erosion of customer trust.	Litigation costs in response to civil claims from investors, and consumer groups could include legal defence costs, settlement costs, potential damages, and requirements to restate disclosures or withdraw marketing materials.	Non-compliance with FCA, Sustainability Disclosure Requirements (SDR), or other forthcoming regulations could lead to fines, litigation, and civil claims, thereby increasing legal and compliance costs. Reputational damage from media scrutiny may reduce investor confidence and hinder customer acquisition and retention.	As a "green bank," Tandem faces heightened scrutiny over its green products, requiring rigorous verification of environmental claims, legal and compliance reviews, and transparent reporting. Strong climate-related disclosures and accurate communication are essential to prevent greenwashing risks and protect brand trust.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Rare **Impact:** Moderate **Overall Rating:** Minor	Tandem allocates internal resources and engages third-party ESG consultants to manage evolving regulations and ensure compliance.
Market: Changing customer behaviour **Risk Statement: Strategic:** Growing customer preference for sustainable financial products erodes market share in conventional lending and investment offerings.	Tandem could experience lower lending demand for high-carbon products, reducing origination volumes and interest income. Offering preferential rates to retain ESG-focused customers may pressure margins, while increased spending on marketing and engagement raises acquisition and retention costs.	Tandem faces rising demand for sustainable, transparent products like EPC-linked mortgages and EV financing. Competitors with strong sustainability credentials may capture market share if Tandem does not adapt. Digital tools tracking carbon impact are increasingly expected. While green products support retention, they often have lower margins, and short-term shocks could temporarily reduce adoption. Mortgage growth is now concentrated in energy-efficient (A–C EPC) properties.	Customer demand is shifting toward high EPC properties and EV financing, which may lead to lower margins and reduced profits. The motor finance portfolio must adapt as Internal Combustion Engine (ICE) vehicle loans decline. Meeting climate-conscious customer expectations increases marketing, digital engagement, and education costs.	Scenario: Proactive <2°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Unlikely **Impact:** Moderate **Overall Rating:** Moderate	The Bank will continue to evolve existing products and launch new ones. It will maintain ongoing market research to track shifts in consumer behaviour and preferences. Tandem sees this as a business opportunity, leveraging its agility to respond quickly; if the market changes, Tandem will adapt accordingly.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Market: Uncertainty of market signals: **Risk Statement: Strategic:** Unclear or inconsistent government policy on carbon pricing and green incentive delays, and technology standards delay investment decisions, leading to potential portfolio misalignment, stranded assets, or suboptimal capital deployment.	Uncertainty in forecasting and policy shifts may lead to suboptimal pricing, capital allocation, and revenue volatility. Changes in incentives or EPC compliance could require higher provisions or capital buffers, while delayed product launches and partnerships may incur opportunity costs and slower revenue growth.	Tandem could experience risks from declining resale values in petrol/diesel vehicles and potential devaluation of low-EPC properties. Changes in government mandates, incentives, and carbon pricing can affect borrower affordability, collateral values, and capital allocation. Rapid changes in green finance products may outpace Tandem's ability to adapt, risking first-mover disadvantage, customer attrition, and short-term price volatility in property and EV markets.	Unclear climate-related signals make long-term decisions challenging for Tandem. The 2030 petrol/diesel ban and Zero-Emission Vehicle (ZEV) mandate may accelerate the depreciation of existing vehicles, affecting loan collateral. As a "green digital bank," Tandem risks losing customers and market share if its products are not seen as genuinely sustainable, and inconsistencies between its claims and lending practices could raise greenwashing concerns.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Possible **Impact:** Moderate **Overall Rating:** Moderate	Tandem continues evolving products and conducting market research to track consumer behaviour. The Bank sees opportunities in financing carbon reduction initiatives and green products, and is developing a scorecard to manage risk, including potentially excluding high-flood-risk properties.
Market: Increased cost of energy and raw materials **Risk Statement: Operational:** Higher energy and input costs increase Tandem's operating expenses and carbon footprint, reducing profitability and potentially slowing its own decarbonisation progress.	Higher energy and material costs slightly raise operational expenses and Scope 2 emissions. They may increase mortgage default risk and pressure profit margins due to decarbonisation and higher borrowing costs.	Energy prices could rise by 40% for gas and 59% for electricity by 2030, driven by global supply constraints, carbon pricing, and policy reform. As a digital bank with limited physical premises, Tandem's direct energy exposure remains low. Nonetheless, higher office and data-centre energy prices marginally increase operational costs and Scope 2 emissions.	Tandem's digital model limits direct energy emissions, but mortgage affordability depends on EPC data, as higher energy costs on inefficient properties raise default risk. Decarbonisation of high-impact materials may increase costs, while rising central bank rates elevate Tandem's borrowing costs, pressuring profit margins.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Medium – Long Term (2030–2054) **Likelihood:** Unlikely **Impact:** Minor **Overall Rating:** Minor	Tandem continues sourcing renewable energy through REGOs and implements a Net Zero strategy to lower operational energy use and carbon emissions.
Reputation: Stigmatisation of sector **Risk Statement: Strategic:** Association with, or exposure to, high-carbon sectors (e.g., petrol/diesel vehicle finance, low-efficiency housing) could lead to negative public perception, investor divestment, and reduced access to sustainable finance.	Revenue loss from reduced customer acquisition and retention if brand trust erodes. Portfolio write down if demand for certain legacy finance products declines faster than planned (e.g., ICE vehicles), reducing asset recoverability and resale values.	Tandem faces reputational exposure from financing high-carbon assets, such as petrol and diesel vehicle loans, as declining social acceptance and resale values increase credit and brand risk. Public and investor pressure toward decarbonisation could reduce asset values, while greener competitors may capture market share. Misalignment between disclosures and portfolio composition may attract scrutiny, and fossil-fuel exposure could affect institutional funding.	Tandem's "greener bank" brand could be harmed if it is seen as funding high-carbon sectors, risking greenwashing accusations and loss of customer trust. Existing petrol and diesel vehicle loans face faster-than-expected depreciation, raising credit risk as collateral values may fall below outstanding debt.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Rare **Impact:** Moderate **Overall Rating:** Minor	Reduced revenue from decreased demand is relatively unlikely, as banking is a crucial service to financial systems. Therefore, Tandem classifies this as an extremely low risk to its business. Tandem has removed the most highly polluting ICE vehicles from the loan book by restricting new originations of vehicles above 250 gCO_2/km.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Technology: Substitute existing products and services with lower-emission alternatives **Risk Statement: Strategic:** Market and policy shifts toward low-emissions products and services may outpace Tandem's product innovation cycle, reducing demand for legacy products and compressing margins if new solutions are not developed or adopted fast enough.	Tandem may experience revenue declines if demand for high-emission products falls faster than green alternatives are introduced. Credit losses could rise as ICE vehicles and low-EPC properties depreciate. Transitioning to green products increases operating and portfolio rebalancing costs, including product redesign, underwriting updates, and governance enhancements.	Tandem's portfolios still include carbon-intensive assets, but decarbonisation trends are shifting demand toward EVs, heat pumps, and energy-efficient homes. Transitioning to low-emission products may reduce margins, require retiring legacy products, and create short-term revenue gaps. Investment in IT, data, and climate-risk analytics is needed to support new sustainable lending offerings.	Tandem's home improvement and motor finance portfolios are heavily carbon exposed. Rising demand for low-emission products like EV financing and green home loans requires transitioning away from legacy products, increasing development and marketing costs. Enhanced customer engagement is needed to retain market share amid competition from clearly climate-aligned offerings.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Unlikely **Impact:** Minor **Overall Rating:** Minor	As a bank, Tandem faces low operational risk. It has set a Net Zero target, monitors market trends for its climate risk framework, develops low-carbon products, and reviews pricing to remain competitive in sustainable finance.
Technology: Costs to transition to lower emissions technology **Risk Statement: Operational:** Upgrading internal systems, infrastructure, and financed assets to lower-emission technologies increases near-term capital expenditure and operating costs, potentially impacting short-term profitability.	Tandem faces higher capital expenditures for energy-efficient technologies, low-carbon office upgrades, and renewable energy contracts, alongside increased operating costs for emissions tracking and digital optimisation. Front-loaded transition costs may pressure short-term margins, and existing assets risk impairment if they become stranded or require early replacement.	Shifting to new green technologies involves significant upfront investment, uncertain returns, and potential obsolescence from rapid innovation. Implementation challenges may disrupt operations and increase costs, while financing slow-adopting customers raises stranded asset risk. A slower transition could affect market leadership. Tandem is mitigating these risks by investing in energy-efficient IT and infrastructure, LED lighting, Passive Infrared (PIR) sensors, and committing company vehicle purchases to EVs.	Tandem is already incurring costs related to this risk. The Bank acknowledges that new technology may have a "high capital cost," and it is actively managing this by investing in energy-efficient solutions for its operations. This includes: 1. Rolling out LED lighting across all offices and installation of PIRs. 2. Optimising the energy used in its IT infrastructure. 3. Developing a policy for future company vehicle purchases to be EVs.	Scenario: Proactive <2°C Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039) **Likelihood:** Possible **Impact:** Minor **Overall Rating:** Minor	Tandem actively monitors market trends to inform its climate risk framework and Net Zero strategy. Measures include hosting cloud servers on renewable-powered AWS infrastructure, selecting energy-efficient offices (e.g., the new Cardiff office, with Scope 1 emissions factored into site decisions), and ongoing investment in energy-efficient technology to reduce emissions and operating costs.

Table 13: Non-material physical Risks identified in 2025 that may impact the business.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Acute: Wildfires **Risk Statement: Credit:** More frequent and severe wildfires damage customers' mortgaged properties, increasing loan defaults and creating credit risk for Tandem. **Operational:** More frequent and severe wildfires disrupt access to office facilities, resulting in operational interruptions and related costs.	Credit risk may increase due to declines in the value of physical assets, including mortgages, mortgage-backed financial products, and real estate investments, potentially driven by property damage or heightened risk exposure. Customers may require additional funds for repairs or higher insurance premiums, which could negatively impact cash flows.	**Credit:** Widespread wildfires could increase mortgage defaults, strain capital reserves, and raise provisioning requirements. Customer withdrawals and short-term funding needs may rise, and lending restrictions or voluntary withdrawal from high-risk markets could limit revenue growth. **Operational:** 25% of Tandem's offices (London site) are at major wildfire risk in long-term scenarios. Wildfires affecting data centres, offices, or third-party suppliers could cause temporary service outages and transaction delays. Direct physical losses are expected to be limited due to the small, leased office footprint. Supply chain disruptions, energy interruptions, and recovery-related inflation may further affect borrower capacity and operational resilience.	**Credit Risk:** While no actual defaults have occurred due to wildfires, borrowers in affected areas could lose homes, businesses, or income, potentially increasing default risk. Collateral values could decline if assets are damaged. **Operational Disruption:** Physical office locations in wildfire zones could face temporary closures or access restrictions. Disruptions may increase operational costs (e.g., relocating staff, maintaining IT continuity, implementing emergency measures).	Scenario: Inactive >3°C Timeframe: Long Term (2040–2054) First Charge: 41% Second Charge: 8% **Credit/Operational** **Likelihood:** Unlikely/rare **Impact:** Moderate/moderate **Overall Rating:** Moderate/minor	Tandem will monitor the development of climate analysis over the coming years. The Bank will engage with external data providers or insurers to enhance exposure mapping and scenario testing. Additionally, the Bank will also review the mortgage portfolio periodically to identify concentrations in high-risk regions.
Acute: Heatwaves **Risk Statement: Credit:** More frequent and severe heatwaves cause subsidence and/or structural damage to customers' mortgaged properties, increasing loan defaults and creating l credit risk for Tandem. **Operational:** More frequent and severe heatwaves disrupt access to office facilities, leading to significant operational interruptions and associated costs.	**Credit and Operational Risks:** Extreme heat and heatwaves could reduce credit quality by affecting secured assets through subsidence or structural damage. Heatwaves may also increase energy demand and costs, potentially impacting borrower capacity and cash flows.	**Credit:** Borrowers in heat-prone regions may experience financial stress from repair, cooling, and insurance costs, potentially increasing defaults. Rising insurance premiums and declining asset quality could raise Loss-Given-Default (LGD) rates, while additional borrowing for cooling or retrofitting may affect portfolio composition. **Operational:** 75% of Tandem offices (London, Cardiff and Blackpool) are projected to be exposed to heatwaves in the long term. Increased cooling demand for offices and IT infrastructure could raise energy consumption, Scope 2 emissions, maintenance costs, and the risk of downtime.	**Credit Risk:** No actual impacts have been observed to date. Heatwaves could reduce borrowers' ability to repay loans, particularly for those facing higher living or repair costs due to extreme heat. Insurance premiums for properties in heat-prone areas may also rise. **Operational Disruption:** 75% of Tandem offices are projected to be at risk of heatwave exposure under all three long-term scenarios. While no direct operational impacts have occurred, prolonged high temperatures could increase cooling and energy costs, reduce staff productivity, and strain IT infrastructure and data centres.	Scenario: Proactive <2°C Timeframe: Long Term (2040–2054) First Charge: 97% Second Charge: 81% Scenario: Reactive 2–3°C Timeframe: Long Term (2040–2054) First Charge: 97% Second Charge: 81% Scenario: Inactive >3°C Timeframe: Long Term (2040–2054) First Charge: 97% Second Charge: 81% **Credit/Operational** **Likelihood:** Unlikely/rare **Impact:** Moderate/moderate **Overall Rating:** Moderate/minor	**Credit:** Customer building insurance helps mitigate climate risks for Tandem mortgages by reducing default likelihood, supporting portfolio stability, and protecting financial interests. Opportunities exist to focus on second-charge mortgages in regions less affected by extreme heat, potentially helping maintain steady mortgage payments. **Operational:** IT server infrastructure is maintained in temperature-controlled buildings, and office facilities are adequately equipped with Heating, Ventilation, and Air Conditioning (HVAC). The working-from-home model has only a minor operational impact.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Chronic: Rising Mean Temperatures **Risk Statement: Credit:** Rising average temperatures reduce mortgage customers' earnings in key sectors, increasing loan defaults and creating a credit risk for Tandem. **Operational:** Rising average temperatures are impacting operations by increasing the need for cooling in office facilities, which, in turn, drives up energy usage and related costs.	**Credit:** Decline in credit quality due to exposure to assets impacted by physical climate events. **Operational:** Rising mean temperatures will lead to a higher demand for cooling, therefore increasing energy costs.	**Credit:** Gradual structural damage, inefficient buildings, and poor EPC ratings could reduce property values used as loan security, lowering recoverability and borrower demand. No actual impacts have been recorded to date. **Operational:** Under the long-term Inactive scenario, 100% of Tandem's office (London, Durham, Cardiff and Blackpool) footprint is projected to experience higher mean annual temperatures. Increased cooling needs can raise Scope 2 emissions and energy costs. IT systems and equipment may experience thermal stress, increasing maintenance requirements. Higher temperatures could also reduce employee comfort and productivity, potentially affecting output and attendance.	**Credit Risk:** No actual impacts have been observed to date. Gradual property damage, such as material degradation or subsidence, in hotter regions could reduce collateral values and increase default risk in heat-sensitive sectors like agriculture and construction. **Operational Disruption:** All of Tandem's offices (100%) are projected to experience rising mean temperatures under the long-term Inactive scenario. Increased cooling requirements raise energy costs, and extreme heat could potentially affect IT systems and equipment performance.	Scenario: Reactive 2–3°C Timeframe: Long Term (2040–2054) First Charge: 99% Second Charge: 86% Scenario: Inactive >3°C Timeframe: Medium Term (2030–2039) First Charge: 99% Second Charge: 86% Scenario: Inactive >3°C Timeframe: Long Term (2040–2054) First Charge: 99% Second Charge: ~100% **Credit/Operational** **Likelihood:** Rare/rare **Impact:** Moderate/moderate **Overall Rating:** Minor/minor	**Credit Mitigation:** Ongoing monitoring of climate analysis to assess potential impacts on borrowers and portfolio risk. **Operational Mitigation:** IT servers are housed in temperature-controlled buildings with adequate HVAC systems and redundancy to prevent overheating and maintain stability. All office buildings are designed and maintained to meet heating, ventilation, and air conditioning requirements, reducing operational disruption from heatwaves.
Chronic: Sea Level Rise **Risk Statement: Credit:** Rising sea levels damage customers' mortgaged properties, increasing loan defaults and creating a credit risk for Tandem. **Operational:** Rising sea levels disrupt access to office facilities, leading to operational interruptions and associated costs.	Potential depreciations of asset values due to property damage or increased risk exposure. Property values may decrease as an increased flood risk from rising sea levels may result in decreased insurance coverage and higher insurance premiums. Insurance premiums may not cover future building upgrades, renovations or extensions	**Credit:** Rising sea levels create chronic flood risks for coastal and estuarine properties, potentially reducing property values, increasing insurance costs, and affecting borrower repayment capacity. Mortgage-backed assets in high-risk regions, such as southeast England, may experience long-term devaluation, eroding portfolio quality and increasing capital requirements. Changes in insurance availability or pricing could further impact property valuations and financial stability, while regulatory scrutiny on physical risk disclosure may increase. **Operational:** 25% of Tandem's office locations (Blackpool site) could be exposed to sea level rise by 2070 under the long-term Inactive scenario. Operational disruptions may occur at leased offices, partner locations, or third-party service providers in coastal flood-prone areas.	**Credit Risk:** No actual impacts have been observed to date. Borrowers in low-lying or coastal areas could experience declining property values, reducing collateral quality, and higher default risk if property damage or loss of use affects income. **Operational Disruption:** 25% of Tandem offices are projected to be at risk from sea level rise under the long-term Inactive scenario. Leased offices, partner sites, or outsourced service providers in coastal, flood-prone areas could be disrupted, potentially affecting customer services during flooding events. Rising insurance premiums for coastal properties may further impact borrowers and operational considerations.	Scenario: Inactive >3°C Timeframe: Long Term* (2070+ timeframe) First Charge: 13% Second Charge: 21% **Credit/Operational** **Likelihood:** Rare/rare **Impact:** Moderate/moderate **Overall Rating:** Minor/minor	**Credit:** Increasing the down payment for coastal and high-risk areas and decreasing the Loan-to-Value (LTV) ratio.

Risk type by TCFD	Main Financial Impact	Potential Impact Description	Actual Impact Description	Scenario/Timeframe/Residual Ratings	Description of Risk Response (Mitigation)
Chronic: Water Stress **Risk Statement:** **Credit:** Properties in water-stressed areas suffer reduced value, resulting in risk to Tandem of loan default. **Operational:** Climate-driven water stress disrupts IT infrastructure and supply chains, raising utility costs.	**Credit:** Further infrastructure costs or additional costs required to maintain the invested assets in affected regions (London and the Southeast). Borrowers may struggle to repay loans as utility costs increase, posing a credit risk. **Operational:** Further operational costs to install water-saving technologies in Tandem's offices.	**Credit:** Borrowers in water-dependent sectors (agriculture, manufacturing, construction) could experience productivity losses and revenue declines due to water shortages or restrictions. Properties in water-scarce regions may devalue, reducing loan-to-value resilience. **Operational:** 25% of Tandem offices (London site) are projected to experience critical water stress under long-term Proactive and Inactive scenarios. Potential impacts include supply disruptions to IT and data infrastructure, higher utility and cooling costs, and operational constraints affecting staff comfort and productivity. Energy generation constraints could indirectly raise energy costs for borrowers and Tandem. **Opportunity:** Borrowers may seek financing for water adaptation measures, such as storage, treatment systems, or household efficiency upgrades.	**Credit Risk:** No actual impacts have been observed to date. Reduced borrower income in water-intensive sectors, such as agriculture or manufacturing, could increase default risk, while lower collateral values may result in regions facing water scarcity or declining agricultural productivity. **Operational Disruption:** 25% of Tandem offices are projected to be at risk of critical water stress under long-term Proactive and Inactive scenarios. Water supply restrictions could disrupt IT infrastructure and the supply chain, and increased utility costs in affected areas could raise operational expenses.	Scenario: Proactive <2°C Timeframe: Medium – Long Term (2030–2054) First Charge: 59% Second Charge: 22% Scenario: Reactive 2–3°C Timeframe: Medium – Long Term (2030–2054) First Charge: 41% Second Charge: 8% Scenario: Inactive >3°C Timeframe: Medium – Long Term (2030–2054) First Charge: 59% Second Charge: 22% **Credit/Operational** **Likelihood:** Unlikely/possible **Impact:** Minor/minor **Overall Rating:** Minor/minor	Tandem monitors borrower exposure in water-dependent sectors. Offices use basic water efficiency measures. Scenario monitoring and ongoing risk assessments ensure preparedness for medium- to long-term impacts.

Table 14: Tandem's material Opportunities.

Opportunity type TCFD/Opportunity Statement	Impact Description	Financial Impact	Scenario/Timeframe	Description of Opportunity Response	Alignment with our Targets
Products and Services: New and low-emission product and service lines **Opportunity Statement:** Expanding Tandem's portfolio of green financial products, including mortgages, home improvement loans, and vehicle finance, creates new revenue streams, strengthens competitive positioning, and supports the UK's broader transition to a Net Zero economy.	Growth in climate-aligned lending offers financial institutions a commercial advantage as regulation, market expectations, and consumer preferences move toward low-carbon choices. Green financial products, such as energy-efficiency loans, EV finance, and green mortgages, enable institutions to diversify revenue, reduce portfolio emissions exposure, and future-proof balance sheets against policy tightening (e.g., EPC minimum standards, heat pump targets, clean transport policies). Lenders that expand into these markets early benefit from increased demand, deeper customer relationships, and access to ESG-linked capital and funding incentives.	Increased revenue due to an increased demand for products and services. Increased balance sheet volumes for energy efficient homes and reduced balance sheet volumes for energy inefficient homes. Decrease in emissions due to customer transition.	Scenario: Proactive <2°C Scenario: Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039)	Tandem supports the UK transition to low-carbon transport by increasing the proportion of EV loans within its motor finance portfolio. Enhanced EPC data collection in the residential and commercial mortgage books will enable Tandem to measure, monitor, and improve portfolio emissions over time. Tandem offers discounted rates for properties with EPC ratings of "A" and "B" and plans to expand EPC data coverage across its residential lending portfolio. Customers are supported and incentivised to improve their home's energy efficiency through targeted retrofit financing.	Tandem's green product expansion directly supports its Net Zero targets. By increasing EV loans in motor finance and offering secured lending for energy-efficient home improvements, the Bank helps reduce Scope 3 emissions across its portfolio. Since the 2023 baseline, overall, Scope 1, 2 (market-based), and 3 emissions have decreased by 18.75%, with most of this reduction coming from Scope 3 Category 15 (Investments), which has fallen by 19.00%. Please see Table 10.
Markets: **New emerging low-emission markets** **Opportunity Statement:** The global transition to a low-carbon economy presents significant market opportunities for financial institutions. Tandem can capture new and growing demand for sustainable finance products, attract ESG-oriented customers, and access lower-cost green capital to fund future growth.	As economies decarbonise, demand for sustainable financial products is increasing. Institutions that shift early to low-carbon offerings can secure market share, diversify revenues, reduce exposure to carbon-intensive assets, and benefit from improved access to capital, including lower funding costs and green finance.	Increased balance sheet volumes for products and services that support customer transition. Better customer retention and increased lifetime value per customer. Greater access to green finance and lower funding costs, supporting continued investment and growth.	Scenario: Proactive <2°C Scenario: Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039)	Tandem is actively enhancing its capacity to manage transition risks by aligning its Net Zero strategy with UK national targets and engaging third-party experts for emissions verification and scenario planning. Efficient capital allocation toward sustainable mortgages, home improvement loans, and EV financing de-risks Tandem's portfolio from high-carbon exposure. Contingency planning considers the potential for slower UK decarbonisation pathways (e.g., delayed electrification or grid decarbonisation), ensuring business continuity and target credibility.	Tandem leverages emerging low-emission markets to support its Net Zero strategy and Scope 3 emissions reduction target of 90% by 2050 from the 2023 baseline. Since the baseline, overall, Scope 1, 2 (market-based), and 3 emissions have decreased by 18.75%, with Scope 3 Category 15 (Investments) emissions down 19.00%. Expanding sustainable finance offerings such as energy-efficient mortgages, home improvement loans, and EV financing allows the Bank to capture ESG-driven demand while directly reducing portfolio emissions. Please see Table 10.

Table 15: Tandem's Non-material opportunities

Opportunity type TCFD/Opportunity Statement	Impact Description	Scenario/Timeframe	Description of Opportunity Response
Resource Efficiency: Use and installation of low-emission technology **Opportunity Statement:** Tandem can improve operational energy efficiency and reduce resource use by adopting low-carbon, energy-efficient, and sustainable technologies across its facilities and IT infrastructure.	Deploying low-emission and energy-efficient technologies reduces operational energy use, Scope 1 and 2 emissions, and exposure to future energy and carbon price volatility. As organisations invest earlier in decarbonisation, they gain a competitive advantage by reducing operating costs and enhancing eligibility for sustainable finance. Capital allocation into low-carbon technology strengthens market positioning, attracts ESG-focused customers, and builds resilience against regulatory and market.	Scenario: Proactive <2°C Scenario: Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039)	3 out of 4 offices are leased through office services companies. Where Tandem does have control over its office, it is improving operational efficiency through installing low-emission and energy-efficient technologies across its offices, IT estate, and product portfolio. This includes rolling out LED lighting with PIR sensors, installing water-efficient fittings, and consolidating office space to reduce total energy demand.
Energy Source: Use of energy efficient technology **Opportunity Statement:** Transitioning to low-emission and renewable energy sources across operations and infrastructure provides a significant opportunity to reduce Tandem's carbon footprint, enhance energy security, and improve operational resilience.	Shifting to renewable energy—via green electricity, on-site generation, or electrification—reduces exposure to fossil-fuel price volatility, limits carbon pricing risks, and improves long-term cost predictability. Energy efficiency measures lower consumption and emissions while enhancing resilience to energy shortages or grid instability. Maintaining a low-carbon operational footprint also strengthens brand value, attracting customers, talent, and investors who prioritise sustainability and credible decarbonisation.	Scenario: Proactive <2°C Scenario: Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039)	Tandem is actively decarbonising its operations by transitioning all sites to 100% renewable electricity, reducing natural gas use, and adopting market-based emissions accounting. Measures such as estate consolidation, PIR sensors, and LED lighting have already cut Scope 1 and 2 (market-based) emissions reduced by 88.80% ccompared to FY24 and 88.51% compared to FY23 (baseline year). %. The Bank now leases only gas-free offices and plans to explore on-site solar PV and additional renewable energy sourcing. Ongoing efforts focus on improving energy efficiency and optimising digital infrastructure to further reduce consumption and long-term energy costs.
Reputation: The business is well adapted and positioned to deal with climate change **Opportunity Statement:** Tandem's transparent climate commitments, credible decarbonisation strategy, and authentic green brand identity present a reputational opportunity to enhance trust, attract climate-conscious customers and investors, and position the Bank as a market leader in sustainable finance.	Growing consumer and investor expectations mean that financial institutions are increasingly judged on the credibility and transparency of their climate action. Organisations that demonstrate authentic commitments to emissions reduction, provide transparent disclosures, and finance the low-carbon transition are rewarded with stronger brand loyalty, preferential access to capital, and higher customer acquisition rates. Clear climate action reduces reputational risk and creates a competitive advantage as customers shift toward providers aligned with sustainability values.	Scenario: Proactive <2°C Scenario: Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039)	Through green mortgages, home improvement loans, and EV financing, Tandem is positioning itself as the UK's leading greener digital bank, attracting customers who actively seek sustainable finance products. Tandem discloses climate progress through annual TCFD-aligned reporting and is setting science-aligned carbon reduction targets, giving customers and investors confidence that climate claims are credible. Tandem is increasing loans for EVs, phasing out the highest polluting petrol/diesel vehicles and incentivising lending to high-EPC properties, thereby demonstrating follow-through on climate commitments, increasing customer loyalty and lifetime value. Tandem's growing reputation as a "greener bank" differentiates it in the traditional banking sector and attracts new, climate-conscious customer segments.
Resilience: Increased reputational profile and investment opportunities **Opportunity Statement:** Strengthening climate resilience across operations, strategy, and lending portfolios enables Tandem to anticipate and adapt to both transition and physical climate risks, reducing exposure to loss while capturing long-term growth opportunities in a decarbonising economy.	Proactively integrating climate resilience into business strategy helps organisations remain competitive and financially secure during policy shifts, market transitions, and increasing physical climate events. Early planning reduces exposure to asset devaluation, supply chain disruption, and capital loss, while enhancing continuity of operations. Businesses with resilient lending portfolios and strong climate governance benefit from increased investor confidence, lower funding risk, and more stable long-term returns.	Scenario: Proactive <2°C Scenario: Reactive 2–3°C Timeframe: Short – Medium Term (2025–2039)	Tandem integrates physical and transition risk assessments within its credit, capital, and governance frameworks. Continuous scenario analysis supports agile strategy adaptation and enhances long-term portfolio resilience to climate-related shocks.

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