MITSUBISHI HC CAPITAL UK PLC

Methodology Report

Year Ended 31 March 2026

Contents

Executive Summary

This document outlines the methodology applied to the sustainability metrics included within the Mitsubishi HC Capital UK PLC (MHCUK) FY2025/26 Annual Report, FY2025/26 Environmental Statement, and FY2025/26 Carbon Reduction Plan.

The purpose of this document is to provide a consolidated overview of:

- The sustainability metrics disclosed across the organisations published reports
- The boundaries and scope applied to data collection
- The methodologies used to calculate each metric
- The assurance approach applied to reported data

Key Metrics

The methodologies included within this report correlate to the metrics below.

1 **Total Scope 1, Scope 2, and Scope 3 (tCO_2e) direct and indirect GHG emissions**
Excluding Scope 3 Category 15 – Financed Emissions.

2 **Total Scope 1, Scope 2, and Scope 3 (tCO_2e) GHG emissions**
Including Scope 3 Category 15 – Financed Emissions.

3 **Total Gross Scope 1 & 2 Emissions per Full-Time Equivalent (FTE)**
Intensity ratio reported in metric tonnes of CO_2e per FTE.

4 **NEA Green Assets as a Proportion of Total NEA (£m)**
Reflecting the ratio of 'environmentally sustainable' assets against total Net Earning Assets.

The latest versions of the reports outlined in this document are linked below.

- Annual Report
- The Environmental Statement and Carbon Reduction Plan (PPN 006) can be found on https://www.mitsubishihccapital.co.uk/sustainability/resources/

Greenhouse Gas (GHG) Accounting

Scope of Reporting & Exclusions

MHCUK externally reports Scope 1, Scope 2, and Scope 3 GHG emissions on an annual basis, aligned to the financial year (1 April – 31 March).

The organisational boundary is defined using the operational control approach in accordance with the Greenhouse Gas (GHG) Protocol Corporate Standard. Reporting covers UK operations only.

For Scope 3b financed emissions, the reporting boundary includes all MHCUK Business Units. However, Consumer Finance personal loans are excluded due to legal restrictions which prevent MHCUK determining loan use, resulting in high uncertainty in associated GHG emissions.

Basis of Reporting

The Company's GHG emissions have been calculated internally since FY2021/22.

Emissions are calculated in line with:

- UK Government Environmental Reporting Guidelines (March 2019)
- Greenhouse Gas Protocol Corporate Standard
- UK Government's Conversion Factors for Company Reporting (2025)

In addition, financed emissions associated with loans, investments and other financial products and services, are measured using the Partnership for Carbon Accounting Financials (PCAF) methodology.

Emissions are reported in metric tonnes of carbon dioxide equivalent (tCO2e).

Data Quality Improvements

MHCUK is actively reviewing data quality and GHG emission calculations across all scopes. Focus has been on enhancing the accuracy of employee commuting calculations based on the employee commuting survey carried out in 2021. More precise data collection for this category is ongoing.

MHCUK is collaborating with its travel agency to improve busines travel data quality and clarity of the methodology used which had been changed from the prior year's reporting method. This will allow the Company to analyse the changes and their impact on MHCUK emissions.

For Scope 3b financed emissions, MHCUK has begun transitioning to emission factors derived from the PCAF database. Progress to date involves the implementation of PCAF methodology and emission factors for the Business Finance and Vehicle Solutions divisions.

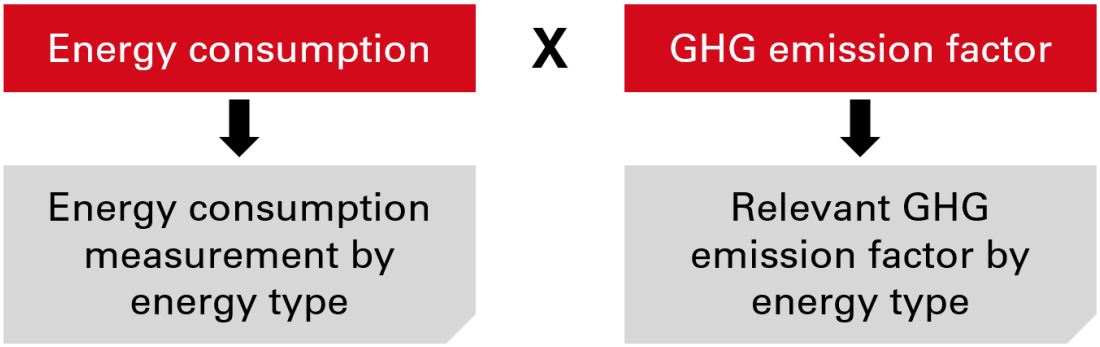
Assurance

The Group Sustainability Team calculates and reviews Scope 1 and Scope 2 emissions on a quarterly basis, in accordance with internal reporting requirements. These include the Environmental Sustainability Management Information (MI) Report for the ESG Environmental Committee and the Climate Risk Appetite Measures for the Enterprise Risk Committee. Scope 3 emissions are calculated annually.

Annual GHG emissions reported in the Streamlined Energy and Carbon Report (SECR), published in the Annual Report, are internally reviewed by the Group Sustainability Team data steward and data owner.

Scope 1 - Direct Emissions

Scope 1 emissions are direct emissions from operations owned or controlled by MHCUK. According to the GHG Protocol, GHG emission factors are applied to energy consumption. Activity data is converted to GHG emissions using the below formula and relevant emission factors sourced from the UK Government GHG Conversion Factors for Company Reporting, which is updated on an annual basis.



Scope	Inclusions	Emission calculation methodology
1 Direct emissions include activities owned or controlled by the Company that release emissions into the atmosphere.	**Mobile combustion:** company cars (business travel)	**Distance based approach** Business mileage travelled in company cars is split by fuel type and engine size and then multiplied by the relevant UK Government GHG Conversion Factor.
	Mobile combustion: company cars (employee commuting)	**Distance based approach** The mileage travelled for commuting in company cars is unknown. The mileage is estimated using the number of employees with a company car, average commuting distance, percentage of employees travelling to work via car, and number of working days in the office. Mileage is split by fuel type based on the percentage split of fuel types in the company car fleet. Mileage is then multiplied by the relevant UK Government GHG Conversion Factor.
	Stationary combustion: natural gas for office heating	**Location based approach** kWh data obtained from gas bills and meter readings for the Company's UK sites is multiplied by the UK Government GHG Conversion Factor for natural gas.

Scope 2 - Indirect Emissions from Purchased Energy

Scope 2 emissions are indirect emissions from energy that has been purchased and consumed by MHCUK.

The method for calculating Scope 2 emissions mirrors the Scope 1 methodology in line with the GHG Protocol, using average energy generation emission factors for the UK sourced from the UK Government GHG Conversion Factors for Company Reporting.

Scope	Inclusions	Emission calculation methodology
2 Energy - indirect emissions released into the atmosphere associated with consumption of purchased electricity, heat, steam and cooling.	Purchased electricity	**Location based approach** Electricity consumption (kWh) for all UK sites is collected from half-hourly meter readings and supplier electricity invoices. Where complete data is unavailable, electricity use is estimated based on historical consumption patterns, taking seasonal variations into account to ensure estimates reflect typical operational behaviour. The Trowbridge site hosts a solar canopy of which 105 solar panels are directly connected to the onsite EV chargers. To avoid double counting, the kWh generated by these solar panels are subtracted from the recorded EV charging electricity consumption to ensure only grid supplier electricity is accounted for. Once total electricity consumption is confirmed, the kWh figures are multiplied by the UK Government GHG Conversion Factor for Company Reporting for UK electricity generated.

Methodology Updates

Financial year ending 31 March 26 onwards

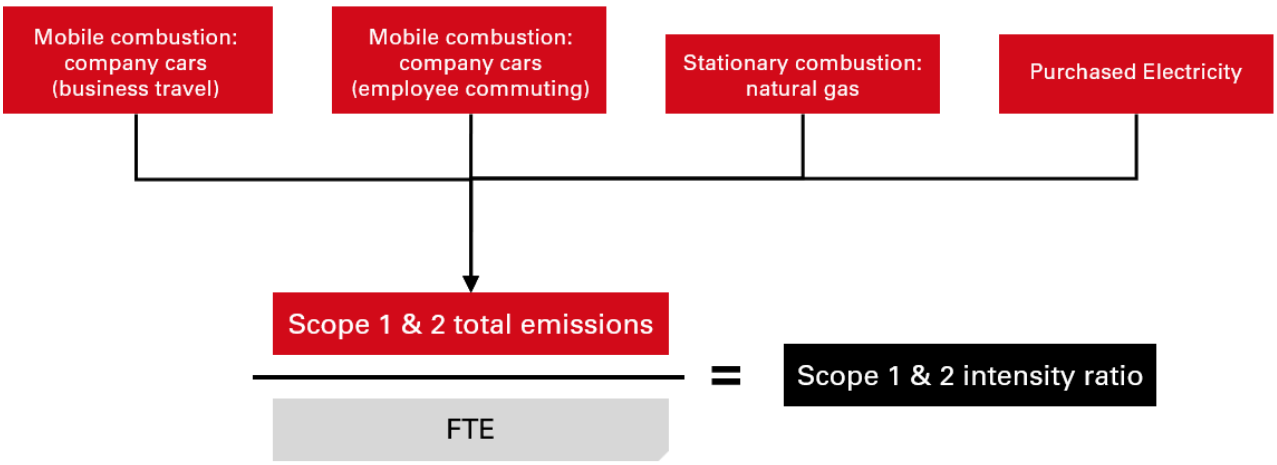
It was confirmed electricity used for onsite EV charging for all sites, except Trowbridge and Telford, is supplied from the grid and already included within total site electricity consumption. Therefore to prevent double counting, data from EV charging for Staines, Leeds, and Newbury has been excluded from total kWh of purchased electricity from FY25/26 onwards.

Scope 1 & 2 Emissions Intensity Ratio

The Scope 1 & 2 intensity ratio is required to be calculated on a quarterly basis as part of the climate risk appetite measures. The emissions intensity informs the Enterprise Risk Committee (ERC) whether operational emissions remain within the agreed-upon risk threshold. Material risks and annual Scope 1 & 2 intensity ratios are reported externally in the Annual Report.

The selected intensity measurement ratio is 'total gross emissions in metric tonnes CO2e per Full Time Equivalent (FTE)', which is the recommended ratio for the sector. The chosen metric is expressed as 'tCO2e produced per FTE employee'.

The intensity ratio calculation is shown below. The methodology for Scope 1 and 2 emissions is outlined in the Scope 1 & 2 sections above, adhering to the guidance as stipulated in the GHG Protocol Corporate Standard.

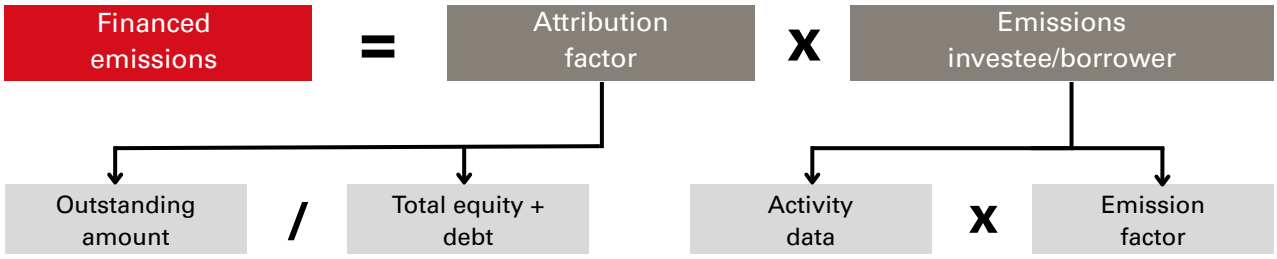


Scope 3a

Scope 3a - indirect upstream emissions		
Category	**Inclusions**	**Emission calculation methodology**
1 - purchased goods and services	• Water supply acquisition • Consumption of physical products and services	**Spend based method** Financial amounts from purchase orders are multiplied by monetary ratios from Ademe or Carnegie Mellon with inflation and currency taken into account to give tCO2e. **Activity based method** Water supply data in m3 is multiplied by the UK government GHG conversion factor for water supply.
2- capital goods	• Office goods • Company car expenditure	**Spend based method** Financial amounts from purchase orders are multiplied by monetary ratios from Ademe or Carnegie Mellon with inflation and currency taken into account to give tCO2e.
3- fuel and energy related	• WTT natural gas for office heating • Transmission and distribution losses of purchased electricity • WTT fuel for company cars	**Location based approach** Well to Tank (WTT) emissions are calculated for gas consumption, electricity consumption, mileage for business travel in company cars, and mileage for employee commuting. For gas and electricity, the kWh consumed are multiplied by the relevant UK government GHG conversion factors. **Distance based approach** For business travel and employee commuting in company cars, the same formula is used for mileage.
5- waste generated in operations	• Solid waste • Water waste	**Activity based method** Waste related emissions are calculated for waste water, mixed commercial, mixed packaging, and paper waste. Consumption measured in metric tonnes is multiplied by the waste-specific emission factors from the UK Government GHG conversion factors. Where data is missing, this is estimated using a proxy comprised of the average weight of waste per headcount across the sites.
6- business travel	• Personal car • Train • Airplane	**Distance based approach** Distance is obtained for business travel in personal cars, trains, and planes. Distance is multiplied by the relevant UK Government GHG Conversion Factor. **Spend based approach** Where business travel has been logged as expense claims, distance is estimated from the financial amounts using the average £ for mile for each travel type. Estimated distance is multiplied by the relevant UK Government GHG Conversion Factor.
7- employee commuting	• Grey fleet • Public transportation	**Distance based approach** The mileage for employee commuting is estimated for car and public transport. Distance is multiplied by the relevant UK Government GHG Conversion Factor.

Scope 3b

The calculation of financed emissions reported under scope 3b is in line with the PCAF Standard and based on the following formula:



Scope	Category	Inclusions
3b Indirect downstream/financed emissions	13- downstream leased assets	• Vehicle leasing • Asset leasing

Methodology

Business Finance and European Vendor Finance divisions:
A spend-based method is used to calculate GHG emissions.

The formula applied for each financed asset is: outstanding amount financed * attribution factor * emission factor * inflation and currency.

Emission factors are derived from Ademe or Carnegie Mellon, with an attribution factor of 85% for motor vehicles and 16% for other products based on research. Inflation and currency adjustments account for the differences in monetary ratios, with Carnegie Mellon's ratios in dollars and Ademe's in euros, as well as inflation changes since the ratios were established.

Vehicle Solutions division:
A distance-based method is used to calculate emissions. The contractual annual distance for each financed asset is obtained, broken down by vehicle and fuel type. The contractual mileage is multiplied by 78% to account for average vehicle usage.

The emissions for each vehicle type are calculated using the formula: contractual annual distance * 78% * emission factor.

The emission factors used are the UK government's GHG conversion factors.

Scope	Category	Inclusions
3b Indirect downstream/financed emissions	15- investments	• Business loans • Consumer retail loans • Project finance • Motor vehicle loans

Methodology

Business Finance, Consumer Finance, Business Cashflow, and European Vendor Finance divisions

A spend-based method is used to calculate GHG emissions.

The formula for calculating emissions for each financed asset is: outstanding amount financed (or paid out business value for Consumer Finance and current account for Business Cashflow) * attribution factor * emission factor * inflation and currency.

The emission factors are monetary ratios derived from Ademe or Carnegie Mellon. An attribution factor of 85% is applied for motor vehicles and 16% for other products, based on research. Inflation and currency adjustments are made to account for Carnegie Mellon ratios being in dollars and Ademe ratios in euros, as well as inflation changes since the monetary ratios were established.

Vehicle Solutions (VS) division

A distance-based method is used.

Emissions for each vehicle type are calculated using the formula: contractual annual distance * 78% * attribution factor * emission factor.

The emission factors used are the UK government GHG conversion factors. The contractual mileage is multiplied by 78% to account for average usage. The attribution factor is calculated as the percentage of outstanding amount over the total financed amount.

Streamlined Energy and Carbon Reporting (SECR)

Scope

MHCUK prepares an annual SECR report in accordance with the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the UK Government's Policy to disclose greenhouse gas (GHG) emissions. The reporting year covers the period from 1 April to 31 March.

This report includes emissions from MHCUK's UK operations, using an operational control approach as described in the Greenhouse Gas Protocol Corporate Standard.

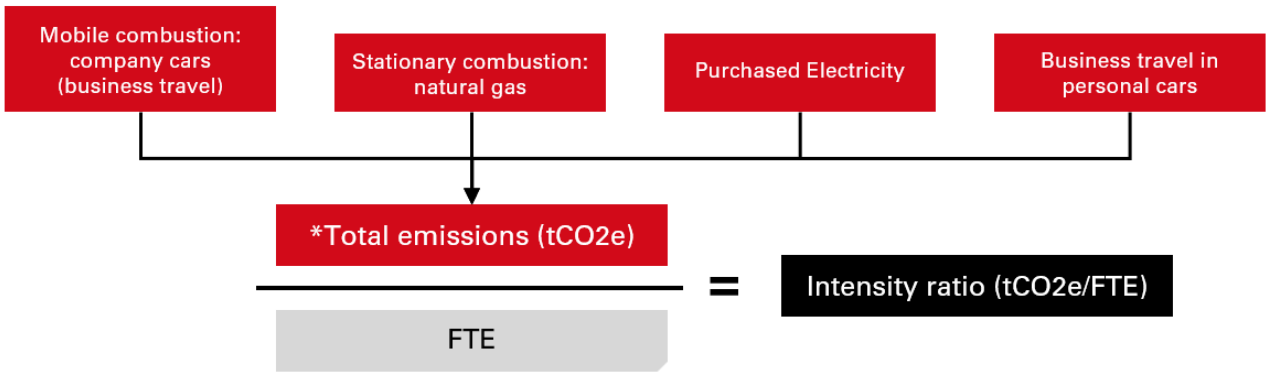
Scope	Definition	Inclusions
1	Direct emissions include activities owned or controlled by the Group that release emissions into the atmosphere.	Emissions from combustion of gas. Emissions from combustion of fuel for transport purposes (business travel in company cars).
2	Energy indirect emissions released into the atmosphere associated with consumption of purchased electricity, heat, steam and cooling.	Emissions from purchased electricity.
3	Other indirect emissions that are a consequence of the Group's actions, which occur at sources not owned or controlled by the Group and which are not classed as Scope 2 emissions.	Emissions from business travel in rental cars or employee owned vehicles where the company is responsible for purchasing the fuel.

Methodology

The Company has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol - Corporate Standard, and from the 2024 UK Government's Conversion Factors for Company Reporting document for calculating GHG emissions. The emission calculations for the categories stated above follow the same methodology as the GHG accounting.

Since FY2021/22 the report has been prepared internally.

The SECR Report also includes an intensity ratio. The chosen intensity ratio is total gross emissions in metric tonnes CO2e per full time equivalent (FTE), the recommended ratio for the sector. The formula for this is shown below.



*Please refer to the SECR scope of reporting table for the emission categories included in the calculation.

SECR Energy Efficiency and Analytical Review

Emission factors are updated annually, informed by changes to the UK Government Conversion Factors for Company Reporting. As a result, their variation may impact total emissions.

The following causes for emission factor variation are cited by the UK Government.

Scope 1

Gas - emission factors are updated to be in line with the latest UK's Greenhouse Gas Inventory.

Fuel for transport purposes - emission factors are reviewed annually to reflect the changes in the spectrum of car types and ages on the road in the UK. This is informed by the Department for Transport who analyses Driver and Vehicle Licensing Agency (DVLA) records and automatic number plate recognition (ANPR) data.

Scope 2

Electricity - the emission factor for UK electricity fluctuates from year to year as the fuel mix consumed in UK power stations varies, as well as the proportion of imported electricity.

Scope 3

Business travel - emission factors are reviewed on an annual basis to reflect the changes in the spectrum of car types and ages on the road in the UK. This is informed by the Department for Transport who analyses Driver and Vehicle Licensing Agency (DVLA) records and automatic number plate recognition (ANPR) data.

Sources:

- The UK Government Conversion Factors for Company Reporting 2025 - full set
- The 2025 Government greenhouse gas conversion factors for company reporting: Methodology paper

Assurance

The annual GHG emissions reported in the SECR report are internally reviewed by the Group Sustainability Team data steward and data owner. The SECR report is finally audited by Deloitte, MHCUK's third party auditor, as part of the Company's Annual Report review cycle.

Green Assets

Scope

The Company's focus on funding green assets is growing and is a key part of the Company's Sustainability Strategy.

The monetary amount and percentage of Net Earning Assets (NEA) which are considered 'green' is tracked and reported to measure our progress in transitioning to more sustainable financing. The current scope of green asset reporting includes financed assets and projects from Vehicle Solutions, Business Finance, and European Vendor Finance, as well as the Gridserve equity valuation. The intention is to extend this coverage to all five Business Units after further internal research is completed.

Methodology

Green Asset Research

The Company is actively working to ensure its definition of green assets are transparent and in line with accepted methodologies and taxonomies.

In order to determine the green nature of financed assets, asset categories have been split out from the divisions book. Once granular assets have been identified, each asset is assessed against the EU Taxonomy. The EU Taxonomy is a reputable classification system for sustainable financing used across the EU which is backed by science-based criteria. This has been used as the first point of reference to ensure alignment with EU reporting practices and to maintain transparency.

Further to this, assets are reviewed against industry guidance, standards, and the Green Financing Frameworks of other financial services to ensure alignment with industry best practice.

The common sources used in the development of the framework include but are not limited to:

- **EU Taxonomy**
- **EU Taxonomy Report: Technical Annex**
- **UK Government Green Financing Framework**
- **Climate Bonds Standard** - a criteria list to ensure investments in climate change mitigation are in line with a 1.5°C pathway. The standard is produced by the climate bond initiative and developed using climate science such as research by the IPCC and IEA.
- **Common Principles for Climate Mitigation Finance Tracking** – a set of guidelines and eligible activities for finance contributing to climate change mitigation. These are developed by the Joint Climate Finance Tracking Group of multilateral development banks (MDBs) and a group of representatives of the International Development Finance Club (IDFC) member banks.

Following the review of the asset against wider guidance a recommendation is reached. For an asset to be considered as 'green', the sustainable nature of the asset must be widely accepted. Should it not be clear if an asset can be considered 'green' such as where additional thresholds must be met or there is contention between industry guidance, the evidence is presented to the ESG Environmental Committee for their decision.

This will provide a basis for the creation of an external facing framework to inform stakeholders of the assets considered 'green' and the rationale behind this. This will allow the transparent tracking of the Company's performance against the sustainable finance targets.

Green Asset Reporting

The monetary amount and percentage of NEA considered 'green' as a proportion of the total investment portfolio are calculated and reported internally on a bi-annual basis to the ESG Environmental Committee within the Environmental Sustainability MI Report. The metrics are also reported externally on an annual basis in our Annual Report.

Assets considered 'green' and reported on an annual basis are informed by the Green Asset Research.

The following assets have been considered 'green' and are included in Green Asset Reporting:

- Electric Vehicles
- Hydrogen Vehicles
- Bicycle Vouchers
- Green Energy, including Solar and Wind renewables.
- Battery Storage Systems
- LED Lighting

Methodology Updates

The following updates have been applied to the Green Asset Reporting methodology for the following years.

Financial year ending 31 March 26 onwards:
Hybrid vehicles have been excluded from green asset reporting. This is aligned with the ZEV Mandate and EU Taxonomy, under which from 1 January 2026 only light zero-emission vehicles are considered to make a substantial contribution to climate change mitigation, in accordance with Article 3(1)(h) of Regulation (EU) 2019/631.

In the previous reporting period, the Gridserve loan balance was included in green assets total, whereas in the current period it has been replaced by its equity value, which includes the preference shares.

Financial year ending 31 March 2025 onwards:
Previously all assets which fell under the renewables category in our portfolio were considered 'green'. This category has since been assessed on a more granular level in line with the outcomes of the Green Asset Research. As a result, biomass, generators, and heating assets which fell under the renewables category are no longer considered to be included within Green Asset Reporting totals.

Financial year ending 31 March 2024 onwards:
Based on Green Asset Research recommendations, the asset categories of recycling and electric construction equipment are no longer considered 'green' and are therefore excluded.

Also, the Business Finance division's project finance loan agreements have been included in the net book value of Green Asset Reporting.

Assurance

Green Asset Research

Assets considered 'green' are reviewed by the Group Sustainability Team using the EU Taxonomy and other credible sources as stated in the Methodology section. Each asset is reviewed by the 'Senior Sustainability Disclosure Manager – Data and Climate Accounting' as technical SME. Proposed green assets are presented to the ESG Environmental Committee for approval, with final sign off from the CEO.

Green Asset Reporting

Green Asset Reporting is subject to internal bottom-up review, led by the Group Sustainability team's data stewards and concluding with the General Manager of the CEO Office & Sustainability. The Green Asset Report is reviewed bi-annually by the ESG Environmental Committee as part of the Environmental Sustainability MI Report.

Scenario Analysis

Overview

The Company conducts scenario analysis of transition and physical risks as required by the Climate-related Financial Disclosure Regulations 2022. Since 2024, this has been reported on an annual basis in the Annual Report.

Scope

Four business divisions fall under the scope of scenario analysis - Novuna Consumer Finance, Novuna Vehicle Solutions, Novuna Business Finance, and European Vendor Finance.

Methodology

Bank of England's Climate Biennial Exploratory Scenarios (CBES)

The Company conducts scenario analysis using the CBES. This framework has been selected as it provides narratives and macroeconomic pathways that closely align with the Company's strategic focus areas including electric vehicles, renewable energy, retail, and construction. The CBES framework also supports both qualitative and quantitative analysis.

CBES defines three scenarios: Early Action, Late Action, and No Additional Action. For each scenario, the resilience of the Company's business model and strategy is evaluated by identifying potential physical risks, transition risks, and opportunities.

The outputs are reviewed against the climate-related risks and opportunities indentified through the strategic review cycle and Enterprise Risk Management Framework, ensuring integration with existing governance and risk processes.

Early Action

The transition to a net zero economy began in 2021, with gradual intensification of carbon taxes and climate policy. Some sectors face transition pressure but overall GDP impacts are modest with productivity gains from green investment.

Net zero by 2050.

Global warming is limited to 1.8°C above pre-industrial levels by 2050.

Late Action

Climate policy is delayed until 2031, necessitating abrupt and disorderly transition measures leading to short-term macroeconomic disruption, GDP contractions, and higher financial market risk in carbon intensive sectors.

Net zero by 2050.

Global warming is limited to 1.8°C above pre-industrial levels by 2050.

No Additional Action

No new climate policies are introduced beyond those already implemented. As a result, increased severe physical risks reduce UK and global GDP growth.

Net zero is not reached.

Global warming reaches 3.3°C above pre-industrial levels by 2050.

Source: https://www.bankofengland.co.uk/stress-testing/2021/key-elements-2021-biennial-exploratory-scenario-financial-risks-climate-change

Phases

The Company has defined the following stages for the completion of scenario analysis.

Phase 1: Defining the scope, methodology, and applying the three scenarios on a company wide level.

Phase 2: Qualitative analysis of the scenarios at a business division level to determine climate-related risks and opportunities. This also includes the identification of mitigating actions.

Phase 3: Expanding scenario analysis methodology to enable quantitative analysis to be conducted at a business division level.

In FY2025/26 the Company was operating at phase 2 with phase 3 expected to commence in the near future.

Climate timescales

Climate timescales are applied to risks and opportunities identified through scenario analysis. These are detailed below and remain consistent with prior years, considering key factors such as financial planning and business funding cycles, climate reduction timescales, and external factors.

Assurance

The Company's scenario analysis approach and methodology was intially researched and reviewed internally by the Group Sustainability Team in 2024.

In the current year, the scenario analysis approach was reviewed and approved by the ESG Environmental Committee. Subsequently, the approach and resulting outcomes were reviewed by the relevant Business Unit representatives.

The scenario analysis section of the Annual Report was prepared by the Group Sustainability Team and underwent review and approval by the ESG Environmental Committee and the Board. At this stage, no external assurance has been obtained as it is not required under current legislation.

Timescale	Justification
Short: up to 3 years	Reflective of average term of funded contracts (between 2 - 5 years)
Medium: 3 -10 years	Reflective of MHC Group's medium term financial and strategic planning cycle timeframe of 3 years. Also accounts for the timeframe opportunities in new markets, or technologies, may need to have material impact
Long: 10+ years	Reflective of more external factors, including planning to reach net zero as a society, technological barriers, customer preference shifts, and physical impacts of climate change

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