

tandem

ESG and TCFD Report

2023

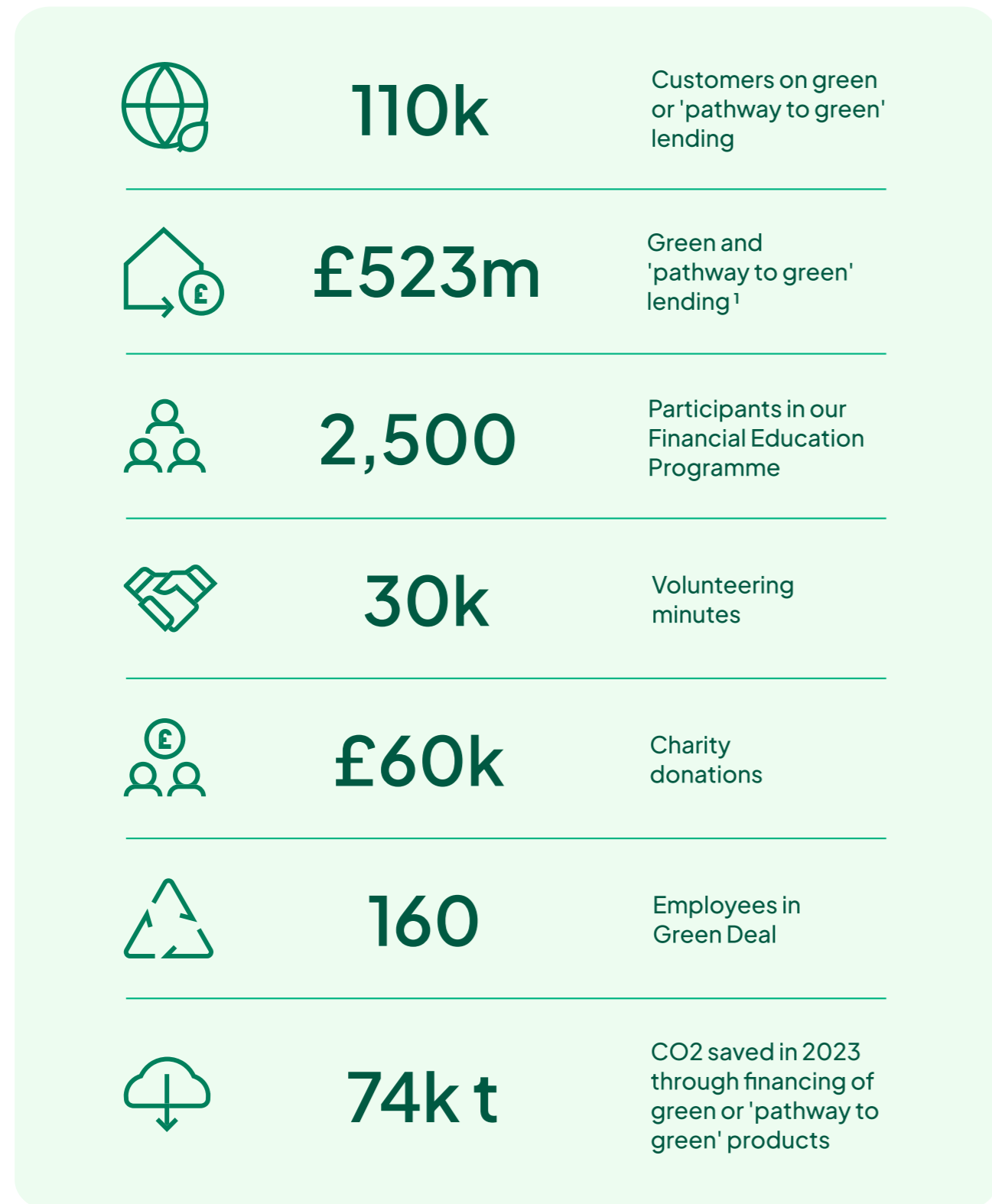


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ESG and TCFD Report 2023

2023 in Numbers



1. see Figure 3: green product criteria.

Introduction

About Tandem



In its first full year of trading since bringing together Tandem Bank with Oplo and Allium, Tandem continues to build the UK's greener digital bank. Focused on a single strategy and clear purpose, Tandem is helping even more people on their pathway to a greener, more sustainable lifestyle.

Climate change remains possibly the biggest challenge facing our current and future generations, and the long-term trend to reduce emissions is set to continue. Despite some economic headwinds and pressure on household budgets, consumers continue to point to alternative and cheaper sustainable energy sources where possible. Tandem's proprietary Green Gap research continues to highlight a closing 'gap' between Brits' intentions and actions, as more and more start their transition to sustainable living, while almost two thirds of Brits remain concerned about the impact of climate change.

These trends highlight the positive opportunity presented for Tandem. And while Government messaging and immediate steps towards NetZero have wavered, overarching commitments to reduce carbon emissions remain.

2023 saw significant milestones for Tandem, including new and growing products and propositions, an expanding digital ecosystem, including the launch of new Green Hub partnerships, significant customer growth, and improvements in other key performance indicators.

This report now combines the findings from our Task Force on Climate-Related Financial Disclosure (TCFD) and ESG results into one succinct report. Tandem is, and will continue to be, resolute in its mission to support consumers' transition to a lower carbon lifestyle.

Alex's opening statement



On 1 December 2023, Prime Minister Rishi Sunak spoke at the COP28 climate conference acknowledging that 'ordinary citizens need real guidance and financial help to tackle climate change' but stopped short of offering any real plan or actions to support them – such as reducing emissions from their vehicles, homes and lifestyles.

Lack of financial help is a key reason why individuals in the UK are not implementing climate mitigating measures. Data taken from Tandem's 2023 annual Green Gap index highlights that 44% of the public think installing measures such as a heat pump is too expensive, while over half would take action to reduce their carbon footprint, but not if it was to cost them money. The report also confirmed that the Government's messaging has had a negative impact on the public, with concern about climate change falling by -8% amongst UK residents, who are also experiencing continued cost-of-living pressures.

Climate change is possibly the biggest challenge we face today and Tandem agrees wholeheartedly that people must be brought along on the journey to net zero. UK consumers have good intentions to make substantial changes to their lives, but our recent study

shows a significant hurdle in that journey with actions not keeping up with levels of intention. We need to translate this into on-the-ground plans for consumers with support for greener lifestyles, whilst providing consumers and businesses with clarity and confidence, not just hot air.

Banking for a greener Future

We have made significant progress on our mission over the past 12 months. The transition to a low carbon economy is underway, and we're making it easier for consumers to transition to more affordable and sustainable lifestyles.

With a 'green to your screen' approach, our app-based interface is starting to connect increasingly green aware consumers to education, information, green retailers, and funding, helping them transition to a lower carbon lifestyle from the familiarity of their phone.

Key ESG-related achievements in 2023

2023 was our first full year of trading as the 'new' Tandem after integrating three legacy businesses into a 'One Bank' approach. With a refreshed ESG strategy and commitment to banking for a greener future, we set a NetZero target for all bank emissions by 2050 and successfully published our first TCFD and ESG reports.

Whilst the macro-environment and interest rate rises continued throughout the year, the Group has grown its loan book by 14% to £1.4bn and 37.4% (2022: 32.8%) by value being reported as green or 'pathway to green', supporting our mission to help people choose greener lifestyles.

We also further invested in ESG, with the recruitment of a new Head of ESG position and refreshed the ESG Committee, to support and implement the governance of all activities, whilst aligning our products and services together with our aspirations.

Making an impact

We have recently created a new set of green product criteria by benchmarking our 'green' products to the EU Taxonomy, alongside a 'pathway to green' criteria to help identify products that demonstrate a material environmental improvement above the national average whilst not meeting the EU Taxonomy 'green' benchmark.

To date, Tandem has funded £609m in green and 'pathway to green' lending through our Home Improvement business, funding installations across solar, battery, air source heat pumps and energy efficient windows and efficient boilers.

I'm pleased to report the Mortgage Division originated £80.6m in green and 'pathway to green' lending mortgages, launched a new home improvement mortgage product range, and introduced a new EPC checker to encourage consumers to start their green home journey.

Tandem Motor Finance Division successfully launched its green roadmap to guide our transition to financing lower emission vehicles and electric vehicles ('EV's). The UK average used car emissions are 134.4gCO₂/km and it's pleasing to report Tandem Motor Finance customers are already making greener choices with the average vehicle emissions registering 128gCO₂/km.



Creating a community

Towards the end of 2022, Tandem launched the UK's first greener marketplace (Green Hub) helping consumers understand how sustainable their homes, transport and lifestyles are, and ultimately to access suitable financing solutions. A new partnership was launched in 2023 with Kuppa, supporting the transition of thousands of homes to greener living. The beta version offers personalised actionable insight for customers to help upgrade their home, save money, and benefit the environment with the introduction of an EPC rating checker for their homes.

This new service, which exists on both the app and website, provides information and tools to help elevate the sustainability of consumers' homes and help save money, whilst reducing their carbon footprints. Users can also establish the CO₂ levels resulting from their lifestyle choices and several of Tandem's retailer partners have joined the marketplace to offer products directly.

We also successfully launched our Financial Education Programme in 2023, providing free financial education for schools, colleges and further education settings across the North West region. Within 12 months, we'd taught over 2,500 young learners and for 2024, we're partnering with the charity Foundation92 to

expand our reach to the Greater Manchester communities with social mobility challenges.

Looking Ahead

For 2024, Tandem continues to help UK consumers switch to greener lifestyles – supporting the wider debate and providing education with innovative thought leadership, helping consumers understand their options with Tandem's Green Hub lifestyle app, and ultimately enabling change through our partners and leading banking propositions.

As part of our commitment to the Science Based Targets Initiative (SBTi) we will set an interim NetZero target for all emissions. At the same time, we will continue to develop our strategy and translate it into practical actions that we must all take.

With our strong underlying business growth, and our significant impact and successes, I couldn't be more excited about the year ahead. I'd like to personally thank our incredible people for their continued hard work and dedication, and our shareholders for their steadfast support. Together we'll continue to drive positive change and support the UK's transition to a lower carbon economy.

Alex



Our Strategy: Sustainable business delivering sustainable impact

Climate change is increasing our customers' desire to decarbonise their lives. Furthermore, the rapid increase in the cost of traditional fuels since 2022 has further incentivised consumers to look towards lower carbon alternatives. From high efficiency boilers, heat pumps and solar panels, to low emission vehicles, we are helping customers finance these purchases through our embedded relationships with key suppliers and installers across the UK.

Sustainability is at the very heart of what we do and it creates the foundations for our ESG Strategy (Figure 1.), comprising of four key themes: Green Products, Green Business, Inspired People, and Community Connection. We will explore these throughout this report.

Figure 1: Our ESG Strategy



Task Force on Climate-related Financial Disclosures (TCFD)

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


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


Banking that doesn't cost the earth


At Tandem, we care deeply about our customers, colleagues and the impact we make on the planet. As a brand, we understand that it is increasingly important to demonstrate responsible business behaviour not only because our shareholders demand it, but because it is the right thing to do.

We're helping people making better use of their money – benefitting their pocket and the planet. But we also need to be realistic. No judgement. No drama. No greenwashing. Just offering simple steps to living a greener lifestyle.

2. Our North Stars are a set of targets that we believe are key to our success and act as a focus for the entire company

 **1. Save more**
and fund greener lending

 **2. Borrow well**
and reduce your carbon footprint

 **3. Spend smart**
and do your bit for the planet

You don't have to be a climate-activist to care about the planet. And you're not a climate-denier if you can't always make greener choices. At Tandem we're on a journey too. We have an ambition to provide sustainable finance and step by step we're aiming to increase our green lending. One step at a time, we'll leave the planet in better shape, because banking shouldn't cost the earth.

Building the team

We are committed to continuously reducing our environmental footprint and we encourage responsible behaviours in the way we work, as this is fundamental to our growth and success. This is reflected in the investment made and the primary focus ESG has taken with our own business goals and North Stars².

We embed this ethos into our values and the way we work at Tandem. With the help of internal ESG Ambassadors, we develop sustainable initiatives and opportunities for all our people to get involved in. By planting a tree and using renewable energy at home, employees are able to join Tandem's Green Deal and benefit from; a £500 contribution towards home EV chargers, cycle to work scheme, and an EV scheme for all. Additionally, we plant one new tree for every new starter, and everyone is given two volunteering days a year – to make a difference.



Green Products

We're banking for a greener future. That means we make it easier for consumers to be more sustainable and help them transition to a low-carbon economy.

To reach the UK's ambition to be Net Zero by 2050, among the many pillars that the country must address are clean energy, low emission transport and green home improvements.

Decarbonising our homes and personal transport is, however, no mean feat and the cost alone for homeowners is estimated at approximately £250bn by the Government's independent Climate Change Committee. Our financial services offer simple, jargon-free solutions for customers to make greener choices with their money, their home and their lifestyle (Figure 2).

Figure 2: Our Lending and Savings Products

Home Improvement Loans	Mortgages	Motor Finance	Savings
Support retrofit of housing	First and second charge	Focus on second hand market	Fixed term and instant access
Renewable energy and energy efficiency including solar, heat pumps, boilers, doors and windows	A reduced interest rate for customers with the most energy efficient homes (EPC A & B)	Phase out Euro 4 and 5; move towards more vehicles with ever decreasing CO _{2e} emissions	Fixed term savings help fund our green and 'pathway to green' lending

Aligning with our TCFD opportunities

We have used the TCFD guidance to identify opportunities that the transition to a low-carbon economy will present to our business. These opportunities fall primarily into the categories of 'products & services' and 'markets' and align with our strategic ESG pillars of green products and green business. Guided by TCFD recommendations, we have conducted in-depth assessments of these opportunities and associated risks, enabling

us to formulate appropriate responses and establish a robust way of reporting our current standing and future strategies. More information on this can be found under page 26 Opportunity and Risk.

Our new green product criteria

In order to define our progress on our sustainability journey, we've reviewed our green product criteria and benchmarked our products to the EU Taxonomy. The EU 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 EU Taxonomy (see Figure 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 EU Taxonomy. We believe it is important to bring our customers on our sustainability journey, hence we have called this our 'pathway to green'.

Green product criteria: Tandem Motor Finance

From 1st January 2026 only motor finance products for electric vehicles (EVs) will be defined as Green. Until then, motor finance for plug-in hybrid cars are included as a green product if they emit less than 50g of CO₂ per kilometre driven. Our 'pathway to green' definition captures other types including petrol, diesel and hybrid powered vehicles which do not emit more than 110g of CO₂ per km and also comply with the Euro 6 standard for emissions to air. This EU and UK standard includes limits on Nitrogen oxides (NO_x), carbon monoxide (CO), particulate matter (PM) and hydrocarbons. waverage CO₂ emissions in 2022 for UK cars was 134.4gCO₂/km³.

Green product criteria: Home Improvement Loans

The EU Taxonomy includes installation, maintenance and repair of renewable energy technologies (solar) and energy efficiency equipment (doors /windows). It also includes installation, maintenance and repair of water heating systems with highly efficient technologies (heat pumps). New gas boilers fall within our 'pathway to green' category as long as they are ErP⁴ 'A' rated condensing boilers and more efficient than the boiler they are replacing resulting in a reduction in CO₂ emissions per kwh of heat energy generated.

Green product criteria: Mortgages

The EU Taxonomy includes housing stock in the highest 'A' band of the Energy Performance Certificate (EPC) ratings or the top 15% of EPC rated properties. In November 2023, EPC 'A' and 'B' rated properties in England and Wales made up approximately 15%⁵ of the housing stock, and the average EPC rating for a dwelling was 'D'. We have therefore included properties with a 'C' rating as being on our 'pathway to green'.

Green product criteria: Savings

Both our fixed term and our instant access savings products contribute towards funding our lending products and therefore some of the funding will directly contribute to green and 'pathway to green' lending products.

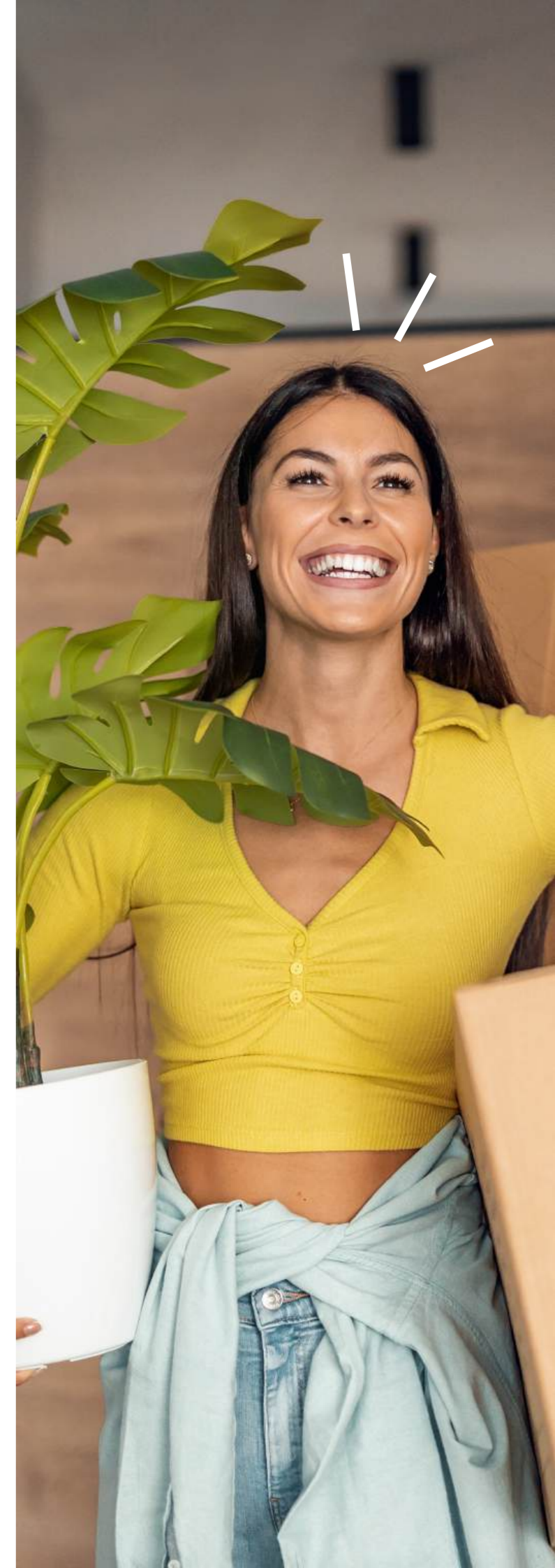
Figure 3: Our Green Product Criteria

Product	Green – EU Taxonomy	Pathway to Green – Tandem definition
Motor Finance	<ul style="list-style-type: none"> until 31 December 2025: Euro 6 Vehicles <50g CO₂/km from 1 Jan 2026: 0g CO₂/km 	Euro 6 Vehicles with emissions 50 - 110gCO ₂ /km
Home Improvement Loans	Solar, heat pumps, doors / windows	Gas boilers ErP "A" that are more efficient than boiler being replaced
Mortgages (first and second charge)	EPC A & B	EPC C
Savings	<ul style="list-style-type: none"> Fixed Term that provide funding for Green lending 	Savings that fund "Pathway to Green" lending products.

3. Department for Transport

4. Reference to the Energy Related Products Directive

5. Office for National Statistics, November 2023 [Energy efficiency of housing in England and Wales - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/energy-efficiency-of-housing-in-england-and-wales)



Our Impact

Our biggest impact comes from enabling our customers to make purchasing decisions that reduce emissions from their homes and vehicles. We enable our customers to achieve a “win – win” by helping them reduce their long-term household and vehicle running costs. As such mobilising the finance we lend to reduce our customers’ emissions is our priority across all of our sustainability efforts and we have committed to increasing the proportion of sustainable finance within our loan book over the coming years.

We estimate our customers’ CO₂ savings based on proxy data from the Energy Savings Trust for

our Home Improvement Lending business. In the next report, we’ll look to also include CO₂ savings from our Mortgages and Motor Finance business lines.

It is important to note that CO₂ savings are estimates that rely on a number of assumptions. We continue to improve these as well as the underlying data to give a fair picture of our impact.

We used the inputs in Table 1 to estimate the CO₂ savings of 74k tonnes for 2023.

Table 1: Data input into CO₂ Savings Calculations

Product Type	Proxy data source	Methodology (based on Energy Savings Trust (EST) form)	CO ₂ savings (kg/per annum)
Solar PV Installation	Energy Saving Trust	Smart export guarantee mechanism (using Manchester as location point)	680
Gas Boiler Upgrade	Energy Saving Trust	Replacing E/F with new A rating boiler	673 (Internally sourced)
Heat Pump Installation NB: Energy Savings Trust only provides proxy data for a 3/4 bedroom detached house on heat pumps.	Energy Saving Trust	Replacing G rated gas boiler with an air source heat pump	2800
	Energy Saving Trust	Replacing G rated gas boiler with a ground source heat pump	4400
Double Glazing Installation	Energy Saving Trust	A- (with typical gas boiler from average single glazed)	330

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 2022 are counted as a full year’s worth of CO₂ savings and all new customers during 2023 are accounted for on a pro-rated basis, e.g. if a customer had an installation in January they saved 11 months’ worth of CO₂ for 2023.

A win win

The journey towards a lower carbon world commences within the confines of our homes. A significant number of households in the UK possess a poor energy efficiency rating, with less than half meeting the EPC C standard or higher. At the same time, it is imperative for all of us to move to renewable energy sources in order to reach the ultimate objective of transforming into a net zero nation. Tandem is dedicated to assisting customers in implementing impactful changes within their own homes, enhancing energy efficiency and

transitioning to renewable energy through our Home Improvement Loans. Our aim is for customers to make informed decisions that benefit themselves, their loved ones, and the planet. This year, we have focused on continuing to finance renewable products such as Photovoltaic (PV) Solar and Battery Storage, working closely with the Home Insulation & Energy Systems Quality Assured Contractors Scheme (HIES) and the Energy Performance Validation Scheme (EPVS) to ensure our customers receive the best possible service. Last year we simplified the process by utilising third-party validated data to provide an accurate assessment of the carbon emissions and cost savings associated with our products to our customers. This helps our customers to understand the impact that each product will have on their carbon footprint and financial savings moving forward. Investing in a sustainable economy over an extended period yields a “win-win” scenario of significant cost savings and reduced emissions.



Tandem Motor Finance road map

As a nation, we need to remove ageing, higher-polluting vehicles from the roads and, where appropriate, replace them with newer, lower carbon and less polluting engines. While our ultimate goal is to help people drive EVs, price and sometimes logistical barriers mean the next best option is to help consumers into a newer, less polluting vehicle as a step in the right direction.

Tandem Motor Finance helps people transition to lower-emission vehicles, in line with the UK's mission towards Net Zero. Through our trusted car dealer and broker partners, we help buyers finance their next used lower emission car.

Promoting greener driving

Tandem is distinctive in its focus on financing greener cars, with the future business plan including an increase in finance for EVs. Our roadmap sets out the key steps along the way in helping us transition from a finance provider to a used EV enabler.

We recognise that not every customer is ready or able to buy an electric vehicle today, but by working with dealers positively, Tandem aims to educate and enable dealers to help customers make greener choices.

Partnering with and supporting the right intermediaries on their transitional journey is key to our success. Ultimately, we rely on them increasing their stock holding of low emission and electric vehicles and helping our customers make informed decisions on their individual car buying journeys. Sharing factual information on the many benefits of lower emission and electric vehicles will help that decision making process and dispel any misinformation seen in the media.

We want our customers to make the right choice for their personal circumstances.

Strength through partnerships

At Tandem we understand that you can't solve the climate change challenge alone, so for the past four years we have partnered with **Project Solar UK**⁶ (PSUK), financing the installation of Solar PV and battery storage in people's homes. As one of the leading providers of Solar PV, and at the forefront of the solar industry, PSUK were an obvious candidate for a partnership.

PSUK are one of the largest and one of the most accredited solar panel installation companies in the United Kingdom and have installed over 45,000 solar panels and battery storage devices since 2011, saving a total of 150,000 tonnes of carbon in the process. This has helped consumers power their homes in an energy-efficient, money-saving way. Based in the Midlands and the Northwest, they offer products such as solar panels, roof tiles, electrical vehicle chargers, infrared heaters, and intuitive heating controls.



6. Solar Panels UK | #1 Solar Panel Installation Company (projectsolaruk.com)



Since the inception of our partnership, we have financed 9041 home improvement products (Figure 4), with a total value of £114.5 m. In 2023 alone, we financed the installations of 2616 home improvement products into the homes of PSUK customers, with a total value of 37.5m

(Figure 5). The slight reduction in number and value of installed products in 2023 compared to 2022 was caused by a combination of strategic capital deployment decisions in the bank coupled with a challenging economic climate that included rising interest rates.

Figure 4: Number of home improvement products installed by Tandem and PSUK customers

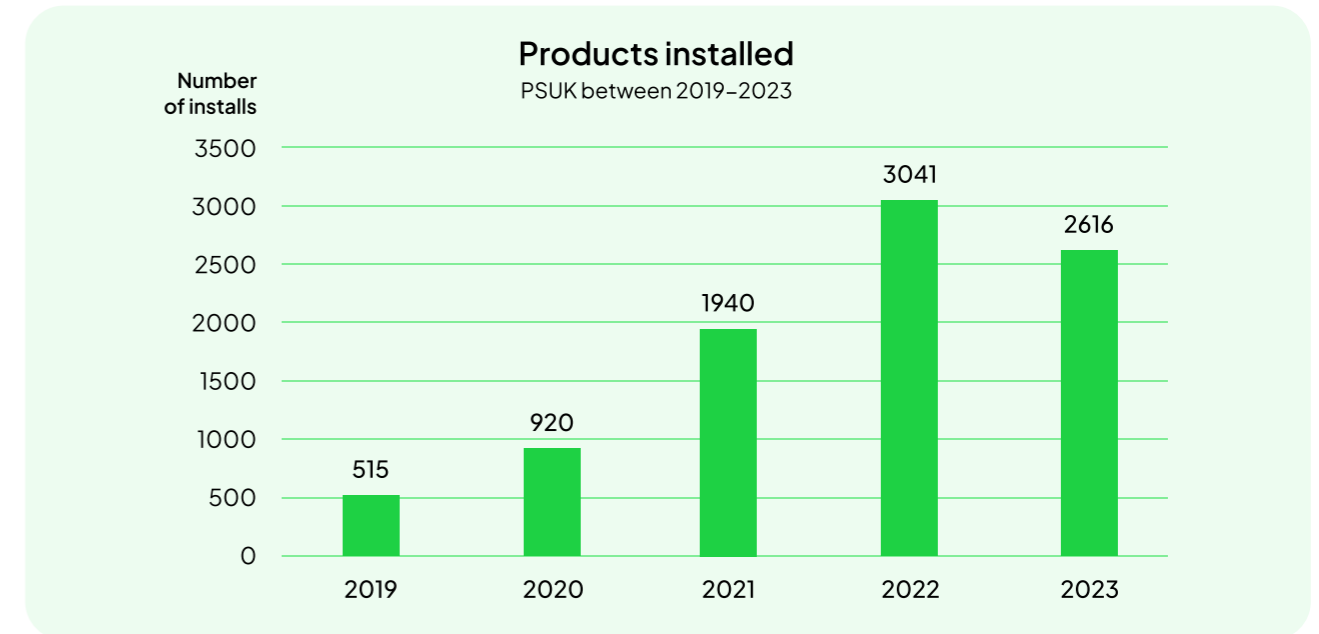
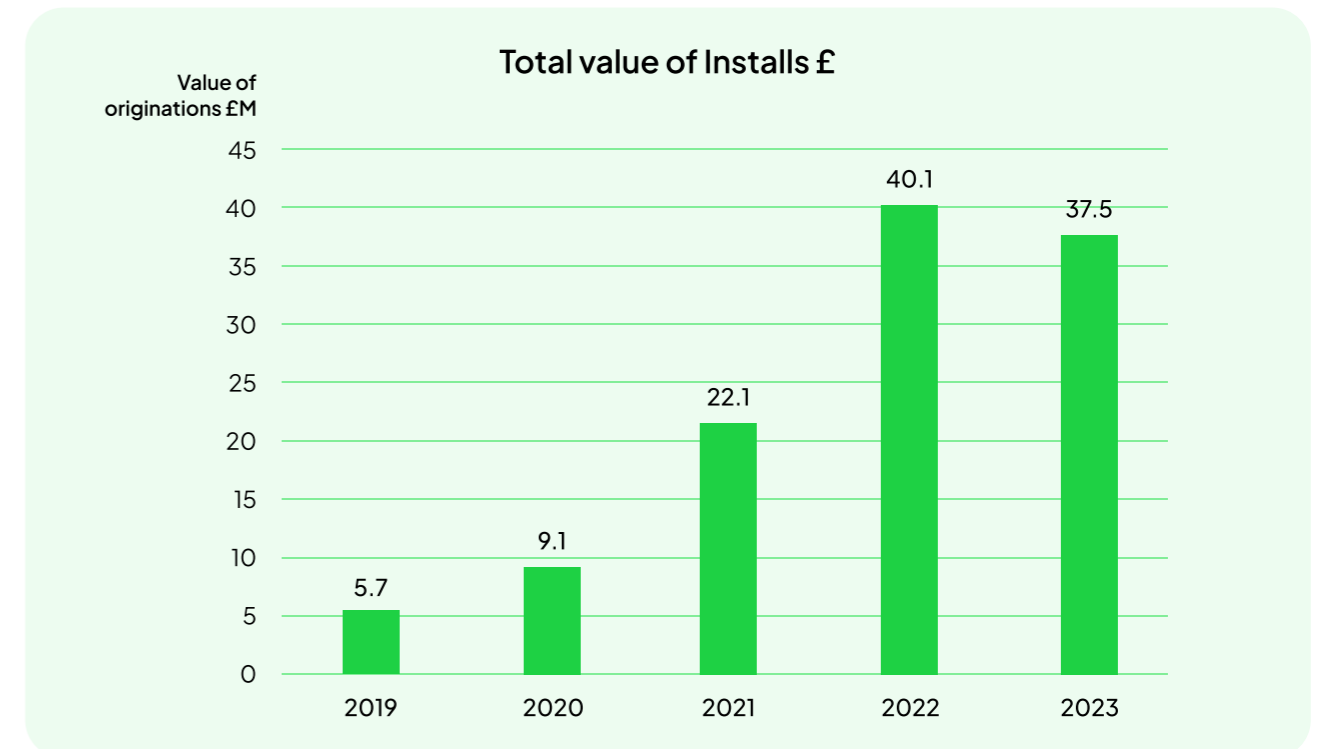


Figure 5: Value of home improvement products installed by Tandem and PSUK customers



Green Finance Institute

The Green Finance Institute (GFI) is accelerating the transition towards an environmentally sustainable and resilient economy by catalysing investment in net zero and nature positive outcomes. Backed by Government and run by bankers, the GFI collaborates with financial institutions, corporates, policymakers, academics, philanthropists, and civil society experts to develop solutions that will redeploy capital at the pace and scale that science demands.

The green home finance market seeks to support and facilitate activities that enable the acquisition or construction of green homes, or activities that lower the environmental

impact of housing through reducing energy consumption, carbon emissions and material use. In September 2020, as part of its built environment focus, the Green Finance Institute collaborated with the Loan Market Association (LMA) to launch the Green Home Finance Principles (GHFPs), a framework of guidelines that promote integrity in the market by providing financial institutions with a consistent and transparent methodology for the allocation of finance towards retrofitting works in the UK's domestic buildings.

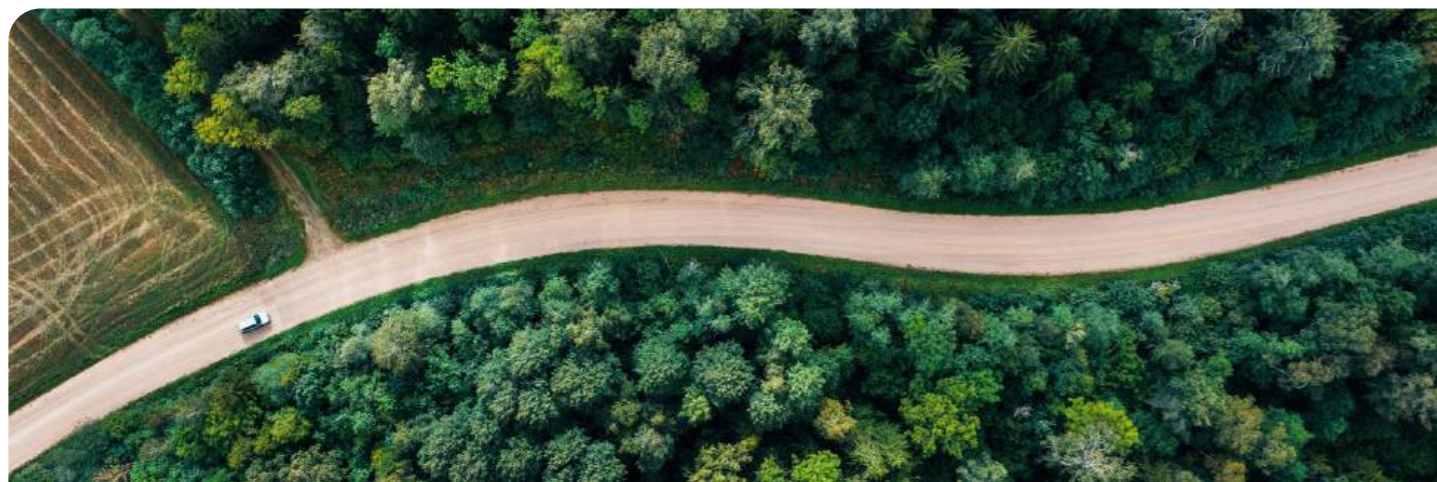
Tandem collaborates with the GFI and has committed to align its Home Improvement Products to the GHFPs.

Green Business How we make our business greener

By far our biggest environmental impact is from our emission of greenhouse gases or our carbon emissions, as we often call them. We all have a responsibility to tackle climate change. For us, 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 5 offices in England and Wales.

As well as our carbon emissions, in our daily 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 those related to our lending products in essence the operation of the cars, houses and home improvement equipment which we finance.



Our Targets

In 2023 we committed to reaching net zero for all emissions by 2050, in line with the UK government's net-zero target. We have set a separate target of 2030 to reach net zero for our Scope 1 and 2 emissions. Net zero for Scope 3 will take longer due to the complexities associated with collating data and mitigating emissions beyond our direct operational control. In 2024, we will set an interim Scope 3 target and we will start to put in place our plans to reduce all emissions as part of our Netzero strategy.

We define net zero as being when the amount of greenhouse gases (GHGs) entering the atmosphere are balanced by the amount removed. In line with the Science-Based Targets Initiative's recommendation, our net-zero strategy is to offset a maximum of 10% of our baseline emissions and to use permanent carbon removal and storage techniques to tackle residual emissions.

This year we published our ESG strategy which outlines our actions and targets based on key areas: Green Products, Green Business, Inspired People and Community Connection.

Green Products

- In 2023, we continued to assess all existing products and those in the pipeline against our new Green Product Criteria (see Figure 3).
- Our target is 80% Green and Pathway to Green loans
- Based on our new Green Product Criteria 72.5% of loans represented green and 'pathway to green' lending, which accounted for 37.4% of the total value of our loan book

Green Business

- In 2023, we have committed to a net-zero target of 2050. In 2024, we aim to get this approved by the Science-Based Targets Initiative (SBTi)

Inspired People

- Acknowledged by The Sunday Times on the list of 'Best Place to Work'

Community Connection

- A million minutes of volunteering time given by Tandem employees

Metrics and Targets in the TCFD

The TCFD guidelines require companies to disclose the metrics and targets they use to assess and manage climate-related risks and opportunities, as well as to publish their Scope 1, 2 and, if appropriate, Scope 3 emissions. We have provided more information on how our metrics support our risks and opportunities below.

Our Carbon Emissions and Energy Use

We have been calculating our full carbon footprint, including Scope 3, since 2022 and our Scope 1 and 2 since 2019. By understanding our emissions, we can then develop a plan to reduce them quickly and effectively. We worked with a third party to define our baseline and set our targets.

These scopes are defined as follows:

Scope 1

Consumption and emissions related to direct combustion of natural gas, fuels utilised for transportation operations, such as company vehicle fleets and refrigerant gases.

Scope 2

Consumption and emissions from indirect emissions, relating to the consumption of purchased electricity in daily business operations.

Scope 3

Consumption and emissions from all indirect emissions that occur outside Tandem's own operations but are still a consequence of activities.

Understanding Scope 3 Emissions

Scope 3 emissions are the result of our business operations but are not within our direct control. It looks at emissions in our value chain under 15 categories, including employee commuting, purchased goods and services and emissions from investments. For most companies they

represent a significant majority of their overall carbon footprint and for Tandem, Scope 3 represents 99.97% of our total emissions.

It is therefore important that we work with our suppliers and value chain to reduce these emissions as part of our commitment to a net-zero future. By calculating our Scope 3 emissions, we are able to identify the most important areas to focus on for reductions. For Tandem, our investments are the source of 98.7% of our emissions and that is why we have developed our green product criteria as part of our green products pillar (see Section on Green Products). This will help us to grow the business, whilst also managing our carbon footprint and making progress towards our net-zero targets.

We will be working with our suppliers and customers to address our Scope 3 emissions. One important area for improvement is the data quality for category 15, which is our investments. This year we have used the EPC ratings for our second-charge mortgages to produce more accurate data on the associated emissions.

Applicability

Scope 3 is made up of 15 categories to cover all the emissions from the varied value chains that different businesses have. It is therefore normal that not all categories are applicable to every business and we started our Scope 3 calculations with an applicability review. This found that nine Scope 3 Categories are relevant for Tandem. The following six Scope 3 categories are not relevant due to the nature of our operations: upstream and

downstream leased assets (categories 8 and 13), downstream transportation and distribution (category 9), processing of sold products and use of sold products (category 10 and 11) and franchises (category 14).

ensures transparency and awareness regarding energy consumption and carbon emissions and aims to facilitate the UK's efforts in meeting its climate targets. Our full SECR report can be found in the Appendix.

Energy

We report on our energy use for our UK operations each year in accordance with the Streamlined Energy and Carbon Reporting (SECR) regulations (Table 2). We also publish the energy-saving measures ongoing and undertaken that year and our plans for the year ahead (see Our Operations). This regulation



Table 2: Tandem Total Energy Consumption (kWh)

Utility and Scope	2023 Consumption (kWh)	2022 Consumption (kWh) *
Scope 1 Total	163,189	49,565
Gaseous and other fuels (Scope 1)	163,189	49,565
Scope 2 Total	222,864	243,859
Grid-Supplied Electricity (Scope 2)	222,864	243,859
Scope 3 Total	190,125	130,012
Transportation (Scope 3)	190,125	130,012
Total	576,179	423,436

* Figures for gas and electricity in 2022 have been restated.

Our Operations

With five workspace locations across Blackpool, Cardiff, Durham, London and Manchester, Tandem employees operate in a mixture of office based, hybrid working and fully remote roles across the UK. We constantly work to improve our safety, security, energy efficiency and consumption of resources. Our offices have different lease arrangements - Blackpool and Durham are tenant to landlord, Manchester is managed and Cardiff and London are both fully serviced - however our general approach is to work closely with our landlords to make any sustainability improvements. As we have started to measure our ESG impact,

our energy, emissions and consumption of resources are playing an increasing role in our relationship with our landlords and even in our choice of office location. For example, when we moved office locations in London in Autumn 2023, several environmental factors were included in our final selection, such as optimum office size, EPC rating (B or above), renewable energy supplier, and a range of benefits such as access to bike storage and a gym for employee wellbeing.

The following are examples of actions that we took in 2023.



Energy

In our Blackpool and Cardiff offices we installed hydrocarbon fridges. Hydrocarbon refrigerant has a significantly lower greenhouse gas potential than traditional refrigerants. In addition, it is less toxic and requires less energy to operate. We installed passive infrared sensor lights in our toilets in Blackpool and LED lighting throughout the office in Durham. In addition, in Durham we installed a hot water boiler to replace the use of kettles and the combined effect of these energy efficiency actions resulted in the EPC rating moving from C to B.



Waste

We rolled out waste management and recycling mandatory training across the bank. The training received the highest score for mandatory training on our Learning Management System with an average of 4.6 out of 5 from 517 completions.



Water

In our Blackpool office we installed dual flush mechanisms in eight toilets.



Occupational Health and Safety

Fire evacuation training. Annual mandatory training completed by all employees for workstations and Display Screen Equipment (DSE) at home and in the offices.



Security

Mandatory training delivered online for cybersecurity and physical security of our offices was completed by all.



Transport

We encourage our employees to cycle to work and use more efficient transport where possible. We offer a tax efficient cycle to work scheme and two salary sacrifice electric vehicle schemes for all.

“We understand that sustainability must be embraced across the bank if we are to make a significant, lasting impact so we encourage everyone to get involved. One of our colleagues from Cardiff led a waste recycling project which involved researching the changes, meeting with the landlord team and enforcing the new practices across the office.

“Beforehand, we had bins for general, plastic/tins and paper/cardboard but we were finding that they were too small. They were also not clearly labelled, and a lot of food waste was going into general waste.

Now we have a fourth bin specifically for food waste, together with bigger, clearly labelled bins. I communicated this update via email to update our colleagues in the office. I also log the weights of the different waste categories every day so we know where we can improve, especially when it comes to plastic reduction which is important as we continue to measure our impact and build the UK’s greener bank.”

Olivia O’Driscoll, Receptionist, Cardiff Office

Our ESG Governance

Tandem recognises the critical role that financial institutions play in driving the sustainable economic transition. Therefore, our Board oversees ESG and climate-related risks and opportunities, with our Chief Executive Officer (CEO) ultimately accountable for climate risk (Figure 6).

Figure 6: How Tandem Governs ESG and Climate Risks

Governance Committees		
Board	Executive Committee	Principal Risk Types
Risk Committee	Executive Risk Committee	Climate Risk
Audit Committee	Asset & Liability Committee	
Remuneration Committee	Operations Committee	
Nomination Committee	IT Steering Committee	
	Transformation Committee	
	ESG Committee	Climate Risk

Environmental, Social and Governance matters, including climate change, were discussed regularly throughout the year at Board meetings, ensuring that Tandem’s overall business strategy, purpose, and messaging are aligned with ESG.

Over the course of the year the Board discussed and signed off on the climate risk register, undertook a ‘deep dive’ into ESG, reviewed and approved the publication of our first TCFD and ESG reports and approved the Climate Risk Management Framework.

Due to the growing importance of ESG and in particular climate risk, the Board and Executive Committee are supported by our ESG Committee, which we formed in 2022. The committee, chaired by the MD Corporate Development and Impact, assists the Executive Committee and the Board in the management of ESG and climate-related risks and opportunities. The ESG Committee provides regular updates to the Board on Tandem’s management of ESG and climate-related risks and opportunities, including company strategy, regulations, public disclosures and changes in the market.

Capacity building and climate-related risks

In 2023, our third-party specialists continued to conduct climate risk modelling for Tandem and provided training to various members of the Board, ESG Committee and Executive Risk Committee on climate change and TCFD throughout 2023, including two climate risk workshops held on the 7th and 14th December 2023.

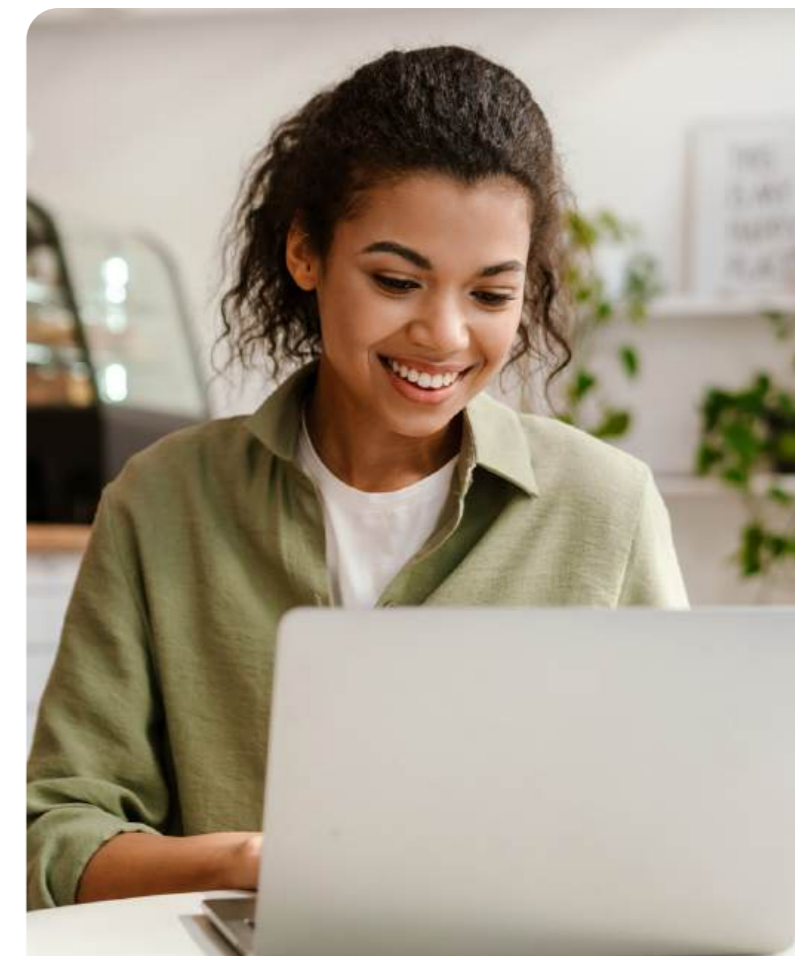
The December workshops aimed to enhance the understanding of the TCFD recommendations, scenario analysis and our disclosure requirements. This knowledge, combined with the identification of key climate risks and the development of an adaptation

strategy, will enable more informed decision-making on climate risk management and reporting.

Currently, there is no link between the Board’s remuneration and the delivery of the climate change performance against objectives. In 2024, once the Group’s net zero strategy and pathway have been fully developed, we will consider linking remuneration to targets, where possible and relevant.

Our ESG disclosures

The Companies Climate Related Financial Disclosures Regulations (2022) require Tandem to include disclosures in our annual report on climate change related risks and opportunities, where these are material. We expand upon this in our Taskforce for Climate related Financial Disclosure (TCFD) Report. The disclosures cover how climate change is addressed in corporate governance; the impacts on strategy; how climate related risks and opportunities are managed; and the performance measures and targets applied in managing these issues.



Opportunity and Risk

Tandem recognises the significance of risk management in maintaining sustainable performance and fostering long-term value creation. The Board, holding ultimate responsibility for ESG and climate-related risks and opportunities, ensures the alignment of risk-related decisions with the Bank's overarching strategy. Climate risk is one of Tandem's eight principal risks. Principal Risks represent the overarching risks that Tandem faces which could materially impact the achievement of its strategic objectives.

Climate Risk is defined as the risk that changes in climate conditions, or adjustments to support the transition to a low-carbon economy, that may impact Tandem's ability to achieve its business plan or strategy and / or affect the value of Tandem's assets or liabilities. **Tandem is exposed to the following Climate Risks:**

- **Physical risks** from climate change arise from a number of factors and relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).
- **Transition risks** can arise from the process of adjustment towards a low-carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations.
- **Greenwashing risk** can arise through the process of disclosing and communicating our ESG credentials if any claims are perceived to be exaggerated, misleading or unsubstantiated.

We believe that we are well prepared to manage these risks and have taken, and continue to take, mitigation actions, including a Board approved Strategy focused on transition to a lower carbon lifestyle, and a Board approved Climate Risk management framework, utilising the principal of identify, assess, monitor, and report.



Understanding risk with climate scenarios

To ensure climate-related risks and opportunities are factored into our strategy, we undertook climate scenario modelling as recommended by the TCFD in December 2023. This provided a deeper understanding of the risks associated with climate change, which we have acknowledged as a principal risk since FY22.

The scenarios are a helpful tool for assessing the future associated with global warming. In each scenario, we tried to predict how the action taken today by governments and businesses will either slow down or accelerate global warming. To build the different climate scenarios, we used several climate models and internationally established frameworks. These included the International Energy Agency's World Energy Models ("WEM"), the Shared Socioeconomic Pathways ("SSPs"): Climate Natural Catastrophe Damage Model, the Co-ordinated Regional Climate Downscaling Experiment ("CORDEX") forecasts, Central Banks and Supervisors Network for Greening the Financial System ("NGFS") and Integrated Assessment Models ("IAM").

In total, three varying scenarios were constructed to represent future operating environments, which are outlined below. While these models offer detailed insights into potential futures under different emission scenarios, their accuracy is not guaranteed. Discrepancies between model predictions and real-world observations are common when evaluating elements like downwelling pressure, wind, clouds, temperature, precipitation, ocean currents, sea ice, permafrost, and more. Additionally, potential exaggerations or underestimations of climate variables may occur.

Global Warming Scenarios

- **Below 2°C Scenario (Proactive):** In this scenario, global efforts to mitigate climate change are substantial. Governments, businesses, and the public unite their efforts to limit global warming to below 2°C, compared to pre-industrial levels. Many organisations align with the Net Zero carbon emissions target set by the Paris Agreement for 2050. Stringent laws and regulations are implemented by governments, to reduce greenhouse gas (GHG) emissions. Although transition risks are high in this scenario, this will limit the severity of the physical hazards of climate change in the long-term.
- **Between 2–3°C Scenario (Reactive):** Current global pledges will likely lead to a 2.7°C scenario. This scenario predicts a delayed response to climate change, leading to policies being introduced in an uncoordinated approach to reduce global emissions. Business continues as normal in the short term, but the delayed response, results in the highest levels of transitional risks within the medium term and some physical risk due to the limited action. Only the most committed businesses will take serious action. Governments will rely heavily on technology to reduce the effects of climate change.
- **Above 3°C Scenario (Inactive):** Reached if limited climate action is taken, business continues as normal. Global emissions continue to rise until 2040, leading to a global temperature rise above 3°C. The rise in temperatures and subsequent physical risks will eventually apply pressure on governments and organisations to act, leading to policies being introduced in the long term, accompanied by the highest levels of physical risk, due to several tipping points being surpassed.

Time Horizons

Each scenario was modelled for three time horizons: short term, medium term, and long term. Our loans have different Loan to Value ratios (LTVs), and it was important that we assess climate risk in relation to our different products to comprehensively understand the impact climate change could have on the bank’s revenue and assets. We therefore selected these time frames to match the bank’s revenue and products (see Table 3 below).

Table 3: Time horizons used for modelling the climate scenarios and their alignment with our portfolio

Time Horizons	Description	Portfolio Area
Short Term (2023–2027)	In this timeframe, we gain insights into imminent climate change implications, guiding decisions for enhanced resilience. We anticipate strict enforcement of transition risks, as we move towards a low-carbon economy.	Personal loan
Medium Term (2028–2037)	The effects of climate change are anticipated to become more noticeable, particularly within the reactive and inactive scenarios for physical risks. Transition risks will intensify in this period, requiring governmental responses to tackle evolving challenges.	<ul style="list-style-type: none"> Car finance Home improvement loans Mortgages (2nd charge)
Long Term (2038–2052)	The most substantial threat arises from physical risks, especially in reactive and inactive scenarios. Businesses need comprehensive preparation to navigate and manage the resulting outcomes in these situations. This timeframe is consistent with the UK Government’s net zero pledge by 2050.	Mortgages (1st charge)

Some of the indirect climate impacts and policy changes mentioned above may start to materialise within a four to ten-year timeframe. Analysing loan portfolios in this context can help Tandem identify potential vulnerabilities and opportunities related to transitioning to a low-carbon economy. Additionally, while the direct climate risks to these loan categories might be less pronounced in the medium term, including them in the scenario analysis can act as an early

warning system. By identifying potential areas of concern, Tandem can develop mitigation strategies or adjust lending practices proactively.

Each time frame was assessed according to all potential global warming scenarios. The actions of governments, companies, and the public dictate the scale of global warming through their response to climate change in the form of policies and mitigation steps.

Our climate risk register

We have a climate risk register which gives detailed information on each risk within the TCFD guidelines. Each year, we review this based on any changes to our business and to the climate modelling.

This financial year, we expanded our climate risk register to include the residual risk (overall risk scoring), compared to our previous risk register, where we only included the inherent risk and some mitigation measures. Knowing the residual risk has helped inform our decision-making under each scenario, allowing for better adaptation strategies and risk level categorisation. Table 4 highlights the risk that was rated as ‘Significant or Major’ and deemed material. The risk identification and scoring are conducted annually.

In 2024, we will further be developing our assessment methodology. In the upcoming reporting year, we aim to measure the influence of climate-related risks and opportunities on various aspects of financial performance, including revenues, costs, assets, liabilities, acquisitions, divestments, capital expenditure, and access to capital.

A bottom-up approach is used to identify physical and transitional climate risks across Tandem’s operations. Under the three scenarios used in the climate scenario modelling for 2023, the qualitative materiality assessment considered 18 risks but identified one to be material to our business as a significant-level risk. We also identified five opportunities to capitalise on. All full descriptions are presented through our analysis to gauge the influence of transition and physical risks on fundamental business indicators and can be found in the Appendix section of this report. We also identified and addressed the climate impact of transition risks on the principal risks (Table 5).

Whilst 18 risks were considered in 2023, 20 risks were identified in 2022. The ‘Failure to react to competitor marketing of products and services’ and the ‘Unsuccessful investment in new technologies’ risks were removed in 2023, as climate scenario modelling emphasised the urgency of adapting to resource limitations or stricter regulations, pushing competitor marketing concerns and unsuccessful investment probabilities down the list.

Each risk area, as recommended by the TCFD, was reviewed, considered, and assessed against our risk matrix which categorises risks based on likelihood and impact. Risks that have an overall risk rating score of ‘Significant’ or ‘Major’ according to the Tandem Risk Matrix are deemed to have a high impact on Tandem’s operations and are thus deemed as material to the business. Out of the 18 risks considered, 17 received a ‘Minor’ or ‘Moderate’ rating, with one receiving an overall risk rating score of ‘Significant’ and therefore deemed material. The risk that was identified as significant was a physical risk (flooding), further details are given in Table 4 below. No transitional risks were identified as ‘Significant or Major’.

This process and its results were presented and discussed with the Board in January 2024. As there are no Board meetings scheduled in December for each year, Climate Risks are presented at the January Board meetings.

Our analysis determined there is a low risk to the business model and strategy, and Tandem is well adapted to minimise the overall impact of the material risks. Climate resilience refers to our capacity to respond to climate change, to better manage the associated risks and capitalise on opportunities, including the ability to respond to transition and physical risks. We identified opportunities in the Climate Risk Workshop in December 2023.

Physical Risks

The physical climate risks assessed the potential impact of climate events across all five UK sites and 33 of our largest first-charge mortgage locations. It identified flooding as a risk for our first-charge mortgage locations and we assessed this as a material risk for the business.

Table 4: Increased severity of flooding was identified as the only significant risk to the business in 2023, with an overall risk rating of ‘Significant’.

Risk Type by CFD	Acute – Increased Severity of Flooding
Timeline	Medium – Long Term (2028–2052)
Climate Scenario	>3°C
Description of Climate-related Risk	<p>2/5 Tandem sites and 21/33 first charge mortgage locations are either in potential high flood risk zones or areas of indirect impact.</p> <p>Flooding can damage properties leading to an increase in renovation, repair and maintenance costs. Building standards such as the Building Research Establishment Environmental Assessment Method (BREEAM) may be introduced to mitigate flood risk which will be associated with an increased capital cost. Devaluation of assets due to flood damage, could result in an increase in insurance costs and a decrease in credit quality of assets. Flooding is the main cause of infrastructure damage in the UK. Global property insurance premiums are forecast to rise by 29% by 2040, as weather-related catastrophes become more intense and frequent.</p>
Financial Exposure of Risk	Decline in credit quality due to exposure to assets impacted by physical climate events. Expanding on this, flooding could impact Tandem in two ways. It can impact borrower creditworthiness overall (decline in credit quality) due to economic hardship. Additionally, if Tandem lends heavily in a flooded area, loan repayments might suffer directly (drop in loan book quality). Potential depreciations of asset values can arise due to property damage or increased risk exposure.
Inherent Risk	<p>Likelihood: Possible</p> <p>Impact: Significant</p> <p>Overall Rating: Significant</p>

Mitigation – Current Controls	<p>We monitor the development of climate analysis and include input from our ESG consultants.</p> <p>Based on the timescale and risk scenario, we will develop appropriate/fit-for-purpose controls. We will also propose a metric in January 2024 and exact calibration in Q2 2024 for “Flooding” as part of the Risk Appetite Metrics.</p>
Overall Risk Scoring	<p>Likelihood: Possible</p> <p>Impact: Significant</p> <p>Overall Rating: Significant</p>

Transition risks

Due to the nature of our business operations, transitional risks pose the most significant climate challenge for Tandem. Given our lending portfolio and financial products, we recognise potential exposure across policy and legal changes, market fluctuations, reputational concerns, and technological advancements as we navigate the shift towards a low-carbon economy. These transition risks are relevant under both the Below 2°C and Between 2–3°C global warming scenarios. Our primary focus lies on the potential impacts across our lending activities, key client operations (CMOs) and distribution channels.

Our climate-related opportunities

Transitioning to a low-carbon economy creates new markets for sustainable products and services. By understanding these opportunities, Tandem can position itself to capture a share of this growing market and attract new clients seeking financing for green projects. Additionally, focusing on climate-related opportunities, allows Tandem to build a more resilient business model that can adapt and thrive in a changing climate. This is all part of our Green Product and Green Business pillars.

Products and Services

As we transition to a low-carbon economy, there will be the opportunity to offer new low-emission products and service lines. We are focussing on this in the short to medium term as we develop our business strategy in response to changing consumer preferences, offering a range of green and sustainable products, to facilitate our customers’ aim to reduce their carbon footprint. We believe we have positioned ourselves to capitalise on this opportunity and increase our revenue and customer base.

We already offer Green Mortgages to customers with properties with Energy Performance Certificate (EPC) ratings of A and B and we also support our mortgage customers to increase their residential energy efficiency and incentivize purchasing, to ensure their mortgage portfolio has a higher EPC rating. We will increase financing for electric vehicle loans as the UK market grows, along with increasing financing for home improvements such as solar panels, heat pumps and energy-efficient windows.

This will put us in an improved competitive position, as we capitalise on shifting consumer preferences, potentially increasing Tandem’s revenue from the transition to a low-carbon

economy. It could also result in increased balance sheet volumes for energy-efficient homes and reduced balance sheet volumes for energy-inefficient homes, reducing the emissions associated with our investments (see Understanding Scope 3).

We will measure our progress on this by measuring the percentage of loans that meet the Green Product Criteria and Total value of loans that meet the Green Product Criteria.

Resource efficiency

This covers the use of energy-efficient technology and therefore the transition to a net-zero world. It will be most relevant to Tandem in the short to medium term as we begin our net-zero journey in 2024. We will be working with a third-party specialist to set achievable carbon targets in line with the UK's net zero by 2050 strategy. As part of this work, recommendations may be made to implement energy-efficient technology across operations, such as LED lighting, which offers significant energy savings, and paperless transactions, minimising paper usage and the energy required for production, transportation, and storage. This will result in a reduction in operating expenses because of increased efficiency (energy costs) and a business that is more resilient in dealing with climate change risks.

We will be measuring our Scope 1, 2 and 3 emissions to see how we are progressing on this front and our net-zero strategy will lay out our future plans.

Markets

This opportunity considers the new markets which may emerge in a low-carbon economy, especially in the short to medium term. Potential new opportunities exist for organisations to access new markets, through collaborating with small-scale local businesses and community groups, as they work to shift to a lower-

carbon economy. New opportunities could be captured through new green investments for low-emission technology and infrastructure (low-emission energy production, energy efficiency, grid connectivity).

We aim to lead in sustainable finance by targeting emerging low-emission markets. This would involve offering tailored financial products such as loans for renewable energy projects, electric vehicle manufacturers, and sustainable agriculture companies. Additionally, we could provide incentives for customers, which could improve their home's energy efficiency, appealing to environmentally conscious customers and investors.

Responding to these opportunities could increase balance sheet volumes for products and services that support customer transition. Even though it will require additional funding to develop new products and services, increased revenue due to an increased demand for Tandem's products and services can outweigh the costs of additional funding.

We will measure our progress on this by measuring the percentage of loans that meet the Green Product Criteria and Total value of loans that meet the Green Product Criteria.

Climate Impact of Transitional Risk on the Principal Risks

As well as the specific risks associated with climate change and the net-zero transition, these changes will also impact our existing principal risks. We have therefore taken the time to understand how the identified climate risks will affect our principal risks, as shown in table 5 below. This transparency provides valuable insights for stakeholders and positions Tandem for long-term success in a low-carbon future. The risks highlighted demonstrate a comprehensive understanding of the evolving risk landscape and has allowed Tandem to take more robust and forward-looking approaches to risk management in 2024.



Table 5: Climate impact of transition risks on the principal risks

Principal risk	Impact Description
<p>Credit Risk – Risk of financial losses to Tandem resulting from borrower or counterparty failure to repay a debt or meet their contractual obligations (including second-order losses relating to partner retailer conduct failures).</p>	<ul style="list-style-type: none"> • Reduced customer creditworthiness due to the transition to a net zero economy (for example, due to loss of jobs or increased energy costs) leading to default. • Declining house values due to abrupt housing policy (for example, too rapidly introducing minimum EPC ratings). • Borrowers do not transition their business models, to a low-carbon economy it could increase credit risk, and consequently greater risk of revenue decline and business discontinuity, leading to higher default or a loss of business value. • Higher operating costs for carbon-intensive customers; reporting obligations (data collection), especially on emissions (scope 3) and green taxonomy disclosures; and new EU directives on financial reporting derived from government policy action.
<p>Capital Risk – Risk that Tandem’s capital resources are inadequate in relation to its assets, current liabilities and regulatory expectations, bearing no or limited capacity to absorb unexpected losses.</p>	<ul style="list-style-type: none"> • Deterioration of balance sheet assets, such as offices and other investments of tightening policies that align with government plans to reach net zero by 2050. • Capital requirements may increase to absorb unexpected losses as the risk of climate change impacting asset prices increases.
<p>Liquidity & Funding Risk – Risk that Tandem is unable to meet its obligations as they are expected to fall due or can do so only at exceptional cost.</p>	<ul style="list-style-type: none"> • Falling deposit balances due to the economic distress of customers. • Lower deposit balances due to customers’ loss of confidence relating to negative perceptions of climate credentials. • Reduced access to funding as a result of lower investor appetite due to negative perception in relation to climate change. • Market impacts on the value of high-quality liquid assets.

<p>Market Risk – Risk of losses arising from adverse movements in market prices.</p>	<ul style="list-style-type: none"> • Changes in customer behaviour regarding their mortgages or deposits as a result of interest rate changes, arising from transition events. • Macroeconomic market impacts arising from transition events, impacting value (or net income from) assets and liabilities, as a result of interest rate movement. • Tightening of climate-related policy leading to market repricing.
<p>Operational Risk – Risk of losses or impact on customers, reputation or resilience, resulting from inadequate or failed procedures, systems and controls, including those resulting from disruption or damage to technology, poor implementation of software or cyber/data breaches.</p>	<ul style="list-style-type: none"> • Reconsideration of third-party relationships due to their carbon footprint. • Reputational impact of the carbon footprint of products and services leading to lower customer and employee attraction and retention. • Potential liability and conduct risk from green propositions and assumed advice or greenwashing. • Climate-related financial risks can cause operational risk losses from litigation, for example, if a bank is perceived to misrepresent sustainability-related practices.
<p>Compliance & Conduct Risk – Risk of detriment to customers, markets or Tandem due to inappropriate, negligent or wilful misconduct, financial crime and/or failure to comply with applicable laws, regulations, principles and standards (including second-order losses relating to partner retailer conduct failures).</p>	<ul style="list-style-type: none"> • Develop new products and services that meet legislation requirements, such as EPC ratings. • Customer detriment due to the climate change impacts from financial instability, which Tandem’s conduct could exacerbate. • Potential greenwashing risk as a result of non-compliance for products that are considered green. • Regulatory expectations for climate-related financial disclosures to support existing and emerging regulatory requirements.
<p>Strategy & Business Model Risk – Risk that the business strategy is unachievable, due to errors in underlying assumptions, changes in the external environment and/or inadequate financial resources.</p>	<ul style="list-style-type: none"> • Changes in customer expectations relating to the prioritisation of green strategic objectives. • Increased costs associated with policy change. • Reputational damage arising from the response to climate-related risks and newly implemented policies.

Inspired people

A Message from Our Head of HR

“Our approach to sustainability not only contributes to creating a positive organisational culture and improving employee engagement, but also educates, inspires and rewards our People to live more sustainably and reduce their environmental impact. Tandem’s commitment to ESG helps us to attract and retain top talent who share in our values. It is fantastic to hear many stating our purpose of Banking for a Greener Future as an important reason for them joining the team and our sustainable focused benefits being a unique offering in the industry.

Looking after our employee’s safety, health and wellbeing along with promoting diversity and inclusion is fundamental for the long-term sustainability of Tandem. Our focused colleague-led workstreams in area such as ESG, DE&I, Women in Finance and Wellbeing create a sense of team, a ‘One Bank’ environment to share experiences, ideas and help to shape the future of Tandem.”

Sally Howcroft, Head of HR.



Healthcare Cash plans

Tandem prioritises the health of its employees by providing assisted healthcare coverage via an external partner Westfield. From routine check-ups to specialised treatments, we’ve got your health covered.



Mental Health Support

We understand the importance of mental well-being. Tandem offers counselling services, mental health awareness program via guest speakers and having 17 Mental Health First Aiders (MHFAs) across our sites, and resources to help our employees navigate the challenges that may arise.



Support Groups

Tandem has its own Mental Health Support committee, which comprises a dedicated chair and sub-chair. This committee is composed of employees from all Tandem sites. Additionally, we have a Menopause Support committee that builds on the foundation of our 12 menopause champions. Similar to the Mental Health Support committee, the Menopause Support committee has its own chair and sub-chair positions. It consists of representatives from all our sites and focuses on deliberating and implementing initiatives to support individuals directly impacted by menopause or those seeking assistance for their friends and family.



Flexible Work Arrangements

Work-life balance is crucial. Tandem supports flexibility in work arrangements, allowing our employees to manage their professional and personal commitments effectively by allowing our people to take advantage of a host of working patterns and schedules⁷.



Wellness Initiatives

Frequent educational workshops on employee wellbeing, including a range of mental health topics, are offered to all employees, including informative presentations by external partners for Menopause, Bounce Back Resilience, and mindfulness in the workplace, and how best to get the most from our employee healthcare cash plans. These examples represent just a snapshot of the diverse keynote speakers and course providers available, with more options beyond this list.

7. Article by Asfaw AG, Bushnell PT, Ray TK. Relationship of work injury severity to family member hospitalization. Am J Ind Med. 2010

The Tandem Green Deal

The Green Deal is part of an internal initiative to help inspire our people to live a lower carbon lifestyle. It's our way of providing rewards for those who are passionate about living more sustainably.

Signing up is easy and for 2023 we had 160 Green Deal members. They simply plant just one tree a year, either at home, or sponsor a tree in our Tandem Grove as part of our Trees for Life partnership for just £6 and provide a copy of their renewable energy bill from home. In return, we reward our people with the benefits shown in table 6.

Table 6: Green Deal benefits

Contribution	Reward
Volunteer 2 days per annum for charity	Early Friday Finish (from noon, once per year)
Raise £200 per annum for a charity	Tandem will provide marketing and PR support to promote your efforts widely
Cycle to work scheme	Save money through our salary sacrifice scheme + a FREE helmet!
Have renewable electricity at home	1 additional day annual leave
Drive a low emission or hybrid car	FREE raffle draw - prize weekend away for 2 worth £250
Drive an electric car	£500 contribution to a home charger + Priority car parking + FREE work electric

Nurturing our Talent

Tandem is committed to the continuous growth of its people. We provide access to training programs, workshops, and resources to enhance professional skills and promote career advancement, including mentoring schemes, and women in leadership forums. In 2023, 12% of our people received professional development training.

From induction of new employees to continuous professional development, ESG is part of the fabric of Tandem's talent development. Delivered by our People Team, the overall aim of our ESG training is to make all of our people aware of the fundamental role of ESG, and specifically sustainable finance, in our core business, show them how they can contribute and then empower every one of our people to do so.

Our People Team use the following interventions to develop the ESG capacity of our teams:

- **New Employee Induction:** this comprehensive two-day programme for all new starters includes a module on the fundamentals of ESG, our Green Product Criteria, the Tandem Green Deal and an introduction to safety, health and wellbeing.
- **Mandatory Training** is undertaken every month and must be completed by every one of us. There are typically two ESG modules each year one of which is recycling training which explains how to identify what can be recycled, what happens to the waste if we don't recycle it, and how to dispose of it correctly. Each trainee must pass a short test at the end of the training module.
- **Townhall meetings** are held every month and regularly contain ESG related briefings.
- **Informal lunch and learn talks** with visiting experts.

- Competitions using the Greenr App that encourage our people to learn about and commit to a more sustainable lifestyle.
- The Tandem Hub contains news articles, links and briefings on a full range of ESG subjects including participation in community events, tree planting, cycling to work schemes and health and wellbeing.



A Great Place to Work

Since 2022, Tandem has been on a significant journey that has been underpinned by a single 'One Bank' strategy and clear purpose: Banking for a Greener Future. We have integrated three businesses into one, aligning 500+ people, cultures, and activities, capturing efficiencies and cost savings, enhancing total reward package, and improving processes.

By investing heavily in people, development, communications, and total reward, we want to develop and promote our 'One Bank' culture.

In the past two years we have made significant investment in growing the workforce and improving skillsets through Talent and Development initiatives including, creating new talent programmes, a learning management support system and development programmes such as Women in Leadership, to support our future leaders.

During 2023, further investments in an employee benefits package brought a new Employee Assistance Programme, Healthcare cash plans, private health insurance, and a compassionate baby loss policy. Equally,

Tandem helped employees to maximise their take home pay with the introduction of salary sacrifice schemes for electric vehicles, cycle to work, smart technology, and the alignment of legacy pensions to a 'one bank' approach.

Finally, to support employees on lower salaries with the increasing concerns in 2023 of rising energy costs, we introduced a 'cost of living payment' for all employees earning under £30k between Nov '22 and March '23.

Recognising and commemorating accomplishments is a core value at Tandem. We actively endorse acknowledging our team members' achievements through various channels such as the Tandem newsletter, internal hub, internal communications, and external social media accounts. This recognition ensures that the effort and commitment of our team are properly valued, fostering a positive and motivating workplace atmosphere.



People Engagement

At Tandem, no one knows our business better than our employees, so we welcome and value their feedback. Recognised in the Sunday Times 'Best Place to Work 2024' list, we regularly assess and measure our engagement scores at all organisational level and location, using an anonymous employee engagement survey tool.

Engagement surveys are an extremely valuable tool for Tandem to gauge employee happiness, well-being, engagement, commitment etc. Managers have access to view the results of their team and respond to anonymous comments, HR also review the results and the relevant HR Business Partner discusses the findings with Management.

For 2024, our aim is to formalise the departmental response to engagement surveys by creating and communicating action plans detailing the top priorities. This not only creates measurable targets and management accountability, but it also helps employees see the impact of the survey and increases participation and confidence in us.

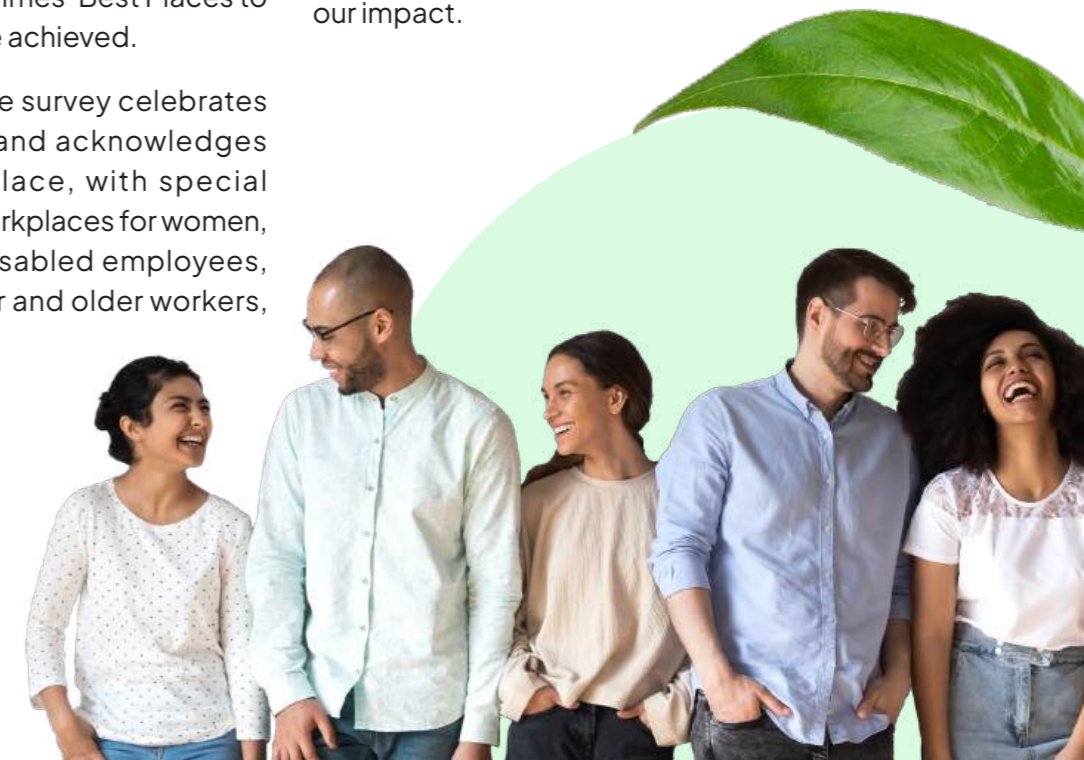
The quarterly pulse survey fed into our People 'North Star' with the objective of being recognised in the Sunday Times 'Best Places to Work' 2024, which we have achieved.

This nationwide workplace survey celebrates Britain's top employers and acknowledges happiness in the workplace, with special recognition for the best workplaces for women, LGBTQIA+ community, disabled employees, ethnic minorities, younger and older workers, and wellbeing.

Diversity, Equity and Inclusion

Tandem actively supports DE&I initiatives through the dedicated People Council DE&I workstream, with participants involved representing all areas across the bank so that ideas and feedback are received from a broad spectrum. Throughout 2023, the workstream supported various initiatives designed to increase cultural awareness and promote awareness to the 500+ employees. We completed projects including the celebration of Eid in all offices, changes to the birthday annual leave day renamed to a 'celebratory day off', and DE&I data collection within Tandem's employee online interface, so that we can access future requirements to our DE&I strategy.

The DE&I workstream has a dedicated HR representative and a Senior Leadership Team (SLT) member who engage as internal ambassadors providing guidance and oversight. The workstream is also responsible for the creation and maintenance of the 2024 DE&I strategy to drive and promote activities and initiatives. Tandem's commitment for 2024 is to implement a DE&I framework from which all initiatives will be built so we can demonstrate our impact.



Community Connection

Contributing to the Community

Giving back to our communities represents an integral part of Tandem’s culture. 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.

We believe it is our responsibility to provide employment opportunities for those in the local area whilst training and developing our people. We are committed to promoting and recognising diversity both within Tandem, and in the communities in which we operate. A culture of giving back and a sense of responsibility for the community is in the DNA of what we do.

The material issues for our communities generally relate to support and ongoing interactions, demonstrated across both financial and resource-based contributions. We strive to be consistent in our support and follow through on our promises. Across 2023 we have focused on employability, social mobility and educational opportunities, which will continue to be of focus in 2024. Further, given the economic backdrop, we also focused on housing initiatives and supporting local food banks that similarly will be actively monitored in the coming year.

Unsurprisingly, our people drive our community engagement as they are involved in nominating and choosing which initiatives we support. We engage in several ways, including volunteering, charity initiatives, sponsorship of various community events and targeted fundraising, as we continue to make a long-lasting, positive impact.

In January 2023, Tandem launched a new Financial Education programme aimed at helping young adults around Blackpool and

the Northwest improve their financial literacy and make informed decisions about their money. The programme is part of Tandem’s commitment to supporting local communities and fills the gaps in the next generation’s financial literacy education.

Throughout 2023, Tandem helped to educate over 2,500 learners across 12 further education and online settings. Research from the London Institute of Banking and Finance (LIBF) shows that 83% of students (aged 15–18) want to learn more about money and finance in school. With the current cost of living crisis, the need for support and education is ever more pressing. Tandem’s programme is focused on building an understanding of financial products and common pitfalls, providing school and college leavers with the practical financial education they need, at no cost.

The Financial Education Programme provides young learners with:

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

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

Every Tandem employee is entitled to take two paid volunteering days per year, via a charity or community project of their choice, or supporting our various corporate partners and local charities. Our dedicated Corporate Social Responsibility (CSR) representative manages a dynamic volunteering calendar and works closely together with Tandem’s Internal Communications team and People Council workstreams to actively encourage and highlight opportunities for people to get involved. Feedback from these days prove that they are very popular as they allow individuals to step away from the office, connect with their team or colleagues from different departments, and contribute constructively within our local communities. Current volunteering initiatives include landscaping and litter picking at Bute Park, located in Cardiff, Bug hotel building at Leighton Hall, based in Lancashire and food preparation for the Felix food bank project in London.

We also have the Tandem bus which seats 15 passengers to take our people to and from events, making our volunteering days more accessible and inclusive for all. The bus has a dual purpose and is also used as a mobile classroom to deliver our Financial Education programme to local schools and colleges.

As part of our charity strategy, we’ve launched a campaign called One Million Minutes, celebrating the acts of kindness our people are involved with, in their own personal time. Each employee is asked to log any small action that is making an impact in our local communities. For example, helping a neighbour with shopping, volunteering with a local scouts group, litter picking once a week, or giving blood. In 2023 alone, we generated over 29,000 volunteering minutes and we aim to hit one million minutes by 2026.



Partnerships

Tandem announced it has transformed its charity partnerships program for 2024 with a bold commitment to support five charities across its offices. Five causes have been designated as charity partners for the bank, handpicked by Tandem employees to champion across the year in line with its ethos of grassroots community engagement. Tandem has worked with the partners to develop opportunities for employees to have a substantial and coordinated impact at each.

- **Foundation 92:** The Salford based charity, founded by the Manchester United 'Class of 92', focusses on supporting communities to improve their lives through sport, education and bespoke projects, with an emphasis on positive physical and mental wellbeing.
- **Maggie's:** With its centres across the UK provides expert cancer care and support and was founded by Maggie Keswick in Edinburgh in 1996.
- **The BoatHouse Youth:** A longstanding partner of Tandem (Tandem is a platinum supporter), Blackpool's Boathouse Youth

works with children and young people aged 5–17, from deprived communities across the area – a vital cause for Tandem's HQ.

- **Trees for Life:** Tying into Tandem's green ethos, Trees for Life is focussed on rewilding the Scottish Highlands, planting space for wildlife and communities to thrive.
- **Felix Food Project:** The London-based charity is focussed on fighting hunger and food waste across the city, rescuing food waste from industry and delivering it to over 900 frontline charities and schools.

What's important is that these partners have been selected by our staff – the ones which matter to them and with our support can punch above their weight in terms of impact, with many offering vital lifelines in the community.

Further success of Tandem's Financial Education programme saw Foundation 92, founded by Manchester United's Class of 92, partnering with Tandem to deliver financial inclusion across Greater Manchester. The programme, developed in conjunction with the bank, will support young people transitioning through educational settings, and vulnerable families facing poverty.

The initiative aims to empower vulnerable communities to take a leading and proactive role in both understanding and managing their finances through both bespoke and community-wide educational awareness.

Together with F92, and other external education partners, Tandem's programme will reach almost 5000 young learners in Primary and Secondary school settings by 2025, giving disadvantaged communities access to free financial literacy.



Look ahead to 2024

Our business is built on trust. Our customers trust that we will honour our commitment to sustainable finance; our regulators trust that we will comply with a broad range of regulations, including anti-greenwashing rules; our employees trust that we will deliver on our commitments to a fair, ethical and healthy working environment; and our communities and partners trust that we will deliver positive social and environmental impact. It is therefore important for us to be able to demonstrate real impact, so in 2024 we will be using our new Green Product Criteria to help us increase our Green and 'pathway to green' lending and saving products. We will be launching our Sustainable Business Principles that set out how we will work to deliver our commitments in 6 key areas: 1 safety, health and wellbeing; 2 environment; 3 climate change; 4 people; 5 economics, and; 6 governance. As part of our Net Zero plans we will be setting an interim target and developing a strategy to reach both the interim and the full Net Zero goals. We will be reporting our performance every year through the Annual Report and Accounts (that will include our Climate-related Financial Disclosure), and a single ESG report that includes our TCFD disclosures.

We're excited to continue our ESG journey in 2024 and work with our customers, employees, suppliers and all our stakeholders to deliver real sustainable impact.



Appendix 1 – Full Carbon Balance Sheet

Table 7: Carbon Balance Sheet

Emissions Scope & Category	Greenhouse Gas Emissions Inventory		Operational Analysis	Product Analysis	Comparison	
	tCO ₂ e	%	tCO ₂ e Operational Emissions	tCO ₂ e Product Emissions	Previous Year 2022 tCO ₂ e	% Change
Scope 1	30	0.013%	30	30	9	+233.33%
Natural Gas	30	0.013%	30	30	9	+233.33%
Transportation (excluding grey fleet)	n/a	-	n/a	n/a	n/a	n/a
Other Fuels	n/a	-	n/a	n/a	n/a	n/a
Scope 2 (location-based)	46	0.020%	46	46	47	-2.13%
Scope 2 (market-based)	3	-	-	-	n/a	n/a
Scope 3	235,244	99.968%	2,959	232,285	189,394	+24.21%
1. Purchased Goods & Services	2,137	0.908%	2,137	-	1,374	+55.53%
2. Capital Goods	26	0.011%	26	-	125	-79.20%
3. Fuel-related Emissions	20	0.008%	20	-	15	+33.33%
4. Upstream Transportation and Distribution	47	0.020%	47	-	42	+11.90%
5. Waste Generated in Operations	22	0.009%	22	-	36	-38.89%
6. Business Travel	257	0.109%	257	-	108	+137.96%

Emissions Scope & Category	Greenhouse Gas Emissions Inventory		Operational Analysis	Product Analysis	Comparison	
	tCO ₂ e	%	tCO ₂ e Operational Emissions	tCO ₂ e Product Emissions	Previous Year 2022 tCO ₂ e	% Change
Scope 3	235,244	99.968%	2,959	232,285	189,394	+24.21%
7. Employee Commuting	450	0.191%	450	-	537	-16.20%
8. Upstream Leased Assets	n/a	-	n/a	n/a	n/a	n/a
9. Downstream Transportation and Distribution	n/a	-	n/a	n/a	n/a	n/a
10. Processing of Sold Products	n/a	-	n/a	n/a	n/a	n/a
11. Use of Sold Products	n/a	-	n/a	n/a	n/a	n/a
12. End-of-life Treatment of Sold Products	21	0.009%	-	21	8	+162.50%
13. Downstream Leased Assets	n/a	-	n/a	n/a	n/a	n/a
14. Franchises	n/a	-	n/a	n/a	n/a	n/a
15. Investments	232,264	98.701%	-	232,264	187,149	+24.11%
Total emissions (location-based)	235,320	100%	3,035	232,361	189,450	+24.21%
All tCO₂e (location-based) per FTE	461		6	455	344	+34.01%

Appendix 2 – SECR Report

Streamlined Energy and Carbon Reporting (‘SECR’)

The following figures show the consumption and associated emissions for this reporting year for Tandem’s operations throughout the UK, in accordance with the Streamlined Energy and Carbon Reporting (SECR) regulations. SECR was developed for certain organisations to enhance transparency and awareness regarding energy consumption and carbon emissions and to facilitate the UK’s efforts in meeting its climate targets.

Table 8: Energy Source Breakdown for Total Location–Based Emissions.

Carbon Intensity Metric	Natural Gas	Electricity	Transport	Total
2023 tCO ₂ e per FTE	0.058	0.090	0.086	0.235
2022 tCO ₂ e per FTE*	0.016	0.086	0.056	0.158
YoY Percentage Change (tCO ₂ e)	+255.13%	-5.33%	+54.41%	+48.67%

*Figures for gas and electricity in 2022 have been restated.



Natural Gas (255.13% increase):

This significant jump is attributed to the Cardiff site being fully operational in 2023. The site wasn’t occupied for the entirety of 2022, leading to a much lower carbon footprint for natural gas in that year.



Electricity (5.33% decrease):

Electricity emissions saw a modest decrease, due to the success of energy efficiency projects implemented during the year. These projects involved things such as upgrading equipment, improving building insulation, or promoting employee awareness of energy-saving practices.



Transport (54.41% increase):

This rise in emissions was due to two factors. Firstly, there was a genuine increase in business activities that required more transportation (e.g., employee travel). Secondly, due to improved data collection in 2023, a more accurate picture of transport emissions was captured compared to incomplete data in 2022.

Table 9: Tandem Total Energy Consumption (kWh).

Utility and Scope	2023 Consumption (kWh)	2022 Consumption (kWh)*
Scope 1 Total	163,189	49,565
Gaseous and other fuels (Scope 1)	163,189	49,565
Scope 2 Total	222,864	243,859
Grid-Supplied Electricity (Scope 2)	222,864	243,859
Scope 3 Total	190,125	130,012
Transportation (Scope 3)	190,125	130,012
Total	576,179	423,436

*Figures for gas and electricity in 2022 have been restated.

Table 10: Tandem Total Location–based Emissions (tCO₂e).

Utility and Scope	2023 Emissions tCO ₂ e	2022 Emissions tCO ₂ e
Scope 1 Total	29.85	9.05
Gaseous and other fuels (Scope 1)	29.85	9.05
Scope 2 Total	46.15	47.16
Grid-Supplied Electricity (Scope 2)	46.15	47.16
Scope 3 Total	43.85	30.56
Transportation (Scope 3)	43.85	30.56
Total	119.85	86.77

Table 11: Tandem Total Emissions Intensity Metric.

Intensity Metrics	Location-based tCO _{2e}		Market-based tCO ₂	
	2023	2022	2023	2022
Total Number of FTE	511	550	511	550
All Scopes tCO _{2e} per FTE	0.23	0.16	0.15	N/A*
YoY Percentage Change	+48.67%		N/A*	

*Market-based emissions were not calculated in 2022.

Appendix 3 – Emissions and Energy Methodology

This report (including the Scope 1, 2 and 3 consumption and CO_{2e} emissions data) has been developed and calculated using the GHG Protocol – A Corporate Accounting and Reporting Standard Greenhouse Gas Protocol – Scope 2 Guidance and Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance.

Government Emissions Factor Database 2023 version 1.1 has been used, utilising the published kWh gross calorific value (CV) and kgCO_{2e} emissions factors relevant for the reporting period 01/01/2023 – 31/12/2023.

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

For properties where Tandem is indirectly responsible for utilities (i.e., via a landlord or service charge), the median consumption for properties with similar operations was calculated at the meter level and applied to the properties with no available data. These full-year estimations were applied to six electricity supplies.

An intensity metric has been calculated using total tCO_{2e} figures and the selected performance indicator agreed with Tandem for the relevant report period:

Number of FTE in **FY2023** (FY2022): **511** (550)

Scope 3 – Category 15 (Investments) emissions, referred to as financed emissions, have been calculated following the PCAF guidance. For each type of financing we provide covering mortgages, home improvements and motor vehicle loans, the emissions associated with the financed activity have been estimated and then

attributed to us based on the current loan-to-value ratio.

- **For home improvement loans**, yearly energy consumption was estimated for each energy-consuming product type (i.e., boilers, heat pumps, holiday ownership, etc.), and emissions were then calculated using relevant BEIS 2023 emission factors. Energy consumption for each product type was based on UK averages. For example, the average natural gas consumption of a boiler was estimated based on Ofgem estimates of typical annual gas usage in Britain.
- **For motor vehicle loans**, annual fuel consumption for each loan-enabled vehicle was estimated using average annual mileage data and emissions were then calculated using BEIS 2023 emissions factors. Emissions were then attributed to Tandem based on the loan-to-value ratio of each purchased car.
- **For mortgage-related loans**, annual energy consumption was estimated based on average energy consumption data according to location and emissions were calculated using relevant BEIS 2023 emission factors. Emissions were then attributed to Tandem based on the current loan-to-value ratio of each mortgage.

Appendix 4 – Climate-related Risks Considered in FY23

Table 12: Transition risks identified in 2023 that may impact the business.

Risk Category by CFD	Risk type by CFD	Timeline	Climate Scenario	Description of Climate-related Risk	Financial Exposure of Risk	Inherent Risk	Mitigation – Current Controls	Overall Risk Scoring
Policy & Legal	Increase in regulation and reporting	Short – Medium Term (2023–2037)	<2°C 2–3°C	<ul style="list-style-type: none"> Tandem has already seen an increase in reporting requirements, which requires additional staff hours and fees for third-party consultants. The banking sector can be subject to the tightening of existing regulations, which can impact products and services offered. As the government promotes more policies to reach Net Zero by 2050, our lending could be indirectly impacted by any regulation around EPC ratings, EVs, Gas Boilers etc. 	<ul style="list-style-type: none"> Increased compliance costs. Increased risk of litigation and non-compliance 	Likelihood: Possible Impact: Low – Moderate Overall Rating: Moderate	<ul style="list-style-type: none"> Continue to adapt existing products and introduce new products. Monitor market trends in the EV sector. Support mortgage customers to increase their residential energy efficiency and incentivize purchasing to ensure their mortgage portfolio has a higher EPC rating. 	Likelihood: Possible Impact: Low-Moderate Overall Rating: Moderate
	Exposure to Litigation			<ul style="list-style-type: none"> Failing to meet new litigation requirements may result in lawsuits or fines, leading to heavy financial costs and reputational damage. 	<ul style="list-style-type: none"> Increased operating costs. This will include third-party and internal resource costs. Decreased revenue due to reputational damage. 	Likelihood: Possible Impact: Minor Overall Rating: Minor	<ul style="list-style-type: none"> Allocate internal resources and engage with third-party ESG consultants to manage changing regulations and ensure Tandem is compliant. 	Likelihood: Low Impact: Minor Overall Rating: Minor
	Mandates on and regulation of existing products and services			<ul style="list-style-type: none"> Changing regulations in the UK property sector may have a particularly profound impact on Tandem. This includes building decarbonisation regulations (electrification, transition from gas boilers to electric etc.), EPC requirement changes, and water use regulations. UK’s Net Zero plan: the PM’s plan to push back on some of the government’s decisions on Internal Combustion Engines (ICEs) and gas boilers could create uncertainties among customers and could reduce the valuation of existing vehicles. The introduction of building electrification technology may demand increased investment/higher standards to comply with mortgage requirements. 	<ul style="list-style-type: none"> Increased compliance costs. A slower growth than what the bank has anticipated due to sudden changing regulations. 	Likelihood: Possible Impact: Low-Moderate Overall Rating: Moderate	<ul style="list-style-type: none"> Continue to adapt existing products and introduce new products. Monitor market trends in the EV sector. 	Likelihood: Possible Impact: Low-Moderate Overall Rating: Moderate
	Carbon pricing			<ul style="list-style-type: none"> Any risk regarding carbon pricing is extremely low for the bank since we are not a high-emitting firm, but it might impact the price of raw materials (see below). 	<ul style="list-style-type: none"> Potential carbon tax for Scope 1 and 2 emissions. 	Likelihood: Rare Impact: Minor Overall Rating: Minor	<ul style="list-style-type: none"> Scope 1 and 2 emissions are low, given the nature of our business 	Likelihood: Rare Impact: Minor Overall Rating: Minor

Risk Category by CFD	Risk type by CFD	Timeline	Climate Scenario	Description of Climate-related Risk	Financial Exposure of Risk	Inherent Risk	Mitigation – Current Controls	Overall Risk Scoring
Market	Changing customer behaviour	Short-Medium Term (2023–2037)	<2°C 2–3°C	<ul style="list-style-type: none"> As consumers shift their purchasing toward lower-emission products and services, revenue from high-emission products could decrease, and some product/service ranges may become obsolete. Loss of market share to competitors that better adapt their offering to new climate policies. 	<ul style="list-style-type: none"> Loss of revenue and reduced growth, if Tandem is unable to keep pace with changing consumer preferences. 	Likelihood: Possible Impact: Minor Overall Rating: Minor	<ul style="list-style-type: none"> Continue to adapt existing products and introduce new products. Continue to conduct market research on potential changes in consumer behaviour and preferences. 	Likelihood: Possible Impact: Minor Overall Rating: Minor
	Uncertainty in market signals			<ul style="list-style-type: none"> Shifts in supply and demand for certain commodities due to climate events and policies can impact prices. Property values can decline suddenly after severe weather events and climate-related economic disruptions. Changes in climate-related policy can lead to market re-pricing. Uncertainty in EV policies can generate a stagnant EV market. 	<ul style="list-style-type: none"> Loss of revenue and reduced growth, if Tandem is unable to keep pace with changing consumer preferences. Decreased access to capital may appear due to a lack of clear sector transition plans to net zero. 	Likelihood: Possible Impact: Moderate Overall Rating: Moderate		
	Increased costs of raw materials	Medium – Long Term (2028–2052)		<ul style="list-style-type: none"> Energy and raw material prices may increase either due to the warming climate, the transition to renewables, or new carbon taxes on imports of raw materials. Energy prices and commodities have a direct impact on inflation, which could see a tighter monetary policy that may impact Tandem 	<ul style="list-style-type: none"> Potential impact on cost of living and affordability can lead to reduced ability to repay loans. Increased costs of raw materials such as steel and plastic may have unforeseen impacts on the price of real estate assets. 	Likelihood: Possible Impact: Minor Overall Rating: Minor	<ul style="list-style-type: none"> Tandem Marketplace offers information and resources on greener financial choices, which start with information on retrofitting homes. 	

Risk Category by CFD	Risk type by CFD	Timeline	Climate Scenario	Description of Climate-related Risk	Financial Exposure of Risk	Inherent Risk	Mitigation – Current Controls	Overall Risk Scoring
Reputation	Stigmatisation of sector	Short-Medium Term (2023–2037)	<2°C 2–3°C	<ul style="list-style-type: none"> Negative association of public opinion of the entire banking sector and its impact or contribution to global warming. Lack of adequate action by our peers could also add to a negative opinion of our bank. 	<ul style="list-style-type: none"> Tandem may be at risk of loss of revenue, reduced profitability and reduced growth if the sector generally is stigmatised. 	Likelihood: Unlikely Impact: Moderate Overall Rating: Moderate	<ul style="list-style-type: none"> Reduced revenue from decreased demand is relatively unlikely as banking is a crucial service to financial systems. Therefore, we classify this as an extremely low risk to our business. 	Likelihood: Unlikely Impact: Minor Overall Rating: Minor
	Shifts in Consumer Preferences			<ul style="list-style-type: none"> Negative impact on the Bank’s “green” reputation because of poor sustainability performance. Tandem’s business is sensitive to changing climate perspectives, but our business strategy has been developed with this in mind. Therefore, we classify this as an extremely low risk to our business. Also, since being “green” is our unique selling point, we should monitor what our competitors are doing around sustainable finance and their offerings. 	<ul style="list-style-type: none"> Loss of revenue, reduced profitability and reduced growth if Tandem is unable to keep pace with changing consumer preferences. 		<ul style="list-style-type: none"> Ensuring responsible and environmentally aware business practices. Continue to adapt existing products and introduce new products. 	Likelihood: Rare Impact: Moderate Overall Rating: Minor
	Increased stakeholder concern			<ul style="list-style-type: none"> Stakeholders are likely to have increased interest and concern regarding sustainability credentials. An actual or perceived inability to understand and be seen to be taking action to reduce our overall carbon footprint is likely to negatively impact investor sentiment/ ratings, potentially limiting access to capital, as the focus on environmental impacts, climate change and net zero targets increases. The risk that Tandem conveys a false impression or delivers misleading information about its products and services or that it makes unsubstantiated claims to deceive its consumers into believing that its products and services are sustainable or that they have a greater positive sustainability impact than they actually do. This can potentially result in reputational damage, regulatory penalties and loss of customer confidence. 	<ul style="list-style-type: none"> Reduced access to capital; reduced asset and company valuations. Reduced revenue if customers choose not to use Tandem. Reduction in ability to attract and retain talent. 	Likelihood: Possible Impact: Significant Overall Rating: Significant	<ul style="list-style-type: none"> Publish standalone TCFD and ESG Reports, along with incorporating a mandatory short-form TCFD report into Tandem’s Annual Report to communicate efforts to stakeholders, including customers. Allocate internal resources to plan a net zero strategy. Regularly monitor current and emerging regulations. Dedicated ESG resources focusing on sustainability and reporting to the Chief Financial Officer via Managing Director Corporate Development targeting Greenwashing. Continue developing green products and services to show action is being taken. Defined green criteria for products and aligning to the best available regulation (EU Taxonomy) to avoid greenwashing claims. 	

Risk Category by CFD	Risk type by CFD	Timeline	Climate Scenario	Description of Climate-related Risk	Financial Exposure of Risk	Inherent Risk	Mitigation - Current Controls	Overall Risk Scoring
Technology	Substitute existing products and services with lower emissions alternatives	Short - Medium Term (2023-2037)	<2°C 2-3°C	<ul style="list-style-type: none"> In the case of increased government regulation on high-emitting technology, substituting existing technology could mean that Tandem will need to tailor new offerings for green loans used for mortgages with EPC ratings of B or above, EVs, Heat Pumps etc. Failure to capture an expanding market could result in potential revenue loss and market positioning. 	<ul style="list-style-type: none"> Accelerating green loans: failure to act on this climate risk could result in loss of revenue. 	Likelihood: Possible Impact: Minor Overall Rating: Minor	<ul style="list-style-type: none"> Since we are a bank, this is a low risk for Tandem. Monitoring changing market trends when developing our climate risk framework and net zero strategy. 	Likelihood: Possible Impact: Minor Overall Rating: Minor
	Costs to transition to lower emissions technology			<ul style="list-style-type: none"> As Tandem aims to reduce its carbon emissions, it may need to invest in lower-emission technology in its offices, increasing capital costs. 	<ul style="list-style-type: none"> Increased expenditure to transition to lower emissions technology such as LED rollouts in offices, and transition to more energy-efficient cloud service providers. Customer repayments may be impacted. 		<ul style="list-style-type: none"> Monitoring changing market trends when developing our climate risk framework and net zero strategy. 	

Table 13: Physical Risks Identified in 2023 that May Impact the Business.

To assess the physical impact on our sites, our third-party specialist ESG consultants, Inspired ESG, sampled all five Tandem office locations and the locations of our 33 first-charge mortgages with the highest value.

Risk Category by CFD	Risk type by CFD	Timeline	Climate Scenario	Description of Climate-related Risk	Financial Exposure of Risk	Inherent Risk	Mitigation – Current Controls	Overall Risk Scoring
Acute	Heatwaves	Short – Long Term (2023–2052)	<2°C 2–3°C	<p>5/5 Tandem sites and 33/33 first-charge mortgage locations will experience heatwaves.</p> <ul style="list-style-type: none"> Extreme heat/heatwaves may adversely impact staff, causing a decrease in productivity. Power outages due to increased demand and pressure on the grid can lead to operation disruption of the bank’s IT centres/providers. 		<p>Likelihood: Probable</p> <p>Impact: Minor</p> <p>Overall Rating: Moderate</p>		<p>Likelihood: Probable</p> <p>Impact: Minor</p> <p>Overall Rating: Moderate</p>
Chronic	Rising Mean Temperatures	Long Term (2038 – 2052)		<p>5/5 Tandem sites and 33/33 first charge mortgage locations will experience rising mean temperatures.</p> <ul style="list-style-type: none"> Rising mean temperatures will lead to a higher demand for energy use (due to cooling) for cooling systems and energy costs, along with higher capital costs of air conditioning installation and maintenance. Rising mean temperatures will also put an emphasis on the energy efficiency of the buildings, particularly in mortgaged properties. 	<ul style="list-style-type: none"> Increased energy costs. Potential decline in staff’s productivity. 	<p>Likelihood: Possible</p> <p>Impact: Moderate</p> <p>Overall Rating: Moderate</p>	<ul style="list-style-type: none"> We monitor the development of climate analysis and include input from our ESG consultants. Based on the timescale and scenario of the risk, we will develop appropriate/fit-for-purpose controls. 	<p>Likelihood: Possible</p> <p>Impact: Moderate</p> <p>Overall Rating: Moderate</p>
Acute	Increased Severity of Flooding	Medium – Long Term (2028–2052)	>3°C	<p>2/5 Tandem sites and 21/33 first charge mortgage locations are either in potential high flood risk zones or areas of indirect impact.</p> <ul style="list-style-type: none"> Flooding can damage properties leading to an increase in renovation, repair and maintenance costs. Building standards such as the Building Research Establishment Environmental Assessment Method (BREEAM) may be introduced to mitigate flood risk which will be associated with an increased capital cost. Devaluation of assets due to flood damage could result in an increase in insurance costs and a decrease in the credit quality of assets. Flooding is the main cause of infrastructure damage in the UK. Global property insurance premiums are forecast to rise 29% by 2040, as weather-related catastrophes become more intense and frequent. 	<ul style="list-style-type: none"> Decline in credit quality due to exposure to assets impacted by physical climate events. Expanding on this, flooding could impact Tandem in two ways. It can impact borrower creditworthiness overall (decline in credit quality) due to economic hardship. Additionally, if Tandem lends heavily in a flooded area, loan repayments might suffer directly (drop in loan book quality). Potential depreciations of asset values due to property damage or increased risk exposure. 	<p>Likelihood: Possible</p> <p>Impact: Significant</p> <p>Overall Rating: Significant</p>	<ul style="list-style-type: none"> We will propose a metric in January 2024 and exact calibration in Q2 2024 for “Flooding” as part of the Risk Appetite Metrics. 	<p>Likelihood: Possible</p> <p>Impact: Significant</p> <p>Overall Rating: Significant</p>

Risk Category by CFD	Risk type by CFD	Timeline	Climate Scenario	Description of Climate-related Risk	Financial Exposure of Risk	Inherent Risk	Mitigation – Current Controls	Overall Risk Scoring
Chronic	Water Stress	Medium - Long Term (2028–2052)	>3°C	<p>2/5 Tandem sites and 10/33 first charge mortgage locations are either in potential high flood risk zones or areas of indirect impact.</p> <ul style="list-style-type: none"> Increased water stress in a location could lead to increased prices and local fees or local restrictions on usage. 	<ul style="list-style-type: none"> Additional costs for customers for water supplies. Further operational costs to install water-saving technologies in our offices. 	<p>Likelihood: Unlikely Impact: Minor Overall Rating: Minor</p>	<ul style="list-style-type: none"> We monitor the development of climate analysis and include input from our ESG consultants. Based on the timescale and scenario of the risk, we will develop appropriate/fit-for-purpose controls. We will propose a metric in January 2024 and exact calibration in Q2 2024 for “Flooding” as part of the Risk Appetite Metrics. 	<p>Likelihood: Unlikely Impact: Minor Overall Rating: Minor</p>
Chronic	Sea Level Rise			<p>2/5 Tandem sites and 4/33 first charge mortgage locations are in potential sea level rise risk zones.</p> <ul style="list-style-type: none"> Properties and assets near coasts and rivers are the most likely to be impacted. Flooding risk will increase in these areas, with property values decreasing. Insurance coverage may decrease for sites known to be at risk of sea level rise. Insurance premiums may not cover future building upgrades, renovations or extensions. Energy networks connecting to a site may be compromised, resulting in business disruptions. 	<ul style="list-style-type: none"> Potential depreciations of asset values due to property damage or increased risk exposure. 	<p>Likelihood: Possible Impact: Moderate Overall Rating: Moderate</p>		<p>Likelihood: Possible Impact: Moderate Overall Rating: Moderate</p>
Acute	Increased Frequency of Wildfires	Long Term (2038–2052)		<p>3/5 Tandem sites and 19/33 first charge mortgage locations are at potential risk from wildfire impacts.</p> <ul style="list-style-type: none"> This is a higher risk in urban and densely populated areas that are in close proximity to residential areas. Wildfire damage will require capital spending on renovation, repair and maintenance. Insurance coverage may decrease for sites known to have frequent wildfires. Employees may be unable to commute. Transport networks such as roads and railways around a site may be closed, leading to supply disruptions. Energy networks connecting to a site may be compromised, resulting in business disruptions. 	<ul style="list-style-type: none"> Potential depreciations of asset values due to property damage or increased risk exposure. Increase in insurance costs. Impact on the bank’s offering in risk areas. 	<p>Likelihood: Unlikely Impact: Moderate Overall Rating: Moderate</p>		<p>Likelihood: Unlikely Impact: Moderate Overall Rating: Moderate</p>

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