

## Carbon Reduction Plan

### Commitment to achieving Net Zero

Mitsubishi HC Capital UK PLC (MHCUK) is committed to set long-term science-based targets to reach Net Zero emissions by no later than 2050 in line with the Science Based Targets initiative (SBTi) Net Zero Standard, will work to set, disclose, and reach interim 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 (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 <sub>2</sub> e)
Scope 1	1,191
Scope 2	546
<b>Scope 3</b> (Included Sources)	2,981 <ul style="list-style-type: none"> <li>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</li> <li>Business travel: 473</li> <li>Employee commuting: 2,472</li> <li>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</li> </ul> <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>
<b>Total Emissions</b>	4,718

## Current Emissions Reporting

Reporting Year: FY2021 (April 2021 – March 2022)	
EMISSIONS	TOTAL (tCO <sub>2</sub> e)
Scope 1	482
Scope 2	453
Scope 3 (Included Sources)	1,189 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"> <li>• Waste generated in operations: 15</li> <li>• Business travel: 45</li> <li>• Employee commuting: 1,129</li> <li>• 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.</li> </ul>
Total Emissions	2,124

## Emissions reduction targets

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

- In line with a 1.5°C pathway, MHCUK has committed to reduce its absolute emissions by 50% across Scopes 1 and 2 by 2025, against a FY2019 baseline.
- We have also committed to reduce absolute Scope 3 GHG emissions covering business travel, waste, and employee commuting by 30% by 2030 from a FY2019 base year.
- Additionally, MHCUK commits to reduce absolute Scope 3 GHG emissions from downstream leased assets by 30% by 2030, against a FY2019 baseline.
- 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 FY2021 equates to 2,594 tCO<sub>2</sub>e, a 55% reduction against the FY2019 baseline. During Covid-19, our offices remained mostly operational, albeit with limited staff occupancy. This reduced occupancy contributed to an overall reduction in emissions for Scopes 1,2, and 3 as listed above, with the most profound drops occurring for business travel, stemming from the Government imposed travel restrictions and 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 from the SBTi.
- 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. Our sustainability team is working on it, and this will be done by end of November 2022 by using jointly developed GHG methodologies in order to ultimately enable alignment between our portfolio and the Paris Climate Agreement.

### Energy Efficiency Investments

- MHCUK is on 100% renewable electricity tariff for all its UK offices.
- Investigate the possibility of increasing the number of Solar PV for our Trowbridge site and install further across the estate, subject to planning permission from local authority.
- Enhance energy-efficiency of our Trowbridge site which will be informed by the outcome of an energy audit conducted by our appointed third party.
- 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. Feedback from the market saw investor groups react favourably, over-subscribed three times with the bond described by some investors as 'dark green'. Green Bond total eligible projects included £169.5m for hybrid vehicles, £67m for green and renewable energy and £274.5 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.
- In 2021, we provided 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. Our funding has helped PACE continue improving its projects and submission of planning applications that if successful, will provide in excess of 150MWp of solar capacity. PACE have already successfully secured planning permission for a 39MWp solar site in Norfolk. Our Business Finance unit has designed a tailored funding package that supports their growth while they increase the maturity and value of their project portfolio.
- Building on our commitment to sustainable funding, in FY2021 we launched a new 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 MCHUK's commitment to become a market leader in decarbonisation of transport, our innovative partnership with GRIDSERVE providing £76m of facilities is being used to help tackle climate change by providing clean renewable energy to power electric vehicles.
- Our Vehicle Solutions business unit partners with Optimise Prime, an industry led EV innovation and demonstration project that brings together partners from leading technology, energy, transport and financing organisations, including, UK Power Networks, Centrica, Royal Mail, Uber and Scottish & Southern Electricity Networks. Our support to the project includes the centre of Alternative Fuel Vehicle excellence at our Trowbridge office as well as providing market and additional fleet insight from a broad range of our customers' fleets through the projects behavioural research. The office site has a variety of charging units currently installed. We supplied the Vauxhall e-Vivaro's to Centrica to enable one of the trial workstreams to commence in July 2021 and the minimum number of vehicles required (300) is now exceeded with the full rollout of 1,000 vehicles nearing completion. The Optimise Prime project is gathering data from EVs driven for commercial purposes through three trials and is designed to impact how the UK can manage a mass adoption of EVs between now and 2030.
- MCHUK's Business Finance unit has committed to delivering 50% of new lending and £1bn portfolio connected to SDG's, climate action and sustainable energy by 2026.

## **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 petrol and diesel cars by 2030 and new hybrid cars by 2035.
- MHCUK's Vehicle Solutions business unit works with colleagues to provide 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.
- MHCUK company car scheme now only offers fully electric vehicles for employees. In FY2021, 85% of the company car fleet was battery electric or plug in hybrid. As part of the new EV-only company car scheme MHCUK established an Early Termination option to allow drivers to trade in their Diesel/ Petrol and Hybrid vehicle for a fully electric vehicle.
- Depot and workplace charging for EV's: MHCUK works directly with customers and partners to assess design and deploy their own workplace and network charging capacity in collaboration with Distribution Network Operations (DNO's) and solar energy partners.
- Battery storage solutions: As part of company's vehicle solutions Intelligent Fleet Decarbonisation solution, we are currently developing capabilities around battery storage and renewable energy technologies
- Alternative fuels: Vehicle Solutions have successfully converted several customer 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**

- Restructure office working and travel requirements through hybrid working: MHCUK has implemented hybrid working following the Covid-19 pandemic which will reduce emissions from employee commuting.
- Emissions from business travel are being reduced through remote project delivery and by leveraging virtual meeting platforms/video conferencing, limiting the need for travel to and between sites.
- We encourage our employees to use Cycle to Work green government initiative which is one of our employee benefits.

## **Accreditations**

- MHCUK's Vehicle Solutions business unit holds ISO14001 Environmental Management System accreditation for both of its sites.
- MHCUK achieved EcoVadis Gold rating in 2021, 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 standard<sup>1</sup> and uses the appropriate Government emission conversion factors for greenhouse gas company reporting<sup>2</sup>.

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 published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard<sup>3</sup>.

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: 13 December 2022

Date of next review: 13 December 2023

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

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

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