

Environmental Statement

Scope

Mitsubishi HC Capital UK PLC (MHCUK) is one of the UK's leading financial providers, authorised, and regulated by the Financial Conduct Authority (FCA). We work with consumers, small to medium enterprises (SME's), government bodies as well as corporate multinationals in the UK and mainland Europe. MHCUK has five business divisions; Consumer Finance, Vehicle Solutions, Business Finance, Business Cash Flow and European Vendor Finance providing innovative finance solutions to enable consumers and businesses to grow and prosper.

In line with our vision, mission, and values, we focus on markets where we can contribute towards UN Sustainable Development Goals (SDGs) and provide innovative solutions that require high service levels and a commitment to customer care.

Purpose

This statement provides a framework to reduce MHCUK's environmental impact from its UK operations and outlines its commitments to sustainability, climate change, preventing pollution and protection of the environment.

Areas of environmental impact

MHCUK impacts on the environment directly through:

- Its consumption of energy, use and disposal of resources, and transport practices across all its UK sites.
- Its supply chain; and
- Its suite of financial products and accompanying services.

Our Approach to Climate Change

As one of the UK's largest financial services providers, we acknowledge our responsibility to provide sustainable products and services that will contribute towards the UN SDGs and Carbon neutrality in line with the Paris Agreement, to support the society and communities in which we operate. We are actively evolving our operation to direct the flow of finance to sectors of the economy which help to reduce greenhouse gas (GHG) emissions. Our action plan is to deliver real change in line with sustainable development principles.

In addition to promoting and delivering sustainable financial services solutions externally, we are also looking to reduce the environmental impact of our internal operations. MHCUK will achieve this through several pathways, such as promoting operational and behavioural change, conducting energy audits of our sites, looking at all our working practices, such as introducing hybrid working, to find models that not only work for the business and our employees, but also minimise our operational impact on the environment.

We aim to identify, assess, and manage environmental risk by incorporating environmental risk and opportunity considerations, where relevant and appropriate, into our internal strategy planning processes including external expectations and factors related to climate risk and opportunities in line with the Task Force on Climate-Related Financial Disclosures (TCFD) framework.

Commitment to Sustainability

Our commitment to sustainability comes from the understanding that our range of services both influence and are influenced by the environment, economy, and society.

To demonstrate this commitment, we ensure compliance with compulsory environmental laws, legislation, and regulatory frameworks such as Energy Savings Opportunity Scheme (ESOS), Streamlined Energy and Carbon Reporting (SECR) and Procurement Policy Note 06/21. We also strive to continually improve upon and exceed these requirements by integrating best practices into our business, as demonstrated through the following actions:

- Annually publish our ESG report in which objectives and Key Performance Indicators are reported upon to ensure transparency.
- We are signatories to Partnership for Carbon Accounting Financials (PCAF) which provides sector specific carbon accounting methodologies for financial institutions.
- Climate focused teams have been set up across the company.
- We have committed to set near-term company-wide emission reductions in line with climate science with the Science Based Target initiative (SBTi).
- Through our operations we are supporting the advancement of the UN SDGs as well as partnering with charities aligned to the SDGs.
- Engage with several sustainability rating platforms such as EcoVadis and Sedex to provide both MHCUK and select external stakeholders with verified sustainability benchmarking, which allows for reliable sustainability performance monitoring.
- Continue to work with consultants to implement Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- Continue to partner with environmentally focused charities such as the Wildlife Trusts as well as engaging with our main charity partner Hubbub, who engage organizations to assist in tackling environmental issues and climate change.
- We will endeavor to minimize the impact on natural capital through our supply chain.

Commitment to Net Zero

These are the primary actions we are taking to ensure we reduce our scope 1, 2, and 3 emissions in line with our commitment to reach net zero emissions.

Scope 1 and 2 – Energy efficiency and electrifying fleet

Our company car scheme was updated on 1 March 2022 to only offer MHCUK employees fully electric vehicles. As part of the new EV-only company car scheme we also set up an Early Termination option to allow drivers to trade in their Diesel/ Petrol and Hybrid vehicle for a fully electric vehicle.

MHCUK continues to invest in improvements that increase site energy efficiency in addition to already maintaining a 100% renewable energy tariff for all sites.

Scope 3 - sustainable funding

Issuance of the Group's first 3-year \$40 million green bond in March 2021, with a following 3-year €325 Million Green Bond issued in October 2021. The funds from these bonds are eligible for clean transportation and renewable energy projects.

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.

Additionally, our partnership with GRIDSERVE, whereby MHCUK provides £76m of facilities are being used to help tackle climate change by providing clean renewable energy to power electric vehicles and upgrading the nationwide charging infrastructure for motorways.

MHCUK's Business Finance unit has committed to delivering 50% of new lending and £1bn portfolio connected to SDGs, climate action and sustainable energy by 2026.

For a comprehensive list of our sustainable initiatives for Scope 1,2, and 3 see our PPN 06/21: <https://www.mitsubishihccapital.co.uk/media/dawhimf1/carbon-reduction-plan.pdf>

ISO 14001 certification

Our Vehicle Solutions business unit has been certified under the ISO14001:2015 international standard for environmental management system which provides the framework for monitoring and improving environmental performance to achieve environmental targets and protect biodiversity.

Carbon calculations and committed targets

We calculated our baseline emissions for FY2019 (April 1, 2019 to March 31, 2020) in line with Greenhouse Gas (GHG) protocol and PCAF methodologies to quantify our carbon emission inventory, which enabled us to develop emission reduction targets in line with the SBTi's criteria. These emissions reduction targets are in the process of being validated by the SBTi to reach Net Zero emissions by no later than 2050. See our interim targets below:

- 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 from a FY2019 baseline.
- MHCUK commits to continue providing project finance in the power sector for only sustainable/ renewable electricity, heat and transport projects through 2030.

Communications

Our Environmental Statement, including key information and data points, will be available to all colleagues and external stakeholders. MHCUK will provide adequate and appropriate resources in which to implement the Environmental Statement and to ensure it is communicated and understood.

Actively promoting sustainability and environmental awareness within our organisation is a priority for MHCUK. Our robust internal communications strategy and tool kit enables us to connect with colleagues to share updates and initiatives that support our sustainability agenda. These include volunteering days, fundraising and charity events, education and learning and development opportunities, all of which encourage active engagement and participation. MHCUK also communicates environmental awareness externally through resources such as our Sustainability toolkit for SMEs and our EV hub for clients.

Our external stakeholders will be kept up to date predominantly via our website which shares our most recent statements and commitments. The website is regularly refreshed and maintained to provide the most relevant information relating to our sustainability goals.

If an issue should occur as a result of MHCUK's business activities, we will ensure to publicly disclose, in a timely and appropriate manner, and implement measures to prevent recurrence.

Supporting Information

More information, including a full list of the United Nations Sustainable Development Goals can be found here: <https://sustainabledevelopment.un.org/sdgs>

Our key reports, including our progress with ESG agenda can be found here: <https://www.mitsubishihccapital.co.uk/investors/#investorreports>

Review

The Sustainability team will be responsible for the annual revision of this statement, wherein any changes made will be reviewed by the CSR Committee and signed off by the CEO, to ensure its continued relevance and effectiveness, and to account for any significant changes to legislation and regulation. Interim changes made by the Sustainability team will be reviewed and signed off by the General manager and CSR Committee.



Robert Gordon

Chief Executive Officer