Group Climate-related Financial Disclosures

2025

Skipton Group

Introduction

Climate change continues to present a range of risks and opportunities for society, the economy, and the financial services sector. At Skipton Group, we recognise our responsibility to understand and manage the environmental impacts of our operations, and of playing an active role in the transition to a low-carbon economy. This includes continuing to assess our own impact and supporting our members and customers as the UK transitions towards lower-carbon homes.

Although Skipton Group is not subject to mandatory climate-related financial disclosures under the Financial Conduct Authority's listing rules, we recognise the importance of managing the impacts of climate change and we continue to structure our reporting around the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). The TCFD has now transitioned to the International Sustainability Standards Board (ISSB), and while not yet mandatory for us, it remains widely recognised and continues to inform UK regulatory expectations. We also note the ongoing consultation on UK Sustainability Reporting Standards (UK SRS), which will inform the evolution of our future reporting.

Over the following pages, we present information aligned to the four pillars of the TCFD framework and the structure adopted by the ISSB and the proposed UK SRS: governance, strategy, risk management, and metrics and targets – which continues to provide a clear and effective basis for communicating our approach to climate risk.

In December 2025, the Prudential Regulation Authority's (PRA) published Supervisory Statement 5/25 (SS5/25), setting strengthened expectations for how firms should manage climate-related financial risks. In line with these expectations, we are planning to take a proportionate implementation approach, reflecting our exposure to climate-related risks and the size, nature and complexity of our business. This will be reflected through the continued development of our climate-related risk management and disclosures.

Climate risk is defined as a principal risk, presenting both risks and opportunities for our Group and our members and customers. This report details our impact on the climate through our operations and activities, and our view of the impact that climate change has on the Skipton Group and its strategy.

Governance page 4

Outlines the governance around climate-related risks and opportunities, including board oversight and the role of management.

Strategy page 8

Outlines the climate-related risks and opportunities identified and how these identified issues have impacted the strategy and financial planning. This includes the approach to scenario analysis, updated for 2025, across four climate risk scenarios.

Risk Management page 16

How Skipton Group identifies, assesses and manages climate-related risks and how this is integrated into existing risk management processes.

Metrics and targets page 18

Includes key Society EPC (Energy Performance Certificate) data and physical risk metrics for flood, subsidence, and coastal erosion. Energy use and GHG (Greenhouse Gas) emissions reporting for Skipton Group and its financed mortgage emissions.

By clicking on the tabs at the top of each page, you can quickly and easily navigate to the beginning of each key section within this report.

Introduction | Governance | Strategy | Risk Management | Metrics and Targets | Other Information

Introducing the Skipton Group

The Skipton Group primarily comprises:

- Mortgage lending and deposit taking by Skipton Building Society and Skipton International; and
- Buying, selling and renting homes through Connells group.

These key business lines support delivery of our purpose, to help more people have a home, help people save for life ahead and support long-term financial wellbeing.

Alongside our primary businesses and supporting a sustainable business model, the Group also includes other business lines.

Skipton Building Society

Skipton Building Society (the Society) is the UK's fourth largest building society, offering mortgages through our Homes business, and savings and financial advice through our Money business, with a national presence represented by a network of 82 branches. The Society is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA.

Connells group

Connells group (Connells) is the UK's largest high street estate agency and property services group with a c.10% market share in its estate agency arm. Across its 80+ brands and over 1,200+ branches nationwide, Connells combines residential sales and lettings with a range of consumer and corporate services including land and new homes, mortgage services, conveyancing, auctions, surveying and valuations, commercial property services, Energy Performance Certificate (EPC) provision and asset management. Connells is authorised and regulated by the Financial Conduct Authority (FCA) for activities relating to regulated mortgages and non-investment insurance contracts.

Skipton International

Skipton International (SIL) carries out mortgage lending in the Channel Islands and buy-to-let lending in the UK and accepts deposits in Guernsey from an international customer base. SIL is licensed under the Banking Supervision (Bailiwick of Guernsey) Law 2020, as amended, and regulated by the Guernsey Financial Services Commission.

Other Business Lines

We have other smaller business interests that are not separately reportable, primarily concerned with income generation and enabling capability to support delivery of our collective Group purpose. These include:

- Skipton Business Finance (SBF) – providing invoice financing and bad debt protection to small and medium-sized enterprises.
- Jade Software Corporation (Jade) – based in New Zealand, specialising in digital and large IT enterprise solutions globally. Jade provides the Society's core database and software development language.

Together, we are stronger than the sum of our individual parts, and all our business lines play an integral part in delivering our purpose and making membership matter.

Governance

Governance across the Skipton Group around climate-related risks and opportunities.



Governance

Effective, accountable and transparent governance remains fundamental to how we manage climate-related financial risks and opportunities across the Group. Climate risk is recognised as a principal risk within our Group risk management framework, and oversight of climate-related matters is embedded within the Group's existing governance arrangements.

The Group continues to develop its governance arrangements for climate-related risks and opportunities in line with evolving regulatory expectations and best practice. This includes enhancing management information, strengthening oversight of climate-related risks within our existing governance framework, and supporting the Society's board of directors (the Board) and its committees in maintaining effective oversight as the Group's approach to climate risk continues to evolve.

Board oversight of climate-related risks and opportunities

The Board has ultimate responsibility for the oversight of climate-related risks and opportunities as part of its broader stewardship of the Group's long-term strategy, risk profile and sustainability ambitions. In fulfilling this role, the Board ensures that climate considerations are integrated into strategic planning, risk management processes and key decision-making.

As part of its oversight, the Board reviews and challenges management on climate-related risks and opportunities, including the Group's climate targets and the incorporation of climate risk within the Board Risk Appetite Statement.

The Board discharges its responsibilities through its established committee structure. Further details on the Board's role, composition and Terms of Reference are available at skipton.co.uk/about-us/governance. The Terms of Reference for the Board committees that support the Society's board in fulfilling its responsibilities related to climate-related governance across the Skipton Group are also publicly available at skipton.co.uk/about-us/our-people/our-board.

Board committees

The Board has delegated primary oversight of risk management, including climate-related risks for the Society and its subsidiaries, to the Board Risk Committee, although ultimate oversight continues to reside with the Society's board of directors.

Board Risk Committee (BRC)

The BRC's responsibilities in supporting the Board include reviewing and challenging the financial and operational risks arising from climate change, the effectiveness of management's approach to mitigating those risks, and the alignment of climate risk considerations within the Group's risk appetite.

During 2025, the BRC received, and will continue to receive, a range of climate-related information to support its oversight responsibilities, including:

- Updates on climate-related credit risk management information
- An update on the climate-related credit risk appetite limits
- An update on the Society's gap analysis in relation to a PRA climate-related risk consultation paper (Consultation Paper 10/25).
- A review of the Board's climate risk appetite statement for the Society
- Climate risk scenario analysis completed during 2025, with outputs scheduled to be reviewed by the BRC in line with established governance arrangements.

Board Audit Committee (BAC)

The Committee is responsible for review and approval of external sustainability reporting including the annual Climate-related Financial Disclosures and the Group Sustainability Report.

Other Board committees

Other Board committees, including those responsible for remuneration and nominations, contribute to the Board's oversight of sustainability and climate-related matters where relevant to their respective remits.

Governance (continued)

Management's role in assessing and managing climate related risks and opportunities

Climate-related risks

Executive management supports the Board's oversight of climate-related risks and opportunities through established management governance arrangements. These arrangements focus on the coordination, review, and escalation of climate-related matters, ensuring that relevant information is provided to the Board and its committees to support effective oversight.

The Group Executive Committee and the boards of subsidiaries are responsible for the proactive management of the financial and operational risks arising from climate change, including ensuring that climate-related risks and opportunities are considered within business planning, decision-making and reporting processes.

Responsibility for the management of financial risks from climate change is held by the Group Chief Financial Officer as the designated Senior Management Function in line with the Prudential Regulation Authority's (PRA) updated expectations set out in Supervisory Statement 5/25 on 'Enhancing banks' and insurers' approaches to managing climate-related risks'.

Executive Risk Committee (ERC)

The ERC is the Group's senior executive risk forum and is responsible for supporting the effective operation of the Group risk management framework (GRMF). Climate risk is captured within the GRMF as a principal risk and is therefore subject to oversight through the ERC's monthly review of key risks facing the Group.

The ERC supports the BRC by reviewing climate-related management information, monitoring alignment with the Board-approved risk appetite, and providing executive-level challenge on the management of climate-related financial risks. In fulfilling its role, the ERC monitors the activities and outputs of its Society sub-committees, including the Stress Testing Steering Committee's climate-related scenario analysis.

Stress Testing Steering Committee (STSC)

The STSC operates as a sub-committee of the ERC and supports executive oversight of stress testing and scenario analysis, including climate-related risk scenario analysis. It is responsible for review and challenge of the design of the climate-related risk stress scenarios, the assumptions applied and the resulting outputs, prior to submission to the ERC. Outputs from climate-related risk stress testing and scenario analysis are reported through the ERC, with final approval provided by the BRC.

Group Sustainability Committee

The Group Sustainability Committee (Group SusCo), which has a reporting line into the Group Executive Committee, is responsible for providing executive oversight and monitoring of Group-wide sustainability matters, including climate risk initiatives and the Group's approach to achieving net zero. During the year, the Group SusCo received and considered management information related to climate-related matters, including the Group's climate risk assessment, the climate risk appetite statement, a gap analysis against the PRA's Consultation Paper 10/25, and the development of the Group's near term net zero target.

Further information on the governance of sustainability matters can be found in the 2025 Group Sustainability Report.

Supporting working groups - Group Climate Change Risk Forum

The Group Climate Change Risk Forum (CCRF) includes senior representation from around the Group and supports Society executive committees by coordinating climate-related risk activities including the identification and monitoring of climate-related risks across the Group.

Group companies

Connells operates an Audit and Risk Committee which reports directly to the Connells group board and management responsibility for financial risks from climate change is allocated to the Connells group Chief Lending Services Officer. For the other main subsidiaries, management responsibility sits with the CEO and the respective boards.

Governance (continued)

Our regulators

As a large financial services firm, the Society is regulated by:

Financial Conduct Authority (FCA) – The FCA principally focuses on achieving the right outcomes for customers via our conduct and provision of services. It has supervisory and enforcement powers and could issue fines if we are actively in breach of any of the conduct rules. As a business, we have dedicated teams to review our alignment with regulatory expectations and to protect us from risk of delivering poor customer outcomes and regulatory non-compliance.

Prudential Regulation Authority (PRA) – The Bank of England prudentially regulates and supervises financial services firms through the PRA. The PRA creates policy for regulated firms to follow, with focus on controls to mitigate financial risks and the maintenance of adequate levels of capital resources.

In addition, Connells is authorised and regulated by the Financial Conduct Authority (FCA) for activities relating to regulated mortgages and non-investment insurance contracts and SIL is regulated by the Guernsey Financial Services Commission.

Board and Executive training

The Board is supported in its oversight of climate-related risk and opportunities through ongoing training. During 2025, specialist training on climate-related risks and opportunities was delivered for all Board members and the Group Executive Committee.

The training, led by external specialists, focused on sector developments, regulatory expectations and emerging climate-related risk themes, supporting effective oversight and decision-making in relation to climate-related financial risks and opportunities.

Remuneration

Climate-related performance is linked to remuneration through the Society's new Group Long-term Incentive Plan (LTIP), which includes an ESG measure aligned to our strategic priorities. The LTIP applies to the Society's executive directors and other selected Group Executive Committee members.

Further information on the Group's remuneration arrangements and the responsibilities and oversight of the Board Remuneration Committee can be found in the Group's 2025 Annual Report and Accounts.



Strategy

Actual and potential impacts of climate-related risks and opportunities on Skipton Group's businesses, strategy, and financial planning.



Strategy

We recognise both the risks and opportunities arising from the transition to a lower-carbon economy and see a clear role for Skipton Group in supporting our members, customers, communities and colleagues through this transition, particularly in areas aligned to our purpose, such as supporting decarbonisation of UK homes.

While we remain focused on managing the risks climate change presents to our business, we are exploring how the transition can create new opportunities to better support members and customers, develop our products and services, and contribute to long-term sustainable growth.

Climate-related opportunities the organisation has identified and the impact on organisational business, strategy and financial planning

Climate-related opportunities for the Group primarily arise from the transition to a lower carbon housing market and evolving customer needs, policy developments and market expectations. These opportunities are most closely linked to the Group's residential mortgage lending, savings and home-related services and are expected to crystallise over different time horizons.

Across these opportunities, the most strategically significant themes relate to supporting energy efficiency improvements in homes, building member, customer and colleague capability, and developing propositions aligned to the transition to net zero housing. These opportunities are expected to evolve over time, with near term activity focused on engagement and capability building, and longer term opportunities linked to product innovation and market development.

The Society supports members in improving home energy efficiency through education on retrofitting, alongside the continued offer of free EPC Plus assessments for eligible members. Research and surveys help us understand member awareness and appetite for energy efficiency finance, enabling more targeted engagement.

Many of these opportunities also support the mitigation of climate-related risks over the medium to long term, particularly in relation to credit risk linked to the transition within the residential mortgage portfolio. The pace and extent to which these opportunities can be realised will be influenced by a number of external factors, including member engagement, customer appetite and wider energy price dynamics. The Group will continue to work with industry bodies, policymakers and cross-sector partners to support an effective transition to net zero homes.

Climate-related risks the organisation has identified over the short, medium, and long term

Climate-related risks

The impact of climate change on our members and customers, their homes and the financial stability of the Group has the potential to be significant.

Climate risk can be split into two broad themes: physical and transition risk.

Physical risk arises from the impact of extreme weather events (e.g. flooding) or longer term shifts in the climate. It's widely accepted that climate change will accelerate these risks.

Transition risk arises from the process of adjusting to a low carbon economy. This could have a wide-ranging impact. For example, financial asset values, policy or regulation.

During 2025, members of the Climate Change Risk Forum (CCRF) completed a review of the key climate-related risks that are likely to impact the Group over the short, medium and long term. This review used the Group's principal risk categories to identify and assess relevant climate-related risks, including any new or evolving risks. The table on the following pages 10-12 summarises the key climate-related risks identified (split into transitional and physical risk), the key mitigants in place to manage the risks and the following time horizon has been assigned to each:

- Short term: < 5 years, aligned with the Group's financial planning horizon.
- Medium term: 5 -10 years, covering the main horizon for key transition risks.
- Long term: 10+ years, covering the future position, including key physical risks.

The assessment considered both the likelihood of risk crystallisation – and the potential risk impact to the Group and our members and customers.

The most significant climate-related risks identified by the Group relate to the potential impact of climate change on our residential mortgage portfolio. In the short to medium term, these risks are assessed as lower relative to the longer term, reflecting the current pace of transition, the characteristics and geographic distribution of the portfolio, and existing underwriting and risk management practices.

Scenario analysis indicates that, over shorter time horizons, the greatest potential impacts on credit losses are more likely to arise from broader macroeconomic factors influenced by climate transition, rather than from direct physical or transition impacts on property values or borrower default. Over the medium to long term, physical climate risks are expected to become more pronounced, and the Group continues to monitor how these risks may evolve.

Strategy (continued)

Principal Risk Area	Time Horizon	Impact on the Group	Key mitigants / initiatives
Credit Risk			
Transition	Short to Medium term	Increased mortgage defaults, capital, and impairment due to: **Cost of home energy efficiency improvements:** impacting customer affordability or increased energy bills if no home improvements are completed, compounded by broader affordability pressures such as potential rising home insurance costs. **Regulation and policy (e.g. new EPC 'C' standards for Private Sector Landlords and further EPC metrics reform):** impact of the government's Warm Homes Plan and future government policy or regulation changes for lenders and homeowners, or impact on the profitability of more carbon intensive industries.	• In light of the UK Government's Warm Homes Plan , review and update our proposition (including additional borrowing products available for any existing members who are looking to make energy efficient home improvements) to support the green homes transition. • Free EPC Plus report for Society members and colleagues which includes recommendations on how to improve the energy efficiency and carbon footprint of homes • Horizon scanning for regulatory and industry changes • Engage with key trade bodies to understand direction of travel, issues and timelines • Annual climate risk scenario analysis of physical and transition risks in the mortgage book with results considered as part of our capital and impairment assessments • ICAAP conducted at least annually • ESG risk monitoring for our wholesale counterparties • Lending Policy controls • Requirement for building insurance for all mortgage customers • Physical inspection of higher loan to value properties with known flood risk or risk of coastal erosion • Concentration limits enhanced to consider flood risk • Credit risk appetite limits and regular portfolio monitoring • Monitor EPCs of mortgage portfolio
	Medium term	**Higher unemployment:** driven by transition away from carbon intensive industries, exacerbated by potential lack of investment/training in alternative, greener industries. **Changing customer preferences:** impact on house prices as energy efficient housing becomes more desirable, impacting both owner-occupiers and buy-to-let landlords. Conversely, house prices may reduce in regions with concentrated employment sectors exposed to the effects of climate change.	
Physical	Medium to Long term	**Asset damage:** increased severity and frequency of physical risk perils such as flooding, subsidence, wildfires, heatwaves or coastal erosion, leading to a decrease in property and asset values.	
Conduct Risk			
Transition	Medium / Long term	**Poor customer outcomes:** due to inadequate product governance or unclear communication of sustainability features, particularly if products are perceived to be misaligned with customer needs or overstated in terms of environmental benefits. Failure to consider climate-related affordability challenges may also lead to poor outcomes.	• Our three lines of defence provide ongoing monitoring and assurance over processes and controls and the delivery of good customer outcomes to our members and customers • Compliance monitoring reviews • Customer outcomes testing • Colleague training • Integration of sustainability considerations across the product lifecycle

Strategy (continued)

Principal Risk Area	Time Horizon	Impact on the Group	Key mitigants / initiatives
Capital Risk			
Transition	Medium to Long term	**Reduced capital due to:** increased exposure to climate-vulnerable properties or sectors which could negatively impact credit losses, impairments, asset values, and risk weights over time.	• Integration of climate risk into ICAAP • Annual climate risk scenario analysis of physical and transition risks in the mortgage book with results considered as part of our capital and impairment assessments • Risk appetite limits and regular portfolio monitoring
Legal and Regulatory Risk			
Transition	Medium to Long term	**Climate-related disputes (including litigation and regulatory investigations):** due to failure to comply with evolving climate-related regulation and legislation, including perceived mis-selling of sustainability products or an increase in professional indemnity insurance claims against the Group's survey, valuation and conveyancing businesses, also negatively impacting reputation.	• Ongoing horizon scanning and monitoring of evolving climate-related regulation and legislation • Regulatory engagement through industry bodies such as UK Finance • Compliance monitoring reviews • Internal assurance to maintain compliance with climate-related obligations • Colleague training • Connells monitor professional indemnity claims from physical climate change events
Liquidity, Market and Funding Risk			
Transition	Short to Medium term	**Increased ratings agency scrutiny:** regarding commitment to ESG and potential for emphasis to be placed on this for overall ratings.	• Group Climate-related Financial Disclosures and Group Sustainability Report outlining governance and management of sustainability matters, including how climate risks are managed • Regular review and monitoring of wholesale counterparties and external markets • Market interest rate movements are actively monitored and managed • Market risk considered as part of the Group's ICAAP • Range of limits and risk appetite requirements, defined within the Treasury Policy, are regularly assessed and managed • Regular stress testing • ILAAP and Recovery Planning conducted at least annually
		Wholesale funding sources: inability to access funding as issuance becomes more linked to green and social initiatives.	
	Medium to Long term	**Asset valuations:** climate-related risks could cause a reduction in financial asset values, a breakdown in correlation between assets and/or a change in market liquidity for certain assets.	
Physical	Medium to Long term	**Lower global economic output:** adverse movements in market interest rates and risks to economic growth could negatively impact our proposition and financial stability. It may also impact the UK housing market, which is closely correlated with the general strength of the UK economy.	
Model Risk			
Transition	Short to Medium term	**Model error:** risk of financial losses or poor business decisions due to poor model management leading to inappropriate model error.	• Climate-related models are recorded in the Group's model inventory and managed in line with the Model Risk Management Policy • The climate-related models are periodically reviewed and updated, where appropriate, to reflect evolving data, assumptions and methodologies

Strategy (continued)

Principal Risk Area	Time Horizon	Impact on the Group	Key mitigants / initiatives
Operational Risk			
Transition	Short to Medium term	**Skills and talent capacity:** risk of lack of skills within the business to manage and monitor climate risks.	• Periodic training on climate risk • Buildings insurance for all Group owned premises • Remote working capabilities for our colleagues • Operationally resilient business to continue to provide important and critical business services to our customers at all times • Business continuity plans and regular testing carried out • Operational risk considered within the Pillar 2A assessment • The Society is working with EcoVadis, a sustainability ratings provider, to assess the sustainability standards within our supply chain
Physical	Medium to Long term	**Business continuity:** increased operating costs due to damage to premises and infrastructure also leading to disruption for members, customers and colleagues.	
Transition and Physical	Medium to Long term	**Supply chain disruption:** increased costs due to higher likelihood of interruption to goods and services, or cost of switching to a supplier with a lower carbon footprint.	
Reputational Risk			
Transition	Short to Medium term	**Changing expectations:** lack of sustainability product offerings, poor comparison to peers or association with businesses with low or poor sustainability standards. This may lead to a member or customer boycott of the Society as well as franchise risk, as members or customers may opt to leave the Group.	• Use direct member / customer feedback and research to inform strategic planning, campaign development, product and customer journey design • Governance and controls over product propositions • Closely monitor external environment • Ongoing horizon scanning and monitoring of evolving climate-related regulation and legislation
Strategic / Business Risk			
Transition	Short to Medium term	**Competition and demand:** increased competition or disruption due to new entrants in the market, or sustainability product innovations from existing organisations. Failure to keep up with market innovations could impact overall demand for Group products and services.	• Closely monitor external environment • Governance and controls over product propositions • Corporate planning and key strategies to address business risks • ICAAP and Recovery Planning conducted at least annually • Horizon scanning for regulatory and industry changes • Review the Group's pension risk strategy, at least annually • Regular monitoring of the pension obligation position and key pension risk metrics
Transition and Physical	Medium to Long term	**Increased costs:** taxes/levies introduced to fund transition to a low carbon economy and to protect against physical risks. More frequent physical risk events may increase insurance premiums, asset values and repair costs.	
	Long term	**Pension asset valuations:** increased likelihood of physical or transition risks affecting pension asset valuations – leading to risk of increased deficit or reduced surplus.	

Strategy (continued)

Impact of climate-related risks on organisational business, strategy and financial planning

The Group has considered the impacts of both the transition to a low-carbon economy and the physical effects from climate change. Consideration was given to the impact of climate risks on our Group's going concern assessment and an assessment of climate change on the Society's financial statements has also been undertaken. Separately, Connells has considered the financial impact of the risks on its income and costs, business strategy and financial planning.

While climate-related risks may affect the Group in a range of ways, the most material potential impact continues to relate to credit risk in our residential mortgage portfolio. Physical climate risks, including flooding, subsidence and coastal erosion, have the potential to increase the frequency and severity of property damage over time. This may result in impacts on collateral values and, in more severe scenarios, borrowers' ability to repay their mortgage. Over the medium to longer term, the Group expects physical climate risks to become more pronounced as climate patterns continue to change.

Transition risks associated with the move towards a net zero economy may also affect property valuations, customer affordability and demand for mortgage products. These risks may arise from changes in regulation and policy, evolving market and customer preferences, or the costs associated with improving the energy efficiency of homes. The pace and nature of the transition, including the availability of supporting infrastructure, skills and government incentives, will influence how these risks crystallise over time.

In response, the Society has quantitative credit risk appetite limits to manage financial risks arising from climate change. Limits are in place for the physical and transition risks within the mortgage portfolio, identified as high-risk from the annual scenario analysis activity. The Group continues to enhance its use of climate-related data and insights to inform strategic decision-making, including the ongoing development of lending controls to mitigate exposure to higher-risk physical perils such as flooding and coastal erosion.

The Group also monitors transition risk indicators, including Energy Performance Certificate (EPC) ratings across the Society's mortgage portfolio, to better understand progress in property retrofit and potential future impacts on asset values and customer affordability.



Strategy (continued)

Resilience of the strategy, taking into consideration different climate-related scenarios, including a below 2°C scenario

To help inform our strategic planning and determine the impact of the financial risks from climate change on our overall risk profile, we perform a dedicated climate risk scenario analysis annually. The analysis considers a range of climate transition and physical risk pathways, aligned to externally recognised climate scenarios.

Quantitative scenario analysis was undertaken to assess impacts on Expected Credit Losses (ECL) for the Society and SIL residential mortgage portfolios, as well as impacts on the Equity Release portfolio. Scenario narratives were informed by climate pathways published by the Network for Greening the Financial System (NGFS) and associated Representative Concentration Pathways (RCPs).

The Group has assessed four climate scenarios, including one aligned with a below 2°C transition pathway, alongside more severe transition and physical risk outcomes. These scenarios are summarised in the table opposite and are used to assess the resilience of the Group's strategy and business model over the short, medium and long term, and to inform strategic planning and risk appetite.

The table below summarises the climate scenarios used by the Group, including the associated emissions pathways and the relative balance of physical, transition and macroeconomic risk (note 1).

Counterfactual	Late Action	Too Little Too Late	No Additional Action
No impact of climate change and no transition – in effect this is a baseline position used for comparison purposes.	Late and more punitive government intervention is applied to achieve the 2050 net zero target. Greenhouse gas emissions are limited to keep global warming below 2°C, but due to government policy intervention being delayed until 2030, the transition is disorderly. This leads to greater transition risk and a macroeconomic shock in the early 2030s.	Global transition is disparate and disorderly with many countries missing net zero targets leading to global temperatures exceeding the Paris agreement, rising by more than 2°C.	Global governments take no further targeted action to reduce greenhouse gas emissions, resulting in rising global temperatures in excess of 3°C by the end of the scenario, causing the most severe physical risk impacts. The macroeconomics capture a more extreme, but plausible outcome from the impacts of rising global temperatures.
Emissions scenario Not applicable	Emissions scenario Low RCP 2.6	Emissions scenario Medium RCP 6.0	Emissions scenario High RCP 8.5
No change on physical, transition and economic risks.	Low physical risk High transition and economic risk	Medium physical and economic risk High transition risk	High physical and economic risk Low transition risk

Low risk | Medium risk | High risk

Note

1. The climate-related risks considered are as follows:
   - Physical risks: flooding, subsidence and coastal erosion
   - Transition risks: energy efficiency requirements and retrofit costs
   - Macroeconomic impacts: house prices, interest rates and inflation

Strategy (continued)

Application of scenario analysis across the Group

Climate-related scenario analysis is applied across the Group using a combination of quantitative modelling and qualitative assessment, reflecting differences in business activities, risk exposures and data availability.

Quantitative scenario analysis focuses on areas where climate-related risks have the potential to give rise to material financial impacts, while qualitative assessments are used to consider broader strategic, operational and market impacts across different business areas and the Group businesses.

Quantitative climate risk scenario analysis has previously been undertaken for Connells by considering the forecast macroeconomics in the Late Action scenario, as well as the impact of reductions in both house price and housing transactions on profitability. For 2025, Connells reviewed the scenarios and underlying assumptions and confirmed that the existing analysis remains appropriate and relevant for the current reporting year.

Climate-related risks assessed through scenario analysis

The scenario analysis considers the potential impact of climate-related risks across multiple scenarios and time horizons, including:

- Physical risks: flooding, coastal erosion and subsidence impacting property valuation or a borrower's ability to service debt.
- Transition risk: the potential impact of borrowers being required to improve the energy efficiency of their properties to meet government targets, assessed using Energy Performance Certificate (EPC) data. The cost of improving home energy efficiency is quantified in terms of a potential reduction in property valuations.
- Macroeconomic risks: second order impact of physical or transition risks on unemployment, property prices, interest rates and inflation.

Climate change, and the policies to mitigate it, will occur over many decades. To ensure both short- and long-term impacts are considered, quantitative credit risk scenario analysis impacts have been assessed at 2030 and 2050.

Scenario analysis outcomes

Scenario analysis outputs combine quantitative modelling and qualitative assessment to provide an indicative view of how climate-related risks could affect the Group over the short, medium and long term. Results are used to understand relative risk exposure across scenarios rather than to predict precise outcomes.

Across the scenarios assessed, the analysis indicates that macroeconomic effects associated with climate transition have a greater potential financial impact in the short to medium term than direct physical climate risks. In particular, higher inflation, interest rates and house price adjustments have a larger influence on expected credit losses than physical hazards over nearer-term horizons.

Under all scenarios, expected credit losses are projected to increase over time, with the greatest impacts observed in 2030 under the Late Action scenario. This reflects the effect of a disorderly transition, where delayed policy action leads to sharper economic adjustment. By contrast, direct physical risks are expected to become more pronounced over longer time horizons, particularly under the No Additional Action scenario.

Overall, scenario analysis outcomes suggest that the most material climate-related financial risks to the Group are more likely to crystallise over the medium to long term, rather than within the near term planning horizon.

Informing our strategy

The results of scenario analysis are used to inform the Group's strategic planning, capital assessment and risk management approach. Climate scenario outputs are considered as part of capital and impairment assessments, including the Society's ICAAP, and help to shape the Group's understanding of how climate-related risks may evolve over time.

In the short term, scenario analysis does not indicate a material financial risk to the Group. Over the medium to long term, insights from scenario analysis will continue to inform:

- risk appetite setting,
- lending standards and controls,
- capital planning decisions, and
- ongoing enhancements to data, modelling and assumptions.

The Group recognises that climate scenario analysis remains an evolving discipline and will continue to be refined over time. This will involve further development of our approach in response to regulatory expectations, including those set out in the PRA's Supervisory Statement SS5/25, alongside improvements in data availability, modelling capabilities and industry practice to ensure that scenario analysis remains a useful tool in supporting strategic decision-making.

Risk management

How Skipton Group identifies, assesses, and manages climate-related risks.



Risk Management

Managing climate-related risks is integrated within the Group risk management framework (GRMF), where climate risk is recognised as a principal risk. This ensures climate-related risks are identified, assessed, managed and monitored alongside other principal risks facing the Group, using consistent governance, processes and oversight.

During 2025, the Group strengthened the GRMF, embedding more standard and consistent processes for the management of all principal risks. These enhancements included the further strengthening of our risk and control self-assessments (RCSA) to embed a culture of risk ownership and continual improvement, supported by a strong understanding of our material control activities. Group-wide risk reporting has also been enhanced to provide a clear, aggregated view of current and emerging risks to the Board, including climate risk. Together, these changes support a more consistent and proactive approach to risk identification, assessment, mitigation and ongoing management of risks across the Group.

In addition to these enterprise-wide processes, the Group continues to undertake targeted climate-specific assessment activities to support its understanding of climate-related risks and how they may evolve over time.

Processes for identifying and assessing climate-related risk

The Group undertakes a climate risk assessment to identify new and emerging climate-related risks and to assess changes in the nature, severity or likelihood of existing risks at least annually. This assessment draws on relevant subject matter expertise from across the Group and considers both physical and transition risks over a range of time horizons. The outcomes of the assessment inform the ongoing management of climate risk within the GRMF.

Climate scenario analysis and stress testing are used to support the assessment of climate-related risks, providing insight into potential impacts under different climate pathways and adverse conditions. These analyses inform risk management activities, including consideration of the Group's strategy and risk profile.

As a principal risk within the GRMF, climate risk is also assessed and monitored through established risk management processes, including the RCSA. This enables climate-related risks to be evaluated using consistent risk assessment criteria, alongside other principal risks, and supports regular review of risk exposures and controls.

Processes for managing climate-related risks

The Group's approach to managing climate-related risk is aligned with, and integrated into existing risk management frameworks, including those relating to credit risk, operational risk and capital risk. These processes operate within the Group's established three lines of defence model, with climate-related risks managed through first line business controls, second line risk oversight, and subject to independent assurance through the third line of defence. Further details on the Group's three lines of defence is included in the Risk Management Report of the 2025 Annual Report and Accounts.

Within credit risk management, climate-related risk is incorporated into relevant first line processes, the risk appetite and control frameworks. The climate risk relating to the impact on mortgages has specific controls for managing new lending and focus on three key areas; a physical inspection of the property for higher loan to values; checking any known flood risk and considering the risk of coastal erosion.

All of these considerations make up the overall valuation. Any postcode identified as potentially at risk of future coastal erosion requires a desktop or physical survey to capture local knowledge of the risks to each property. The Society's loan conditions require buildings insurance at the point of completion. This provides assurance that the property is insurable at that point in time.

Climate risk is also considered within other relevant risk management processes. This includes consideration as part of the Internal Capital and Liquidity Adequacy Assessment Processes. These processes support a holistic and integrated approach to managing climate-related risks across the Group. Please see the Strategy section for further information on how our key climate risks are managed.

Processes for monitoring climate-related risks

Climate-related risks are monitored through established governance and risk reporting processes. Risk exposures, emerging trends and changes in the external environment are reviewed periodically, with material matters escalated through existing management and board-level governance forums in line with the GRMF.

The integration of climate risk as a principal risk within the GRMF supports consistent monitoring, prioritisation and escalation alongside other principal risks. This integrated approach enables the Group to respond proportionately to evolving climate-related risks, while maintaining alignment with the Group's overall risk appetite and strategic objectives.

Metrics and Targets

Metrics and targets used to assess and manage relevant climate-related risks.



Metrics and Targets

As part of our response to climate-related risks and opportunities, we continue to improve how we track and use climate metrics in our risk management and strategic planning. In 2025, we have maintained our reporting of key physical and transition risks, including EPC ratings, climate-related credit exposures, and Group greenhouse gas (GHG) emissions. Our approach continues to evolve to align with regulatory expectations and industry frameworks, and we remain focused on improving data quality and consistency to support future decision making and climate strategy development.

Metrics and targets used to assess and manage climate-related risks

The metrics used to monitor climate-related risks are:

- The level of flood risk in the Society mortgage portfolio over different time periods and climate pathways
- The level of subsidence risk in the Society mortgage portfolio over different time periods
- The level of coastal erosion risk in the Society mortgage portfolio over different time periods and climate pathways
- Society mortgage portfolio properties by current and potential EPC category
- Connells professional indemnity claims caused by physical climate change
- Group scope 1 and 2 GHG emissions
- Estimations of Group scope 3 value chain emissions
- Estimations of Group scope 3 financed emissions intensity for the residential mortgage portfolio (Society and SIL)

The Society has quantitative portfolio credit risk appetite limits to directly manage the most material physical and transition risks.

Society Physical and Transition Risk Metrics

For the purposes of this report, we have included the Society's residential climate risk metrics only. In addition to tracking our GHG emissions, we continue to monitor key physical risk metrics associated with climate change.

The Society's residential mortgage portfolio climate risk exposures are monitored every six months. They are used to help shape the Society's assumptions in future scenario analysis and its approach to risk management.

The relative amount of exposure to flood, subsidence, and coastal erosion physical risk on the Society's residential mortgage portfolio remains low, at just over 2% of the total exposure. Where appropriate, climate metrics are reported using data as at 30 September snapshot, aligning mortgage book, EPC and physical risk datasets and improving year-on-year comparability.

The table below summarises the current exposure of the Society's residential mortgage portfolio to physical climate risks, based on flood, subsidence, and coastal erosion data.

Current Society Physical Risk Exposures						
Residential Mortgages	As at 30 September 2025			As at 30 September 2024^		
Physical Risk	Number	Exposure £bn	%Book	Number	Exposure £bn	%Book
Properties classed in the highest flood risk category[1]	3,057	0.41	1.37	2,945	0.38	1.36
Properties classed in the highest subsidence risk category[2]	1,352	0.24	0.79	1,316	0.22	0.80
Properties at risk of being impacted by coastal erosion[3]	0	-	-	0	-	-

Notes

1. Twinn Current Flood Risk Rating 81-100.
2. Twinn Current Subsidence Score 81-100.
3. Twinn Current Coastal Erosion risk.

^ The figures presented are based on the Society's residential mortgage book and physical climate risk data as at 30 September. To ensure consistency and comparability between reporting periods, the 2024 comparative figures have been restated using the residential mortgage book and physical risk data as at 30 September 2024.

Metrics and Targets (continued)

To assess long-term physical climate risks, we model a severe scenario based on Representative Concentration Pathway (RCP) 8.5. The table below shows potential exposure in 2080 across the Society's residential mortgage portfolio.

Society Physical Risk Exposures under RCP 8.5 in 2080*						
Residential Mortgages	As at 30 September 2025			As at 30 September 2024^		
Physical Risk	Number	Exposure £bn	%Book	Number	Exposure £bn	%Book
Properties classed in the highest flood risk category[4]	7,550	0.99	3.27	7,349	0.91	3.27
Properties classed in the highest subsidence risk category[5]	30,030	7.33	24.22	28,472	6.65	23.79
Properties at risk of being impacted by coastal erosion[6]	12	0.00	0.01	12	0.00	0.01

Notes

4. Twinn Flood Risk Rating 81-100 under RCP 8.5 in 2080.
5. Twinn Subsidence Score 81-100 under RCP 8.5 in 2080.
6. Twinn Probability of Coastal Erosion > 0% under RCP 8.5 in 2080.

* A small number of properties could not be address-matched to physical risk data. As at 30 September 2025, this related to 10 properties with a combined balance c£47k. As at 30 September 2024, this related to 8 properties with a combined balance of c.£58k.
^ The figures presented are based on the Society's residential mortgage book and physical climate risk data as at 30 September. To ensure consistency and comparability between reporting periods, the 2024 comparative figures have been restated using the residential mortgage book and physical risk data as at 30 September 2024.

This is to demonstrate a severe view of the physical climate risk of the Society mortgage portfolio in 2080, which we're monitoring and using in our scenario analysis. This scenario is where there's 'no additional action' taken to mitigate against rising global temperatures, with an increase in excess of 3°C by 2100. For this climate emissions scenario and time period, the physical risk perils which impact UK properties will be much more frequent and more severe.

The flood and coastal erosion exposures increase in the RCP 8.5 severe scenario. Although they remain relatively low overall. The greatest movement between the current and the severe scenario is observed for subsidence risk. Future climate change forecasts identify large areas of London, the South East and the Midlands as having a greater risk of shrink-swell because they are predominantly clay soils. Shrink-swell can cause ground movement which can impact building foundations. This is the most common form of subsidence.

An increased portfolio exposure to London and the South East has slightly increased the Society's subsidence risk during 2025. Subsidence risk is assessed using data from the British Geological Survey and identifies the potential for clay shrink-swell to occur at a given location, during a given future time period, based on a combination of geological, hydrological and climate projections. However, this score does not include the mitigating factor that a property might have foundations built to withstand movement due to shrink-swell.

The Society manages the physical risks from climate change with quantitative Credit Risk Appetite limits and new lending controls applied at postcode level for flood risk and coastal erosion. This is discussed earlier in the Risk Management section on page 17.

Metrics and Targets (continued)

Energy Performance Certificates

All UK house sales legally require the production of an Energy Performance Certificate (EPC). This measures the energy efficiency of a property based on physical measures such as double glazing and heating systems. A SAP score (Standards Assessment Procedure) is the methodology used by the government to assess and compare performance in more detail, with a value typically from 1 to 100. The methodology for calculating a SAP rating is regularly updated by the UK Government.

The SAP methodology was updated to Reduced data SAP (RdSAP) 10 in June 2025 and a wider reform of the approach is under consideration.

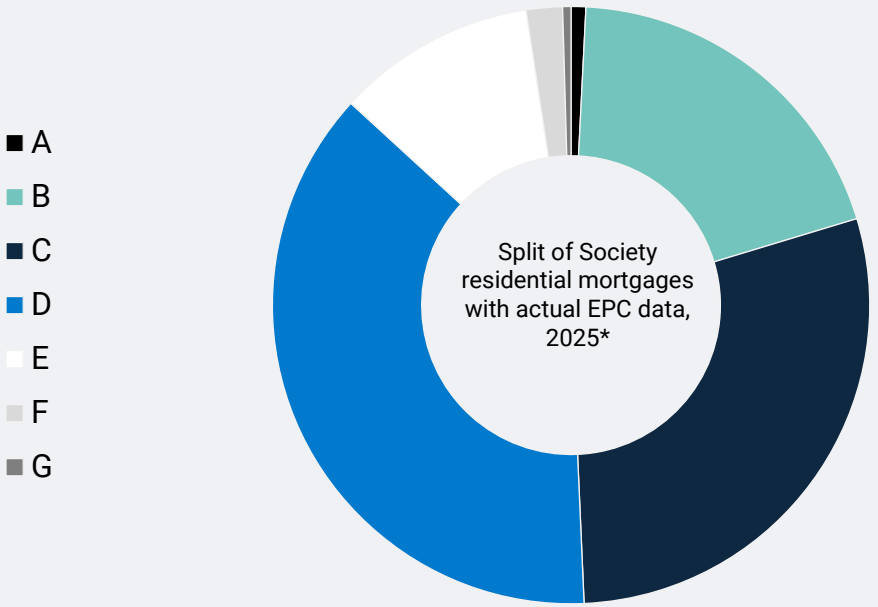
A higher score means a better energy efficiency performance for a property, as below:

A 92+	B 81-91	C 69-80	D 55-68	E 39-54	F 21-38	G 1-20

In 2025, we reperformed analysis of the Society's EPC ratings on our UK residential portfolio. This was to understand what the exposures of our current book are regarding the energy efficiency of these properties.

The pie chart shows that the most common current EPC rating across the Society's residential mortgage portfolio is D, which is consistent with the rest of the UK. There has not been a material change in the average actual EPC SAP score for our mortgage portfolio between 2024 and 2025, with a slight increase from 66 to 67, which remains an average of a high D.

Whilst residential mortgages produce the highest total emissions, our closed commercial lending back book has the highest physical and economic intensity metrics. Although the Society no longer actively lends on commercial properties, the closed back book continues to be monitored, informing the Society's understanding of climate-related risks within legacy exposures and currently stands at £92.2m (2024: £114.3m).



Metrics and Targets (continued)

The two tables below are reported for transparency. The first is based on actual EPCs only. The second includes a blend of actual and modelled current EPCs, where the actual EPC is used where it's available, with the remainder modelled by Rightmove.

Risk Exposures for Actual EPC Ratings for Society Residential Mortgages*						
	As at 30 September 2025			As at 30 September 2024^		
Current EPC	Number	Exposure £bn	%Book	Number	Exposure £bn	%Book
A	960	0.21	0.80	545	0.11	0.47
B	27,473	5.24	19.52	23,707	4.35	18.09
C	48,915	7.78	28.98	44,811	6.76	28.09
D	63,175	10.08	37.51	61,374	9.28	38.56
E	18,318	2.89	10.78	18,846	2.90	12.05
F	3,113	0.53	1.96	3,226	0.54	2.24
G	733	0.12	0.45	742	0.12	0.52

Notes
* A small number of properties could not be address-matched to physical risk data. As at 30 September 2025, this related to 10 properties with a combined balance c£47k. As at 30 September 2024, this related to 8 properties with a combined balance of c.£58k.
^ The figures presented are based on the Society's residential mortgage book and physical climate risk data as at 30 September. To ensure consistency and comparability between reporting periods, the 2024 comparative figures have been restated using the residential mortgage book and physical risk data as at 30 September 2024.

Risk Exposures for Actual & Modelled EPC Ratings for Society Residential Mortgages*						
	As at 30 September 2025			As at 30 September 2024^		
Current EPC	Number	Exposure £bn	%Book	Number	Exposure £bn	%Book
A	960	0.21	0.71	545	0.11	0.40
B	27,900	5.33	17.64	24,668	4.57	16.34
C	52,760	8.38	27.72	48,383	7.27	26.00
D	81,820	11.94	39.49	84,140	11.66	41.69
E	24,116	3.69	12.19	23,791	3.66	13.10
F	3,305	0.56	1.85	3,429	0.57	2.02
G	733	0.12	0.40	742	0.12	0.44
Unmatched	10	0.00	0.00	8	0.00	0.00

Notes
* A small number of properties could not be address-matched to physical risk data. As at 30 September 2025, this related to 10 properties with a combined balance c£47k. As at 30 September 2024, this related to 8 properties with a combined balance of c.£58k.
^ The figures presented are based on the Society's residential mortgage book and physical climate risk data as at 30 September. To ensure consistency and comparability between reporting periods, the 2024 comparative figures have been restated using the residential mortgage book and physical risk data as at 30 September 2024.

Metrics and Targets (continued)

Skipton Group's scope 1, scope 2 and scope 3 GHG emissions

Across the Skipton Group, we collect data on energy consumption and other relevant data and information to be able to calculate our greenhouse gas (GHG) emissions across the whole value chain (scope 1, 2 and 3 activities). In 2025, we continued to improve the consistency of reporting across the Group.

Scope 1 and 2 GHG emissions

Our scope 1 and 2 GHG emissions relate to the energy we use to operate our branches and offices, and transport for our employees in owned or operated company vehicles. Most of our operations are based in the UK, with smaller facilities in Australia, Guernsey, Jersey and New Zealand.

We report our Group emissions using both a location-based and market-based method.

In 2025, our scope 1 and 2 location-based emissions have reduced by 12% from 2024, due to a reduction in our energy consumption (down 3%), a lower emission fleet and a less carbon-intensive UK electricity grid. Our market-based emissions have reduced 15% in 2025, compared to 2024, due to a reduction in our electricity consumption and increased purchasing of electricity with a Renewable Energy Guarantee of Origin (REGO) now at 91% (2024: 86%).

Work to lower energy used across our offices and branches has continued throughout 2025, reducing gas consumption, moving to a lower emission vehicle fleet, switching to more energy-efficient LED lighting and implementing smart meters.

We aim to purchase electricity tariffs backed by a REGO for our Group operations. The Society currently purchases 100% electricity with REGOs, where it is under direct control, and purchases a green gas tariff, with a Renewable Gas Guarantee of Origin certification (RGGO). Our renewable gas certificates are not used towards any emission reductions.

Group GHG emissions and energy data (note 1)				
Scope 1 and 2 (notes 2 & 3)	Metric detail	2025	2024	2023 (base year)
Scope 1 — offices, branches and company vehicles	tCO_2e	3,155	3,380	4,023
Scope 2 (location-based) electricity	tCO_2e	4,523	5,343	5,772
Scope 2 (market-based) electricity	tCO_2e	771	1,231	4,618
Scope 1 & 2 energy usage (inc. vehicles)	kWh	41,155,847	42,501,013	46,851,915
Total scope 1 & 2 emissions (location-based)	tCO_2e	7,678	8,723	9,794
Scope 1 & 2 emissions from UK operations (location-based)		99%	99%	99%
Total scope 1 & 2 emissions (market-based)	tCO_2e	3,925	4,611	8,640
Scope 1 & 2 location-based emissions intensity ratio	tCO_2e / £m turnover	4.49	5.39	6.30

Notes

1. Further information on GHG emissions can be found in the 2025 Group Sustainability Report.
2. Where Scope 1 and 2 actuals data was not available, consumption was estimated using average or proxy data. Data for the Connells group acquisition of Ryden and Stiles Harold Williams is included for 1 April 2024 to 31 March 2025. Data for the Jade acquisition of Contec Group International Limited will be included from 1January 2026.
3. For market-based emissions where consumption was not REGO-backed a residual or location-based factor has been applied.

Metrics and Targets (continued)

Scope 3 GHG emissions

Scope 3 emissions tend to form a large part of any organisation's total emissions. For the Group, our scope 3 emissions include those generated from our mortgage lending activity (financed emissions) and those generated through our value chain activity.

Scope 3 is the dominant scope of emissions for the Group at 98% in 2025.

Collecting data on scope 3 emissions can be particularly challenging as we are required to obtain information from third parties, which may not have such well established data collection or reporting processes and rely on information which is outside of our direct control.

Scope 3 financed emissions

A key area of focus for us as a Group is understanding the financed emissions from our residential (including buy-to-let) and commercial lending. Financed emissions from mortgage lending were 78% of our total 2025 Group scope 3 emissions. The Skipton Group does not invest in any corporate bonds, and we have no listed equity.

Financed emissions are calculated using the GHG Protocol Partnership for Carbon Accounting Financials (PCAF 2019) methodology. The PCAF method is widely considered to be the financial services industry standard for calculating scope 3 financed emissions. To calculate the proportion of the property's emissions that are financed, an attribution ratio for each mortgaged property is calculated based on the property's outstanding balance on the loan, versus the value at origination. This is considered alongside annual emissions associated with the financed property, estimated using actual EPC data, or when not available, modelled EPC and modelled floor area data.

We report scope 3 data covering financed emissions arising from both our lending activity for our residential (including buy-to-let) and commercial mortgage portfolios. Our assessment is based on a 30 September snapshot for both EPC data and the outstanding mortgage balances for each reporting year.

To provide insight into the quality of the data, a weighted data score has been calculated for the emissions, using PCAF's GHG Accounting and Reporting Standard. These are rated between a 1 and 5 quality score, where 1 is the highest and 5 the lowest. Residential mortgages receive a weighted data score of 3.08 in 2025, based on the availability of actual EPC data.

In 2025, total residential financed emissions have increased 2%, due to a corresponding growth in the total mortgage book value. As at September 2025, 84% of properties in the Group residential mortgage book had an EPC.

Scope 3 financed emissions – Group residential mortgages (notes 1 & 2)	Metric detail	2025	2024
Residential financed emissions based on LTV attribution	tCO_2e	250,855	245,833
Number of residential properties with EPC	#	166,932	156,970
Number of residential properties without EPC data	#	32,029	36,335
Financed emissions from properties with EPCs	tCO_2e	174,528	154,384
Financed emissions from properties without EPC data	tCO_2e	76,327	91,449
Emissions intensity for residential mortgages	$kgCO_2e/m^2$	23.8	23.9
PCAF weighted data score		3.08	3.24

Notes

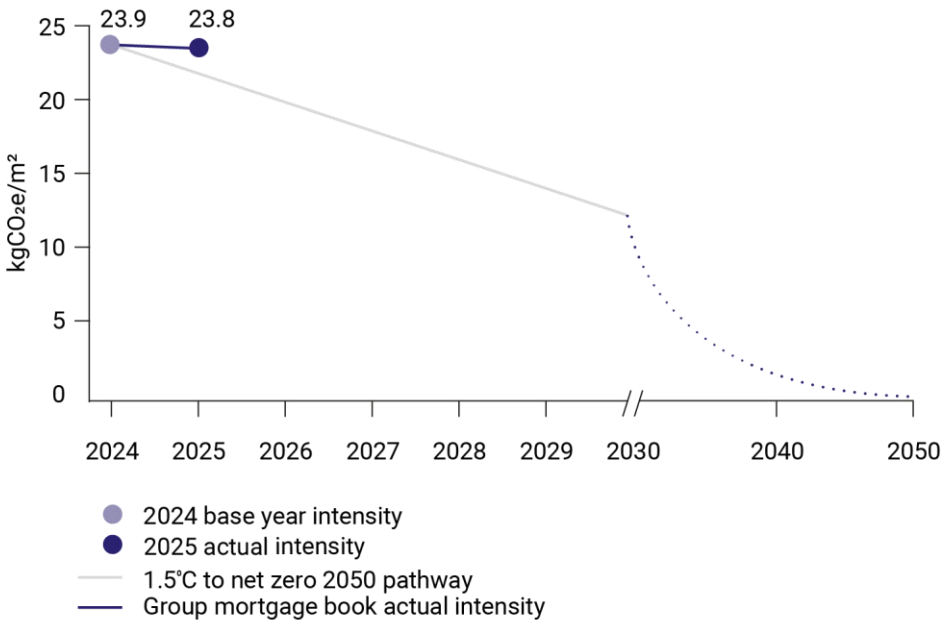
1. Calculated on an annual 30 September snapshot basis using EPC data and Partnership for Carbon Accounting Financials (PCAF) emission factors. The attribution ratio applied is based on the valuation of the property at loan origination.
2. The 2024 figures are restated due to the application of an improved LTV-based attribution methodology for floor area.

Metrics and Targets (continued)

In line with our approach to net zero and to support understanding of the Group's transition risk and alignment with a low carbon pathway, we are tracking the emissions intensity per square metre ($kgCO_2e/m^2$) of our residential mortgage lending, from a 2024 base year.

The chart below shows the emissions intensity of the residential mortgage portfolio compared to a UK 1.5°C net zero sectoral pathway. In 2025, our emissions intensity per m^2 floor area did not see a material change, remaining relatively flat at 23.8 $kgCO_2e/m^2$ (2024: 23.9 $kgCO_2e/m^2$) reflecting a very slight improvement in EPC values across the residential mortgage book.

Residential Mortgage Financed Emissions Pathway – physical emissions intensity $kgCO_2e$ per m^2 floor area



Our 2025 residential mortgage book emissions intensity is above the UK residential buildings net zero reduction pathway. We seek to refine our projections over time and recognise there are many factors and uncertainties beyond our control.

Aligning to a net zero pathway requires the involvement of others, including policy makers, governments, suppliers, and customers. The main external dependencies that impact our ability to decarbonise the residential mortgage portfolio and upon which the wider UK is reliant to decarbonise homes are listed below:

Government strategy and policy

The UK Government's recently published Warm Homes Plan sets a strong policy foundation, signalling long term investment in the energy efficiency and clean heat and microgeneration technologies required to deliver net zero. However, the ability of households to transition cost effectively depends on the timely availability of government backed grants and low or zero interest loans, as well as the establishment of a national Warm Homes Agency to simplify access to installations and advice.

We will monitor appetite for the proposed incentives, including stronger consumer awareness and protections to drive demand for residential clean technology solutions, key requisites to drive the residential net zero transition.

Supply chains and regulation

Delivering the transition also requires a robust supply chain capable of meeting rising demand for low-carbon technologies, supported by clear and stable regulation such as the Future Homes Standard, which will mandate higher efficiency and low-carbon heating in new homes from 2026–2028 onwards. Currently, over two thirds of new build homes still have fossil fuel heating systems and may require retrofit or low-carbon heating transitions over time to support net zero pathways.

Consumer activity

Success of the net zero transition relies on consumer engagement with, and awareness of the proposals set out by policy and regulation. Whilst demand is currently low, we will continue to monitor this and adjust our proposition as required to meet any growth in demand.

Whilst we appreciate that these may impact our ability to align to a net zero pathway, we continue to focus our efforts on transitioning the factors within our control.

Metrics and Targets (continued)

Commercial mortgages

The Society no longer offers new commercial mortgages; they account for 3% of our scope 3 financed mortgage emissions. Existing mortgages reaching maturity is the reason for the fall in emissions in the commercial category in 2025, with this likely to stay the case in future years.

Scope 3 financed emissions - Group commercial mortgages (note 1)	Metric detail	2025	2024
Commercial financed emissions based on LTV attribution	tCO_2e	6,495	8,229

Note

1. Calculated on an annual 30 September snapshot basis using EPC data and Partnership for Carbon Accounting Financials (PCAF) emission factors. The attribution ratio applied is based on the valuation of the property at loan origination.

Estimates of scope 3 value chain emissions

The reporting of scope 3 value chain emissions includes the following upstream GHG Protocol categories: Purchased goods and services (1), Capital goods (2), Fuel- and energy-related activities (3), Waste generated in operations (5), Business travel (6) and Employee commuting (7). Categories 4 and 8-14 are not relevant or significant to the overall scope 3 emissions. Please note, that scope 3 value chain emissions have in part been calculated using financial spend data.

Scope 3 estimated upstream value chain GHG emissions - Group (note 1)	Metric detail	2025	2024
Emissions from categories 1, 2, 3, 5, 6 & 7	tCO_2e	72,421	62,729

Note

1. Calculated on a Q3 to Q3 basis, from 1 November to 31 October.

Purchased goods and services account for the largest proportion of the Group's upstream value chain emissions at 62%, in 2025. Employee commuting and business travel are the second and third largest category of emissions at 25% and 9% respectively.

In 2025, we assessed 50% of the Society's critical ("material") suppliers on their net zero and energy reduction strategies. This engagement, delivered in partnership with sustainability ratings provider EcoVadis, helps us assess the sustainability standards within our supply chain.

The programme will be widened to include Connells next year, enabling a comprehensive analysis to inform our approach to reducing supply chain emissions. We appreciate that this will require supplier participation and there is a risk that some suppliers may not participate. The data we collect from this may, therefore, be limited.

We continue to seek opportunities to improve the accuracy of data available. Improving access to accurate data will help us to further understand the action we can take to influence decarbonisation.

We remain committed to reducing the environmental impact of our operations and supporting the UK's transition to net zero by 2050.

The targets used to manage climate-related risks and opportunities and performance against targets

We have a Group-wide approach to reduce our scope 1 and 2, and selected categories of scope 3 value chain emissions, in line with net zero by 2050 or earlier. In addition, we have an ambition to reduce our financed emissions intensity ($kgCO_2e/m^2$) of our residential mortgage lending in line with a net zero 2050 pathway.

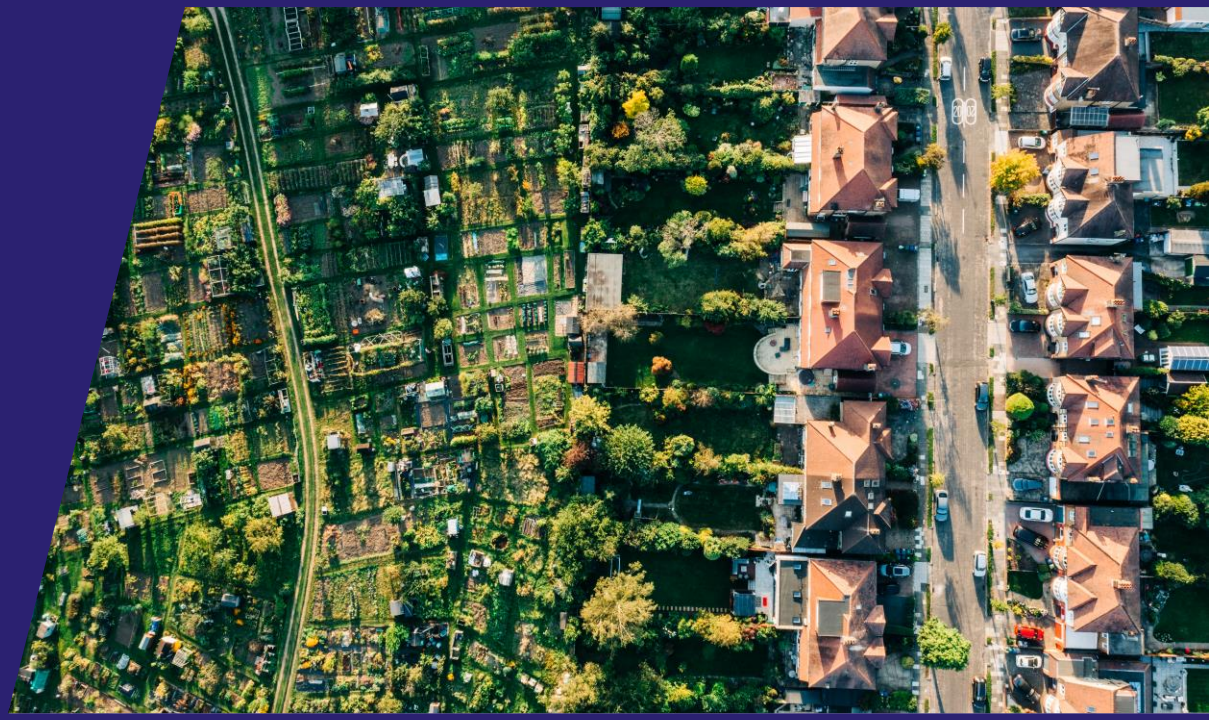
The Board has approved a science-aligned near term 2030 target for the Group and corresponding plans to reduce our gross scope 1 emissions by 42%, against a 2023 base year. And for scope 2, we aim to source 100% REGO-backed electricity.

Our scope 1 emissions have reduced 22% compared to the 2023 base year. This is ahead of the projected reduction. For scope 2, REGO-backed electricity is now at 91% (2024: 86%).

We recognise, to reach our net zero ambition, there are many factors and uncertainties beyond our control. They require the involvement of others, including policy makers, governments, suppliers, members and customers. This may impact our ability to meet our climate-related targets or at least make them more challenging – so there's a risk that all or some of them will not be achieved. We acknowledge that a large element of scope 3 reductions are outside of our direct control. As such, it may not be possible to fully achieve financed emission reduction targets without direct policy direction or government mandated reforms. However, we continue to focus our efforts on transitioning the factors within our control.

Other information

Supplementary information setting out data assumptions, limitations, methodologies and definitions used in the disclosures.



Limitations on data

The following notes on data assumptions apply:

- The following third parties provide energy consumption data across the Group: Envantage and Catalyst Digital Energy, for the period from 1 January to 31 December 2025. Whilst reasonable steps have been taken to ensure that the information provided is correct, their information may be incomplete, inaccurate or may have become out of date.
- Envantage independently calculate our Group scope 1 & 2 emissions. GHG emissions reporting is based on the principles of the GHG Protocol methodology.
- Envantage and Catalyst Digital Energy independently calculate our scope 3 value chain emissions, for the period 1 October 2024 to 30 September 2025.
- Envantage independently calculate the Society and SIL financed emissions from their mortgage portfolios as at 30 September snapshot, based on the PCAF 2019 standard and applying the PCAF emission factors.
- Where metered or invoiced data was unavailable at the time of reporting, consumption for missing periods was estimated or proxy data used. For properties where we do not hold the direct contract with utility suppliers (landlord sites) we often do not have visibility of electricity and gas consumption data. Here an estimation based on an average kWh consumption per square meter is applied. Actuals data on fugitive emissions is not available across the whole Group.
- The availability of accurate, verifiable, reliable, consistent and comparable climate data is crucial to our climate journey, including modelling our carbon emissions, setting our strategy, metrics and targets and monitoring progress. It is important to recognise the current limitations in the climate data available to inform these decisions and processes, and therefore our reliance on several assumptions, judgements and projections as a result.
- We continue to review available data sources and enhance our methodology and processes to improve the robustness of our sustainability reporting over time, aligned with emerging developments.

Addressing the climate crisis is not something the Skipton Group or any individual organisation can do on its own. Being clear about the risks in achieving our ambitions is important to us. There are many factors and uncertainties beyond our control. These include the macroeconomic environment, the extent and pace of climate change, and the effectiveness of the actions of others, including policy makers. These uncertainties will make it challenging for the Group to meet its climate ambitions and targets, so there is a risk that all or some of them will not be achieved.

Disclaimers

- This report has been prepared for information and reference purposes only; it does not provide any form of legal, tax, investment, accounting, financial or other advice.
- The preparation of this report requires the application of several key judgements, assumptions and estimates to be made. There is a risk that the judgement exercised, or the estimates or assumptions used, may subsequently be inaccurate.
- This report uses models, external data and other sources/methodologies, each of which are subject to ongoing adjustment and modifications beyond our control. The outputs of these sources can be materially affected by the quality of the underlying data used and the availability of high-quality historical and current data on emissions is currently a challenge. They may therefore be subject to uncertainties affecting the accuracy of their outputs.
- Reasonable care has been taken in the preparation of this report. However, to the extent permitted by law, Skipton Group does not guarantee and has not independently verified for fairness, accuracy, reliability, reasonableness or completeness the information from third party or public sources. Any opinions or conclusions from third parties in this report are their own and do not necessarily reflect Skipton Group's views.
- The quality of the data relied upon in ESG reporting is often not yet of the same standard as more traditional financial reporting and therefore presents an inherent limitation to the ESG performance reported in this report.
- This report and the information contained within it is unaudited.
- This report and any information contained or otherwise accessible through the websites mentioned in this report are historical and only speak as of their respective date. Except to the extent legally required, Skipton Group is under no obligation to update these materials.
- Reported numbers and projections reflect the best estimates and judgements made in good faith at the date of this report and forward-looking metrics will be inherently uncertain and subject to external factors.
- Forward-looking statements, particularly those regarding ambitions, metrics, targets, goals, strategy, scenario analysis and estimated climate projections and emissions, are generally not based on historical facts, but instead represent management's beliefs at the date prepared regarding future events, current plans, expectations and projections, and are subject to significant inherent risks, uncertainties and other factors which may result in Skipton being unable to achieve the current ambitions implied by such forward-looking statements.
- There is a risk that the outputs may be misinterpreted or misused when dealing with concepts which are being developed and updated by regulators, governments and industry bodies, such as climate-related disclosures and other sustainability-related matters. This is due to the lack of established market standards, historical data/ reference points and benchmark data, particularly as is the case for climate change and how it is developing.
- Changes and the development of accounting and/or reporting standards could materially impact the performance metrics, data points and targets contained in this report. We expect policies, regulatory requirements, standards and definitions to be developed and evolve. Regular review of the available data sources will be conducted to enhance our methodology and processes to improve the robustness of the performance disclosed over time.
- As standards and practices evolve, it may mean subsequent reports do not allow a reader to compare performance metrics, data points or targets from one reporting period to another, on a direct like-by-like basis.

Glossary

Big Retrofit project	A residential retrofit project completed on a Society-owned property, to help us better understand first-hand about retrofitting and sharing our learnings with our members, policymakers, and with the retrofitting industry. Further information about the Big Retrofit project is available on our website.
Climate-related risk	Climate-related risk refers to the potential negative impact that climate and environmental changes present to our business model.
EPC	Stands for Energy Performance Certificate. It is related to an energy rating scheme which identifies a household's energy efficiency level and potential energy efficiency level if improvements were to be made. EPC scores range from least efficient (G) to most efficient (A) on a scale.
EPC Plus Report	The Society's product for members and colleagues in partnership with Vibrant Energy. The service provides an EPC report with recommendations of energy-efficient improvements you could make to your home, the cost of carrying them out, and the potential savings that each one could generate.
Financed emissions	These are the greenhouse gas emissions associated with the investments and lending activities of an organisation (Scope 3 Category 15).
Greenhouse Gases (GHG)	Gases which absorb and re-emit infrared radiation, thereby trapping it in Earth's atmosphere. It includes carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6), and nitrogen trifluoride (NF_3). These emissions add to the greenhouse effect — a contributor to climate change.
Operational emissions	These are the GHG emissions generated through the running of an organisation's operations and premises.
Net zero	Net zero is where the amount of greenhouse gases (GHGs) released into the earth's atmosphere is balanced by the amount of GHGs removed.
Physical climate risks	Physical risk arises from the impact of extreme weather events or longer term shifts in the climate. It is widely accepted that climate change will accelerate these risks. The main physical transition risks facing the Society's lending portfolio are flooding, subsidence and coastal erosion.
Climate-related risk	Climate-related risk refers to the potential negative impact that climate and environmental changes present to our business model.
Risk Appetite	This covers the level of risk the Group is willing to take to safeguard the interests of the Society's members, whilst achieving business objectives.
Scenario Analysis	Scenario analysis is the process of identifying and assessing the potential impact of outcomes of future events.
Scope 1 emissions	Under the Greenhouse Gas Protocol, scope 1 emissions include under the direct control of an organisation.
Scope 2 emissions	Under the Greenhouse Gas Protocol, scope 2 emissions include those generated from the purchase of electricity.
Scope 3 emissions	Under the Greenhouse Gas Protocol, scope 3 emissions result from the activities of the organisation, but not in their direct control. This includes areas like leased assets, suppliers and colleague commuting.
Transition risks	Transition risk arises from the process of adjusting to a low carbon economy. Examples of its impact could include financial asset values, policy, regulation and technology.
tCO_2e	This stands for metric tonnes of carbon dioxide equivalent. It is a standard unit for measuring greenhouse gas emissions, accounting for the different Global Warming Potential that exists between greenhouse gases.
Reduced data SAP (RdSAP)	RdSAP was introduced in 2005 as a simpler and lower cost method for assessing existing dwellings. An RdSAP assessment will use a set of assumptions about the dwelling, reducing the volume of data an energy assessor must collect.

Skipton Group



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Principal Office, The Bailey, Skipton, North Yorkshire, BD23 1DN.