

Carbon Reduction Plan

Commitment to achieving Net Zero

Mitsubishi HC Capital UK PLC (MHCUK) is committed to reach Net Zero emissions by no later than 2050 in line with the Science Based Targets initiative (SBTi) Net Zero Standard and reach interim science-based targets by no later than 2030.

Baseline Emissions Footprint

Baseline emissions are a record of the greenhouse gases that have been produced in the past and were produced prior to the introduction of any strategies to reduce emissions. Baseline emissions are the reference point against which emissions reduction can be measured.

Baseline Year: FY2019/20 (April 2019 – March 2020)	
<p>The baseline emission boundaries are determined following an operational control consolidation approach as described in the Greenhouse Gas (GHG) Protocol. The calculations include all emissions from UK operations.</p> <p>FY2019 was selected as the baseline year because this was the last fiscal year wherein standard, representative business activities were not impacted by Covid-19.</p>	
EMISSIONS	TOTAL (tCO_{2e})
Scope 1	1,191
Scope 2	546
Scope 3 (Included Sources)	2,981 <ul style="list-style-type: none"> • In line with the Carbon Reduction Plan (CRP) technical guidance, a subset of 5 out of the 15 categories of scope 3 emissions are included: • Waste generated in operations: 36 • Business travel: 473 • Employee commuting: 2,472 • As a financial institution our primary product is the delivery of financial services. Therefore, emissions from the categories “upstream transportation and distribution” and “downstream transportation and distribution” are considered out of scope for MHCUK’s case <p>In addition to the categories covered in this section, MHCUK has performed a comprehensive GHG calculation of its operations, comprising all relevant scope 3 categories identified in the GHG Protocol.</p>

Total Emissions	4,718
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Current Emissions Reporting

Reporting Year: FY2022/23 (April 2022 – March 2023)	
EMISSIONS	TOTAL (tCO₂e)
Scope 1	246
Scope 2	363
Scope 3 (Included Sources)	769 In line with the CRP technical guidance, a subset of 5 out of the 15 categories of scope 3 emissions are included: <ul style="list-style-type: none"> • Waste generated in operations: 25 • Business travel: 369 • Employee commuting: 375 • As a financial institution our primary product is the delivery of financial services. Therefore, emissions from the categories “upstream transportation and distribution” and “downstream transportation and distribution” are considered out of scope for MHCUK’s case.
Total Emissions	1,377

Emissions reduction targets

In order to continue our progress to achieving Net Zero, we have adopted the following carbon reduction targets.

- MHCUK commits to reduce absolute Scope 1 and 2 GHG emissions by 50% by 2030 from a FY2019/20 base year and commits to continue to annually source 100% renewable electricity by year end 2030.
- MHCUK commits to reduce absolute Scope 3 emissions from business travel, employee commuting, and waste by 30% by 2030 from a FY2019/20 base year.
- MHCUK commits to reduce absolute Scope 3 GHG emissions from downstream leased assets by 30% by 2030, from a FY2019/20 base year.
- MHCUK commits to continue providing project finance in the power sector for only renewable electricity through 2030.

Carbon Reduction Projects

The achieved total emission reduction in FY2022/23 equates to 3,341 tCO₂e, a 71% reduction against the FY2019/20 baseline. The Company has adopted hybrid working which has contributed to the emission reductions in Scopes 1, 2, and 3, with the most profound drops occurring for business travel and employee commuting due to increased leveraging of virtual platforms.

MHCUK will achieve its Net Zero near-term targets through the implementation of a comprehensive set of carbon reduction measures:

Targets and Carbon Accounting

- MHCUK has committed to setting science-based targets in line with the SBTi and is awaiting validation of these targets.
- In February 2022, MHCUK signed a commitment letter to join the Partnership for Carbon Accounting Financials (PCAF). By joining PCAF, we have committed to measure and disclose the GHG emissions associated with our portfolio of loans, investments, leasing and other financial products and services. The Company has completed four consecutive years of GHG emissions accounting, FY2019/20 – FY2022/23, in line with the GHG Protocol and the PCAF methodology to enable alignment between our portfolio and the Paris Climate Agreement.

Energy Efficiency Investments

- MHCUK is on 100% renewable electricity tariffs for all its UK offices where the Company procures its own energy.
- Our Vehicles Solutions division has purpose built an electric vehicle charging forecourt which enables 70% of energy consumed for employee charging to be sourced by onsite generated renewable energy from the solar canopy. A 180kWh battery storage facility onsite, equipped with an energy management system, will enable storage of unused solar generated energy, allowing the use of peak-saving trickle charging, delivering lower CO₂ emissions and better efficiency in energy usage.
- Energy audits have been carried out in MHCUK's 3 sites in the frame of Energy Savings Opportunity Scheme (ESOS) phase 3. Audits were carried out in our Trowbridge office in 2022, and in both of our Staines and Leeds offices in 2023.
- Investigate and invest, as appropriate, in energy-efficiency equipment (LED and heat pumps among others), subject to discussions with respective Landlords.
- Optimize heating/cooling/lighting timeout schedules.
- Transition from physical data centres to more sustainable cloud operators in line with MHCUK's Cloud-first Strategy, which will decrease GHG emissions through reduced on-site hardware, power/cooling, and e-waste.

Sustainable Funding

- Issuance of the Group's first green bond in March 2021, underlines our vision of financially supporting clean transportation and renewable energy projects, which included the provision of leases for battery electric vehicles, hybrid solar farms and electric vehicle charging points. We placed a 3-year \$40 million senior unsecured Medium Term Note with a single investor, Dai-ichi Frontier Life Insurance Co. Ltd.
- In October 2021, MCHUK successfully issued a 3-year €325 Million Green Bond with NatWest, HSBC, SMBC Nikko and Standard Chartered. Green Bond total eligible projects included £169.5m for hybrid vehicles, £67m for green and renewable energy and £274.5m for electric vehicles. The total amount of the eligible projects was £511m. The environmental impact from use of green bond proceeds included total 86,250 tonnes CO2e saved from EV and hybrid vehicles together.
- MHCUK provides a funding line to Pathfinder Clean Energy (PACE), the UK headquartered international developer of utility scale solar and battery storage projects, to support the growth of its project development pipeline in the UK. PACE secured planning permission for two further ground mounted solar projects in FY2022, a 39 MWp solar farm in Norfolk and a 14MWp solar and energy storage project, located in the East Lindsey area of Lincolnshire. The two projects will generate enough electricity to supply the equivalent of 17,100 UK households' annual electricity consumption, reducing CO2 emissions by 12,300 tonnes annually.
- Building on our commitment to sustainable funding, MHCUK offers a block discounting facility focusing on assets which demonstrate a nature of sustainability, with particular emphasis on sustainable technologies such as wind turbines, biomass boilers and EV charging points. This new product is offered at favourable rates and facility sizes from £0.5 million to £30 million. The product is suitable for existing block customers along with new customers looking to expand into this sector. The sustainable block discounting facilities are offered up to seven years, reflecting average finance period in the market. The facility reflects our commitment to giving customers a platform to realise their own sustainability goals and deliver finance that fits the developing needs of UK SME's.
- In line with MHCUK's commitment to become a market leader in decarbonisation of transport, our innovative partnership with GRIDSERVE is being used to help tackle climate change by providing clean renewable energy to power electric vehicles. During FY2022/23, the Business Finance division's partnership helped GRIDSERVE's Norwich Electric Forecourt and Clayhill Solar Farm to deliver 8MWh and 7350MWh solar energy respectively, to power equivalent of 26m electric vehicle miles whilst saving 1423 tonnes CO2e together.
- MHCUK aims to have 20% of assets directly connected to climate action and affordable clean energy by March 2025. In 2022/23 the Company funded £636.6m of green assets, including green energy, electric vehicles, and energy efficiency assets, representing 9.1% of its total net earning assets.

Vehicle Electrification

- MHCUK committed to electrify 100% of its car and small van (3.5 tonne and under) fleet and 50% of its larger van fleet by 2030 to support the UK goal of banning the sale of new petrol, diesel, and hybrid cars by 2035.
- MHCUKs Vehicle Solutions business unit provides electric and hybrid car salary sacrifice schemes. Our employees can lease the latest electric cars with benefits including insurance, maintenance, tyres and breakdown assistance, all covered by a fixed monthly payment deducted from their monthly gross salary.
- MHCUKs Company Car Policy offers only fully electric vehicles for employees. In FY2022/23, 95% of the company car fleet was battery electric or plug in hybrid.
- Depot and workplace charging for EVs: MHCUK works directly with customers and partners to offer an end-to-end workplace and depot charging solution including site assessment, design, charging hardware deployment and in-life management of customer charging infrastructure.
- Battery storage solutions: As part of company's decarbonisation solutions, we have now implemented our first battery storage solution as part of the EV charging forecourt. This is providing valuable insights and learnings which can be shared with customers and help inform them of emerging technology which could feature in their decarbonisation strategies.
- Alternative fuels: Vehicle Solutions have successfully supported many customers transition their fleets to alternatively fuelled vehicles and continue to pioneer solutions for all fleets and vehicle types where electric is not an option.

Operational and Behavioural Change

- MHCUK implemented hybrid working following the Covid-19 pandemic which has reduced emissions from employee commuting and business travel through remote project delivery and by leveraging virtual meeting platforms/video conferencing, limiting the need for travel to and between sites.
- The Company renewed its internal website, added more climate related information to raise awareness and understanding across the organisation.
- MHCUK has enhanced its governance structure and the Company is working towards the first mandatory BEIS CFD disclosure for this financial year.
- The Company is developing its own platform for efficient sustainability reporting. A minimum viable product has been completed which delivers automatic carbon accounting for scope 1,2 and 3 emissions.
- MHCUK encourages employees to use cleaner transportation by taking part in the Cycle to Work green government initiative, allowing employees to use a tax-free portion of their salary to purchase a bike or cycling products.
- The Company is working to create a climate-focussed culture through raising awareness and engaging colleagues in campaigns which have a positive impact on the

environment. During FY2022/23 the Company began its partnership with Hubbub, a charity focussed on inspiring action which benefits the environment and co-delivered three company-wide campaigns focussed on energy reduction, electronic waste, and food.

- MHCUK's Vehicle Solutions division held an EV Academy live event to promote electric vehicles and charging solutions and launched their showcase electric vehicle charging forecourt. The forecourt can charge 16 vehicles simultaneously and has onsite generated renewable solar energy and battery storage.

Accreditations

- MHCUK's Vehicle Solutions business unit holds ISO14001 Environmental Management System accreditation for both of its sites.
- MHCUK achieved EcoVadis Gold rating in 2023, which provided global benchmarks essential for measuring and improving the performance of our global value chain.

Furthermore, we are exploring additional measures such as:

- Working with our broker network to incentivise them to adopt green practices as part of our green contracts.
- Expand the range of financed products through investments in EV charging stations.
- Introduce differential pricing (preferential rates for greener businesses) and lower costs.
- Reduce the amount of waste being generated in the office through education, and review suppliers who provide recycling service in line with new and future recycling initiatives.
- Provide incentives to further recommend to our employees to use public transportation in their commute to work.

Declaration and Sign Off

This Carbon Reduction Plan has been completed in accordance with PPN 06/21 and associated guidance and reporting standard for Carbon Reduction Plans.

Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard¹ and uses the appropriate Government emission conversion factors for greenhouse gas company reporting².

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the

¹ <https://ghgprotocol.org/corporate-standard>

² <https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

³ <https://ghgprotocol.org/standards/scope-3-standard>

published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard³.

This Carbon Reduction Plan has been reviewed and signed off by the board of directors (or equivalent management body).



Robert Gordon

Chief Executive Officer

Date of last review: 12.01.2024

Date of next review: 12.01.2025