



Oxbury Bank Plc

2022 Natural

Capital Report

Including TCFD and TNFD disclosures

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Glossary

Acronym	Definition
CCRO	Chief Customer and Regulatory Officer
DEFRA	Department for Environment, Food and Rural Affairs
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
GBP	British Pound
GHG	Greenhouse Gasses
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
IPCC	Intergovernmental Panel on Climate Change
LEAP	Locate, Evaluate, Assess, Prepare
NECFC	North-East Cotswold Farmer Cluster
NEIRF	Natural Environment Investment Readiness Fund
NFU	National Farmer Union
Oxbury	Oxbury Bank Plc
PCAF	Partnership for Carbon Accounting Financials
PRA	Prudential Regulation Authority
SM&CR	Senior Managers and Certification Regime
SBTi	Science Based Targets Initiative
SBTN	Science Based Targets Network
SECR	Streamlined Energy and Carbon Reporting
SS	Supervisory Statement
TCFD	Taskforce on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-Related Financial Disclosures
UK	United Kingdom

About Oxbury's Natural Capital report



About Oxbury's Natural Capital report

We are pleased to present our inaugural Natural Capital report to inform stakeholders of the risks, opportunities, impacts and dependencies posed by climate and nature change to Oxbury. This report is guided by and with reference to the requirements of:

- The Taskforce on Climate-related Financial Disclosures (TCFD)
- The Taskforce on Nature-related Financial Disclosures (TNFD) v0.4
- Prudential Regulation Authority (PRA) Supervisory Statement 3/19 (SS3/19)
- International Financial Reporting Standards S2 Climate-related Disclosures
- The Global Reporting Initiative (GRI)
- Section 414 CB (2A) of the Companies Act 2006

Reference tables at the end of the report indicates the specific elements of each framework disclosed against.

Our reporting suite

Our Annual Report and Accounts for financial year end 31st December 2022 contains a comprehensive review of our financial performance. It also provides an overview of progress against our strategy, describes our governance structures and identifies our main risks. In line with our regulatory obligations Oxbury also issues an annual Pillar 3 disclosures report. Oxbury's Natural Capital report provides information on progress with implementation of TCFD and preparation of TNFD.

Scope and boundaries of report

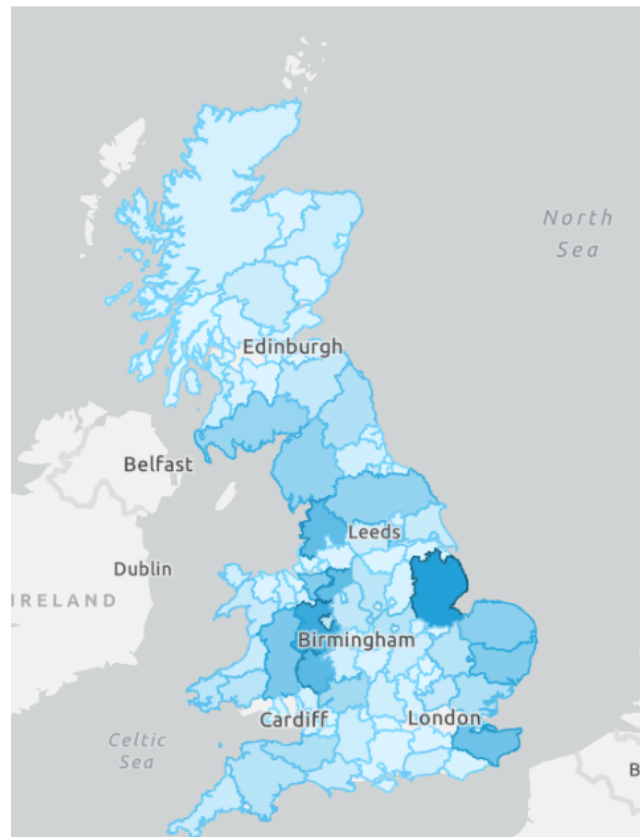
This report provides information on the Natural Capital-related activities of Oxbury Bank Plc (Oxbury) covering the period of 1 January 2022 up until the end of June 2023 (H1 2023). The report focuses on Oxbury's lending book and excludes liabilities as well as asset finance which was only introduced as a lending product at the end of 2022. Oxbury is a privately owned bank with its head office located in Chester and currently operates only in Great Britain.

Oxbury defines natural capital in terms of four interdependent dimensions:

- Atmosphere;
- Soil;
- Biodiversity; and
- Water;

recognising that climate change is exacerbating pressure on these areas, and that actions to adapt or mitigate climate change may affect more than one dimension simultaneously.

Figure 1: Oxbury area of operations reflecting lending accounts limit amount by region (approved and active)



Timescales used in this report

In order to assess the natural capital dependencies, impacts, risks and opportunities over different time horizons, we categorise these into short-term, medium-term or long-term considerations. This enables us to prioritise and design our future commercial strategy through an informed lens. We align our time horizon categories approximately to maturity of our lending exposures, plus an additional 5-year buffer taking the long-term period to 30 years. The majority of the exposures consist of long-term loans which correspond to these time scales:

Table 1: Definition of time scales and composition of loan book

Description	Period	Loans and advances to customers as at 31 December 2022 (GBP '000)	% of loan book	Loans and advances to customers as at 31 December 2021 (GBP '000)	% of loan book
Immediate (I)	Within 1 year	11,865	3%	2,232	2%
Short-term (S)	Over 1 but less than 5 years	38,072	11%	19,093	17%
Medium-term (M)	Over 5 but less than 10 years	51,950	15%	7,206	7%
Long term (L)	Greater than 10 years	247,645	71%	82,014	74%
Total		349,532	100%	110,545	100%

Targeted readers

This report provides requisite information to our current and future stakeholders including investors, regulators, customers, suppliers and employees as well as society at large. We welcome feedback from readers of this report, emailed to ClimateRisk@oxbury.com

Approach to assurance of this report

We have adopted a combined assurance model to assess and assure various aspects of the business operations including elements of external reporting. The Board of Directors, along with its sub-committees, are ultimately responsible for the Bank's internal system of control, designed to identify, evaluate, manage and provide reasonable assurance against material misstatements and loss. The information in this report has been reviewed by senior management and approved by the Board.

Forward-looking statements

Certain statements on the performance and targets may be regarded as forward-looking statements or forecasts. These statements involve risk and uncertainty that may cause the actual results and achievements to differ materially from those implied or expressed in the forward-looking statements. These statements will not be updated subsequent to the publication of this report and have not been reviewed or reported on by Oxbury's auditors.

Responsibility for this report

As the Oxbury Board, we acknowledge our responsibility for the 2022 Natural Capital Report and confirm that we believe that the report fairly represents the performance of the Bank during the reporting period.

A handwritten signature in black ink, appearing to read 'R. Huw Morgan'. The signature is fluid and cursive, with a large initial 'R' and a long, sweeping underline.

R. HUW MORGAN

INDEPENDENT NON-EXECUTIVE CHAIRMAN

DATE 25 JULY 2023

The importance of natural capital to Oxbury



The importance of natural capital to Oxbury

The natural environment enables our customers to produce and trade food and other products that enables them to prosper and contribute to the wider society, thereby allowing the Bank to responsibly support farmers and the rural economy. Our definition of natural capital, incorporating the dimensions of air, soil, biodiversity and water, affirms that these do not operate independently but interact with, and depend on, each other. Agriculture affects all four dimensions both positively and negatively and responsible stewardship of the planet is required to balance food production with other ecosystem services over the long-term.

Oxbury's approach to responsible impact

During the reporting period the Board and senior management reviewed Oxbury's approach to environmental, social and governance matters. We identified four non-financial pillars that direct our comprehensive approach to responsible impact, namely: people; planet; principle; and partnerships. Responsible impact means that Oxbury will consciously consider and manage its activities to amplify positive, and minimise negative, outcomes across the business. We also acknowledge that long-term sustainability requires that our decisions should balance the needs of the present generation without compromising the ability of future generations to meet their own needs.

We believe that integrating the four pillars of responsible impact into our corporate strategy, risk management approach, business processes and financial planning, strengthens the resilience of the Bank, its customers and suppliers. Oxbury follows a stakeholder-inclusive approach to consider the legitimate interests of all parties affected by the Bank's activities. Our responsible impact activities contribute to the global objective of "peace and prosperity for all" embodied in the United Nations Sustainable Development Goals.

Our approach to natural capital is based on the principle of double materiality and considers both the Bank's impact on the dimensions through its activities and funding, in addition to the Bank's dependence on each one. As a financial services business with its head office based in Chester, the Bank has a limited direct environmental impact, however we are aware that the farmers, food producers and other supply chain participants financed or partnered with, affect these dimensions daily. We recognise that depositors and investors committing funds to the rural economy expect the Bank to consider the potential impact of these funds on the natural environment through our customers' activities.

This Natural Capital report allows the Bank to report to stakeholders on specific progress made with regards to one of the pillars within our broader approach to responsible impact, namely: the planet.

Climate change

Oxbury affirms the conclusion of the Intergovernmental Panel on Climate Change (IPCC) that “it is unequivocal that human influence has warmed the atmosphere, ocean and land” and that “human-induced climate change is already affecting many weather and climate extremes in every region across the globe”¹.

Although agriculture is responsible for around 10% of the UK’s greenhouse gas emissions, primarily as a result of emissions of nitrous oxide from fertilisers and biogenic methane from livestock, it is simultaneously able to remove carbon dioxide from the atmosphere through sequestration in woodlands and peatlands, as well as soil, thereby contributing a cooling effect via effective evapotranspiration. Agricultural activities are already affected by physical risk (both acute and chronic) as most recently visible in the UK during the drought of 2022. It is assumed that physical risks will continue to intensify over the short- to medium-term although its form may differ between regions and sub-sectors. We believe that farmers who invest in farming practices that strengthen their ability to withstand these chronic and acute physical risks will pose a lower credit risk over the long-term. Depending on the type of farming enterprise, different measures are indicative of practices that improve resilience, for example, high levels of soil organic matter compared to potential; low animal mortality rates; the presence of high biodiversity areas; water storage capacity; etc. These factors will increasingly need to be considered explicitly in credit applications and renewal assessments, loan pricing and terms while Oxbury provides the necessary financial products and services to customers to undertake and implement the necessary transition of the farmed environment.

Oxbury, as a responsible corporate citizen, is accountable for the impact of the Bank’s own activities on the planet. We will continue to manage our own environmental footprint to ensure that our operations remain carbon neutral.

¹ IPCC, 2021: Summary for Policymakers. In: *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, pp. 3–32, doi:10.1017/9781009157896.001.

Biodiversity risk

The Food and Agricultural Organisation of the United Nations defines biodiversity for food and agriculture as “the variety and variability of animals, plants and micro-organisms at the genetic, species and ecosystem levels that sustain the ecosystem structures, functions and processes in and around production systems, and that provide food and non-food agricultural products.”² Many elements of biodiversity that are indispensable to maintain the resilience of food production systems are in decline, increasing potential risk to food security and the rural economy. While multiple factors including climate change are contributing to the decline in biodiversity, farming practices have been a significant driver of losses over the past century creating significant risks for the sector in the light of the pressures emanating from climate change impacts. Again, agriculture also has the ability to contribute to improved biodiversity through specific farming practices, some of which are being supported by the UK government in England and in the Devolved Administrations through new grant schemes.

Our first steps towards improving our understanding the impact of biodiversity loss on the Bank’s customers has been to recognise the interdependent nature of the dimensions of natural capital and to start incorporating all aspects in the credit and risk management processes. During 2023, the Bank is focusing on identifying the data needed to inform decision-making, monitoring, metrics and targets to enable Oxbury to provide financial product and services that enable and encourage farmers to address biodiversity loss and take advantage of new opportunities to contribute to natural capital creation across the UK.

Metrics and targets

The reporting period saw Oxbury improve its understanding of the metrics and baselines of both its internal operations and financed emissions. Given that biodiversity metrics were still under-consideration, as well as the developments with regards to other disclosures including the work of the International Sustainability Standards Board and publication of the Forestry, Land Use and Agricultural Guidance by the Science Based Targets Initiative (SBTi), it was decided to delay finalising targets in order to consider both climate and biodiversity targets holistically. It is the Bank’s intention to submit both climate and biodiversity targets for approval to the SBTi/Science Based Targets Network (SBTN) aligned to our net zero commitment for 2040. The current metrics are disclosed in a subsequent section: “Prepare (SBTN - measure, set and disclose)”.

² FAO. 2019. The State of the World’s Biodiversity for Food and Agriculture, J. Bélanger & D. Pilling (eds.). FAO Commission on Genetic Resources for Food and Agriculture Assessments. Rome. 572 pp. (<http://www.fao.org/3/CA3129EN/CA3129EN.pdf>)

Focus areas for the Board

In 2023, the Board will complete the review of the Bank's approach to natural capital including monitoring, metrics and targets. The Board is engaged in continuous learning and knowledge gathering, including with Senior Management, regulators and external experts, to ensure it has the necessary capabilities to support the Bank's long-term strategy with regard to natural capital. We are pleased with the proposed training plans for employees for the remainder of 2023 and support the ongoing contribution to various industry initiatives related to natural capital by the team. The Board will also strive to oversee continuous improvement in the quality of disclosures in line with stakeholder and regulator expectations.

Oxbury intends to issue a further document on scenario planning at the end of 2023 albeit the approach to scenario planning is set out within this document. This will also enable the preparation of a full set of related Targets against agreed Metrics to be set out against SBTi criteria in line with Oxbury's Net Zero 2040 pledge and ahead of a formal Transition Plan thereafter.

Appreciation

We would like to thank all our customers who entrust their savings to us to make an impact on the agricultural sector and the farmers and other customers who are undertaking the work on a daily basis to create a low-emissions, more resilient and nature-positive sector.

The Board continue to offer commitment and constructive engagement and oversight on all matters related to the Bank's responsible impact and natural capital. The Executive Management team and all employees remain committed to ensuring that natural capital is embedded as a strategic focus area across the Bank.

Materiality



Materiality

Our approach to identifying material risks and opportunities related to natural capital is guided by the Global Reporting Initiative (GRI) standards and starts with an assessment of the operating environment, risk assessment framework and regulatory context which is described in the 2022 Annual Report and Accounts. This is further supported through formal weekly “horizon scanning” of the wider operating and policy context.

Identify

Ongoing stakeholder engagement allows us to identify and assess the relevance of identified risks, opportunities, dependencies and impacts throughout the year including:

- Board strategy sessions, regular Board and committee meetings;
- Executive and management committee engagements;
- Enterprise risk management reviews and processes;
- Ongoing interactions with existing and potential investors;
- Discussions with industry bodies and organisations both in the financial and agricultural sector;
- Continuous consultations with current and future customers;
- Regular meetings with key suppliers; and
- Feedback from employees at monthly company-wide updates, recent employee satisfaction surveys and one-on-one feedback to management.

Our analysis of the material matters identified, recognises that the Bank’s activities have positive and negative, intended or unintended consequences over the short, medium and long term. It also takes into consideration that, as a financial services company based in Chester, the Bank has a limited direct environmental impact, but the farmers, food producers and other supply chain participants financed or partnered with, affect these dimensions daily.

During 2022 we identified 3 specific criteria to guide our assessment of the significance of natural capital-related risks, opportunities, dependencies and impacts and inform prioritisation namely:

Table 2: Criteria for materiality assessment

Resilience	Our belief that adhering to the climate and nature aligned principles will allow our customers and the Bank to be better able to absorb both economic and environmental shocks into the future
Risk mitigation	To mitigate the credit risk to the Bank of customers becoming less financially and operationally resilient by not meeting regulatory or supply-chain natural capital requirements, changing customers preferences or failing to adapt to physical climate and biodiversity risks.
Reporting	Ensure that Oxbury can report against the current and future regulatory requirements for natural capital using creditable, objective and farm-recorded data

Apply

We use the criteria of risk management, resilience and reporting to prioritise material natural capital related issues raised by our stakeholders and have incorporated the information to inform *inter alia*:

- Annual business strategy and objectives;
- Policy development and reviews;
- Training needs and programmes;
- Risk assessments and processes;
- Credit policies and procedures; and
- Metrics and targets.

Report

- Management reports formally at all scheduled Board meetings;
- Management reports to investors at least annually, or more frequently on request;
- Management and the Board reports quarterly to regulators including the Prudential Regulation Authority, or more frequently on request;
- The Board reports annually to other stakeholders through our Annual Report and Accounts as well as this Natural Capital Report; and
- TCFD and TNFD disclosures annually in this report.

Implementation of our Natural Capital Strategy



Implementation of our Natural Capital Strategy

During the period under review, we assessed our approach to natural capital as a fundamental part of the Bank's business. The risks associated with the various dimensions of natural capital are expected to increase over the short- to medium-term as climate change impacts biodiversity and water availability in mutually reinforcing ways. Oxbury currently considers risks associated with natural capital in its credit assessments, but many of the risks cannot be definitively quantified at this point due to significant uncertainty over the long-term trajectory of the scale and rate of change and impact.

In terms of climate change, we expect that transition risk for customers will manifest over the medium-term based on policy changes and customer preferences. An early, orderly transition will condense these risks in the short-term while a delayed, disorderly transition will force them to the medium to long-term. A significant short to medium-term risk relates to market access where farmers who are unable to comply with the net zero requirements of processors and retailers are gradually excluded from markets and unable to generate sufficient revenue to service loans. Physical risk is expected to increase over the medium- to long-term beyond current levels of sporadic drought and flooding.

Resilience and risk management

Although we recognise the difficulty in absolutely quantifying and qualifying the climate- and nature-related risks each borrowing customer faces, we believe that there are practices that can build on-farm resilience to withstand the impact of physical climate events over time, while also addressing some transitional risks including changes in supplier and consumer expectations. We have identified 3 main criteria to assess resilience namely: On-farm emissions

- Soil organic carbon (as a proxy for overall soil health)
- Biodiversity

At the end of 2022 we started three pilot projects to identify the:

- Indicators to measure each criteria and the data required for each;
- The difficulties in obtaining relevant, credible on-farm information from customers;
- Process and technology changes required at Oxbury to incorporate the information in decision-making;
- Potential value-add and management information to be provided to customers based on the information collected; and

- The range of service providers who we could partner with to obtain information and monitor indicators over time.

Pilot projects

As at July 2023, these pilot projects are in the final stages of completion and are informing our approach. Due to the structure of our loan book and the reality of natural capital risks crystallising over the medium- to long-term, we are prioritising our term loan customers for the remainder of 2023. Our intention is to extend these actions to the majority of our loan book by value as we continue to grow our business and support a larger number of farming customers.

Geolocating our customers' farms allows us to use various scientific models to assess physical risks over the long-term and to quantify short-term risks much more accurately and supports other risk policies such as concentration risk. Once a farm is geolocated, we have access to public databases with relevant biodiversity, soil and water resource information and are therefore able to extend the assessment across all the natural capital dimensions.

Soil is composed of various elements and the presence of many biotic and abiotic elements are indicators of the state of soil health. Healthy soils support farm operations in numerous ways including the potential to reduce the quantity, while enhancing the efficiency, of nitrogen fertiliser needed which enables farmers to both reduce emissions and costs, improving soil structure and impermeability to store moisture and reduces run-off and erosion during flood events, while also removing and storing carbon dioxide from the atmosphere. Due to the cost and complexity involved in measuring soil organic matter overall, we are focusing on soil organic carbon as a proxy for soil health in the short-term and specially determining the potential to determine soil organic carbon levels at portfolio level. This project is dependent on the geolocation of customer farms, with results currently being validated from the first pilot sites. The intention is to incorporate soil health as an indicator within our credit risk process going forward to provide recognition and potential benefit to farmers who have already invested in their soils.

Our biodiversity pilot aims to enhance the information obtained during the "Location" step in the LEAP process for TNFD reporting by providing more detailed information on habitats and sites in sensitive areas. Habitat information supplemented by public databases will allow us to quantify the areas of woodland, hedgerow and other semi-natural habitats impacted and then allow us to develop measures of variability and connectivity. The first pilot sites are allowing us to determine the relevance of potential indicators at portfolio level and the relevance thereof.

To date we have modelled our financed emissions which are described in "Prepare (SBTN - measure, set and disclose). However, we also launched a project to obtain emissions based on carbon footprints conducted on-farm which allows us to improve the calibration of our models and improve overall data quality. The footprints were completed for selected dairy farmers in conjunction with SAC using the Agrecalc calculator and the outputs successfully imported into our internal database. The intention is to obtain on-farm emissions information for at least half our loan book by value within the next 12 months and in this regard we are expanding our partners and calculators used in the next round of on-farm data collection.

Over the next 12 months we aim to complete the pilot projects and fully incorporate the outcomes within our business and risk management processes. The intention is to use the results to inform credit decision making and therefore loan pricing. The Bank recognises that there is a range of farming practices that improve resilience and a prescriptive approach will not be appropriate. Farmers may be assessed based on a combination of the following depending on industry (this is not an exhaustive list and should be considered indicative):

- Presence of soil organic matter;
- Investments in biodiversity including woodland, hedgerows, field margins, etc;
- Farming practices like regenerative, organic or conservation agriculture;
- Water storage and associated infrastructure;
- Animal or bird mortality rates; and
- Participation in supply-chain sustainability initiatives.

Employee training

All the information on farming activities is of limited value unless our employees are able to make informed decisions through their knowledge and skills. The Executive Management has therefore decided that all employees should receive training in natural capital, Oxbury's own carbon footprint and customer impacts and expectations. The Carbon Literacy Standard was selected as it provides flexibility to combine requisite knowledge with our own intentions and operations.

Our curriculum has been criteria checked and approved by the Carbon Literacy Trust for training to commence in 2023 for all employees which will be augmented with topic specific training for relevant roles.

Reporting and industry engagements

Our pilot projects and involvement with the Natural Environment Investment Readiness Fund (NEIRF) created a number of opportunities to share the insights we are gaining with wider audience groups. During the reporting period both our Managing Director, Nick Evans, and Chief Customer and Regulatory Officer, Tim Coates, spoke at a number of farming events about climate and biodiversity risk and Oxbury's approach to natural capital. Oxbury was a member of the Finance and Farming Working Group that collaborated to produce the Financing a Farming Transition³ report issued by the Green Finance Institute in May 2023. In addition, we contributed to the Bankers for NetZero UK report Fertile Ground: Accelerating the Transition to Net Zero⁴. From a disclosure perspective, the Bank also participated in the Transition Plan Taskforce Food & Agriculture Working Group developing the first draft of the Food and Agriculture Disclosure Framework guidance for the Taskforce - Oxbury intends to adopt a formal transition plan under the Taskforce's finalised guidance when this is published in 2024 or 2025.

We will be publishing some of the results from our pilot projects in the form of case studies and sharing more information at industry forums during the remainder of the year. Our intention is to publish our next Natural Capital report, again including TCFD and TNFD disclosures alongside our Annual Report and Accounts in 2024.

Carbon neutral status of Oxbury's operations

Oxbury, in partnership with Forest Carbon, has offset not only the Bank's direct emissions since inception of the company in May 2018, but also that of all of its employees based on a 10 tCO₂e annual emissions per employee based on the average individual footprint in the UK. Since 2019, over 9,000 trees have been planted and 4 hectares of ecosystems restored at two sites in Northumberland which will capture 2,300 tCO₂e. In 2022, Oxbury purchased 1,828 tCO₂e offset units at £42,216.67 to mitigate the impact of 1,172.23 tCO₂e including the total employee footprints. The additional units act as a measure to mitigate unquantified activities in our supply chain. We have committed to continue to offset all direct emissions and employee footprints to mitigate the impact of our own operations.

³ <https://www.greenfinanceinstitute.co.uk/gfihive/farming-finance/>

⁴ https://www.bankersfornetzero.co.uk/wp-content/uploads/2023/03/B4NZ-Net-Zero-Agriculture-Report_March23.pdf

Oxbury and the Natural Environment Investment Readiness Fund (NEIRF) grant

In July 2022, Oxbury, in conjunction with the North-East Cotswold Farmer Cluster CIC (NECFC) and Rothamsted Research, were awarded an 18-month grant by the Natural Environment Investment Readiness Fund (NEIRF). The aims of the project are twofold:

- To develop financial products and services that allows farmers to invest individually and collectively in natural capital projects; and
- Rothamsted will test their Roth-C commercial tool (Carbon Quester) to prove that a globally recognised soil standard can be used effectively on UK farms to measure the benefits of soil carbon sequestration and enable farmer access to the verified carbon offset market.

Problems addressed by the project

Farmers who want to undertake natural capital improvement projects often require funding to undertake the initial development, where grant or private funding becoming available thereafter to defray some of the initial costs. In many cases this forces farmers to find potential buyers for future benefits like carbon sequestered or biodiversity net gain prior to implementation which constrains the project scope and potential income over the long-term. Due to the structure of these projects requiring capital investment upfront, together with ongoing maintenance costs and income which may lag a few years behind the costs incurred and is currently uncertainly priced, farmers often struggle to access loan financing to bridge this period. The NEIRF project allows Oxbury to partner with the farmers in the NECFC and co-design financial products that allow farmers to retain access to ecosystem payments while upfront funding costs.

Natural capital projects identified to date

The North East Cotswold Farmer Cluster (NECFC) is one of England's largest farmer groups with over 140 members and more than 42,000ha under management. The NECFC was awarded one of the first Landscape Recovery pilot projects by Department for Environment, Food and Rural Affairs (DEFRA) and has already begun implementation of the types of projects that will feature within that project which covers around 10% of the cluster area to restore the entirety of the Evenlode, Glyme and Dorn rivers in the Upper West Thames catchment. These include floodplain restoration, re-wiggling, riparian buffering and tree planting, but also consideration of changing farming practices to reduce impact on water quality and enhance natural flood management, carbon sequestration and biodiversity - all while continuing healthy food production.

Farmer information day

On 15 March, Oxbury co-founder, Tim Coates, hosted an on-farm walk with the other project partners at his family farm near Chipping Norton to explain how he is changing his operation to be regenerative and the types of natural capital projects he has already undertaken to date and those in the planning stage and how these are funded to provide future diverse income streams.

The day included 2 separate Woodland Carbon Code verified sites, a new agroforestry planting, a proposed wetland area to be included in the Landscape Recovery project, a proposed arable reversion to priority habit grassland for the Biodiversity Net Gain market and a demonstration of the on-farm soil carbon testing as well as discussions on regenerative agriculture.

What Oxbury aims to do by the end of the project

Oxbury Relationship Managers have been meeting with farmers both within and outside of the farmer cluster to discuss natural capital projects in the planning stage and identify potential financing needs. The Bank recently formalised product rules to enable farmers, where grants have been approved, to obtain finance to bridge the gap between starting the project and receiving the grant payments and continues to design further rules to address lending requirements for natural capital. The target is to finance 10 farmers by the end of the year to undertake natural capital projects under a new set of products and services.

There will be a full report written and published on the NEIRF project by the end of 2023.



Governance



Governance

Oxbury's governance structure and framework is discussed in our 2022 Annual Report and Accounts. This section therefore only focuses on the governance of natural capital matters.

Board and Board Committees

Table 3: Board and board committees responsibility related to natural capital

Committee	Responsibilities for natural capital-related dependencies, impacts, risks and opportunities	Specific actions during the reporting period
Oxbury Board	<ul style="list-style-type: none"> • Approve the Bank's approach to natural capital risk • Approve the Natural Capital Risk Policy • Consider climate and biodiversity risk impacts when assessing credit applications • Approve the Bank's risk appetite including limits for natural capital risk • Approve metrics and indicators to monitor climate risk performance and monitor ongoing progress • Approve the TCFD and TNFD statement • Consider the climate report and recommend appropriate actions to management 	<ul style="list-style-type: none"> • Approved Responsible Impact policy • Reviewed updated Natural Capital Risk Policy • Ensured natural capital matters were addressed in credit application approved by Board • Received and reviewed monthly and quarterly natural capital reports from management • Approved inclusion of natural capital and environmental risk in Risk Management Framework
Board Audit Committee	<ul style="list-style-type: none"> • Review and recommend TCFD and TNFD disclosures to Board for approval • Review SECR disclosures in Annual Report and Accounts 	<ul style="list-style-type: none"> • Reviewed financial statements • Engaged with internal and external auditors including on matters related to natural capital risks
Board Risk Committee	<ul style="list-style-type: none"> • Approve the Credit Lending and Underwriting policy which includes criteria for assessment of climate and biodiversity risk • Consider climate and biodiversity risk impacts when assessing credit applications • Consider proposals in respect of the Bank's risk appetite including limits for natural capital risks • Consider and provide oversight of natural capital risk within the risk management framework 	<ul style="list-style-type: none"> • Reviewed ICAAP to ensure natural capital risks included if relevant • Ensured natural capital matters were addressed in credit application approved by Risk Committee

Nomination Committee	<ul style="list-style-type: none"> Consider the skills, knowledge and experience related to natural capital risk of Board members during annual assessments and identification of potential new board members 	<ul style="list-style-type: none"> Arranged Board training on TNFD
Executive Committee	<ul style="list-style-type: none"> Review and recommend to the Board for approval the natural capital policies as well as proposed metrics and indicators to monitor climate risk performance Review and recommend TCFD and TNFD disclosures to Audit committee 	<ul style="list-style-type: none"> Approved Carbon Literacy training programme for all employees to commence in 2023 Approved three pilot projects to collect on-farm data and assess information on emissions, soil health and biodiversity to inform development of metrics and targets
Responsible Impact Committee	<ul style="list-style-type: none"> Review and recommend natural capital related developments and the wider positive impact of the company to the Executive Committee 	<ul style="list-style-type: none"> Day-to-day coordination of Oxbury's management of natural capital risks providing inputs on data collection, policy and process development and implementation of projects

Senior Management

The Board has delegated responsibility for implementation of the natural capital risk strategy and risk assessments to specific roles of senior management and committees.

These include:

- The Chief Customer and Regulatory Officer (CCRO): holds the individual responsibility for the management of natural capital related financial risks in line with the Senior Managers and Certification Regime (SM&CR). Tim Coates is also managing the project with the North East Cotswold Farmer Cluster and main Oxbury representative with industry bodies during the year. The CCRO is also responsible for monthly and quarterly Board and committee reports and liaising on natural capital matters with investors, shareholders and regulators.
- The Chief Risk Officer is responsible for supporting the Board to ensure that natural capital risk is incorporated in the risk management framework and risk appetite statement and oversees implementation of the credit policies which include natural capital risks. Robin Hill has provided input and challenge into policy updates, risk assessments and disclosures as well as engagements with regulators regarding natural capital risk where required.

- The Chief Financial Officer is the main contact with internal and external auditors on natural capital related queries. David Hanson also provides input in natural capital risk assessments, policy updates and the inclusion of natural capital risk costs on the financial reporting of the Bank.
- The Head of Sustainable Banking: supports the CCRO and has been responsible for the implementation on ongoing management of the pilot projects and development of disclosures. Carolien Samson is also compiling employee training material and reviewing disclosure requirements.
- Responsible Impact Committee: This Committee of the Bank is a sub-Committee of the Executive Committee and was constituted in May 2021 as the Climate Committee. In 2023 it was renamed the Responsible Impact Committee to reflect its wider remit beyond climate to incorporate all natural capital as well as our people, principle and partnership pillars. The committee is chaired by the CCRO and members include the Chief Financial Officer, Chief Risk Officer, Head of Sustainable Banking, Money Laundering Reporting Officer, Head of Product and one Relationship Manager representative.

Natural capital risks and opportunities



Natural capital risks and opportunities

Natural capital risks including climate and biodiversity are identified through our interactions with stakeholders and review of existing policies and processes, including major prudential risk reviews such as the Internal Capital Adequacy Assessment Process (ICAAP). The critical components of our risk management strategy are described in the 2022 Annual Report and Accounts, where climate and environmental risk is identified as one of the principal business risks. We have also incorporated the risk and opportunity assessment in our supplier onboarding as well as product development and review process.

Furthermore, we apply the LEAP methodology and SBTN 5 step process to assess natural capital risk and opportunities, both climate and biodiversity-related across our own operations and loan book. Climate and biodiversity risk will manifest over the short, medium, and long-term in the agricultural sector, but we recognise that term loans with medium to long-term repayment terms are the most vulnerable to these risks. The sub-sectors identified in the Credit Lending and Underwriting policy and Concentration Risk policy combined with the value of our exposure to each were used to identify those most at risk of as well as potentially some of the most significant contributors to climate change and biodiversity loss.

Evaluate (SBTN - Assess)

We used a combination of the ENCORE tool provided by the Natural Capital Finance Alliance and the Natural Capital Protocol to evaluate the impacts and dependencies of the prioritised sub-sectors. Unsurprisingly, agriculture mainly provides food and fibre, either for direct use or processing. The sector's main inputs and therefore dependencies are terrestrial as well as ground and surface water ecosystems which encompass all the elements that constitute those systems as functional units. The scale and type of outputs (emissions, pollutants, waste, etc) may have a significant impact on the effectiveness and resilience of regulating and maintenance services. Certain agricultural practices may enhance the ecosystem services they interact with e.g. low and no-till practices contribute to better soil quality, less soil erosion and improved water flow regulation compared to alternative practices. Simultaneously, the over-use of nitrogen-fertiliser, pesticides and herbicides will have a negative impact on other ecosystem services like pollination and greenhouse gas emissions and contribute to natural capital risk.

Oxbury's own operations mainly rely on the terrestrial ecosystem represented by its Head Office location in Chester and the availability of ground

water to maintain the offices. As a financial services company, its main outputs are emissions and solid waste associated with a professional services operation.

Mixed farming comprises 18% of the loan book and 26% of total emissions and depending on the composition of the farming business the balance of dependencies and impact will differ. The evaluation conducted for the main sub-sectors is summarised in.

Table 4: Ecosystem services and agriculture related to Oxbury’s loan book

Agricultural Sub sector	% of financed emissions	% of loan book	Ecosystem services ⁵		Natural Capital Protocol Impact Drivers ⁶	
			Provisioning	Regulating and maintenance	Inputs	Non-product outputs
Cultivated plant-focused systems						
Cereals and general cropping Horticulture (excluding greenhouses)	11	39	<ul style="list-style-type: none"> • Cultivated terrestrial plants grown for nutritional purposes • Fibres and other materials from cultivated plants for direct use or processing • Cultivated plants grown as a source of energy 	<ul style="list-style-type: none"> • Soil quality • Soil erosion • Climate regulation • Maintenance of lifecycle, habitat and gene pool protection through pollination, seed dispersal and maintaining nursery populations; • Flood and storm protection 	<ul style="list-style-type: none"> • Terrestrial ecosystem use • Ground and surface water use 	<ul style="list-style-type: none"> • GHG emissions • Non-GHG air pollutants • Soil and water pollutants
Livestock-based systems						
Dairy Poultry Extensive beef and sheep Pigs	59	36	<ul style="list-style-type: none"> • Animals reared to provide nutrition • Fibre and other materials from reared animals for direct use or processing 	<ul style="list-style-type: none"> • Climate regulation • Soil quality • Soil erosion 	<ul style="list-style-type: none"> • Terrestrial ecosystem use • Ground and surface water use 	<ul style="list-style-type: none"> • GHG emissions • Non-GHG air pollutants • Soil and water pollutants • Solid waste
Oxbury own operations						
Oxbury Head Office				<ul style="list-style-type: none"> • Climate regulation 	<ul style="list-style-type: none"> • Terrestrial ecosystem use • Water use • Other resources 	<ul style="list-style-type: none"> • GHG emissions • Solid waste

⁵ Common International Classification of Ecosystem Services (CICES) V5.1

⁶ Natural Capital Coalition (2016)

Assess (SBTN - Interpret and Prioritise)

During the assessment phase we identified the main dependencies and impacts of the various agricultural sub-sectors which in turn inform the risk and opportunity assessment. The process is applied to both the agricultural sector and the Bank's own operations. Climate physical risk events are already experienced by the agricultural sector on annual basis for example the heatwaves and drought in 2022 and require ongoing adaptation by farmers to mitigate the risks. Transitional risks are mainly present within supply chains in the short-term as buyers start implementing their own net zero plans with subsequent demands for emissions information from farmers.

Biodiversity risks are interdependent with especially physical climate risks and trade-offs between climate mitigation and biodiversity may be required. As average temperatures increase in some locations, some heat sensitive species may re-locate to relatively cooler areas potentially affecting for instance the availability of pollinators in some areas. Higher average temperatures may in turn be attractive to some invasive species which could replace indigenous species with unexpected impacts. Climate mitigation actions like improved insulation of housing may reduce emissions, but also destroy nesting spaces for cavity dwelling bird species like swifts which provide natural insect control services to farms and thus trade-offs may need to be considered.

The Bank uses a combination of industry engagements, customer inputs, scenario-planning, data modelling and its own in-house expertise to assess these risks and opportunities on an ongoing basis.

The main risks and opportunities are summarised below.

Table 5: Risk and opportunities related to natural capital

Risk type		Short/ Medium/ Long term	Principal Risk Category impacted	Risks	Opportunities	Actions in reporting period to assess and mitigate	Planned actions
Physical risk: Acute	Agricultural Sector	S	Credit risk as a result of loss of on-farm production	<ul style="list-style-type: none"> • Floods • Increased frequency of fire especially during periods of drought • Intensive heat waves • More prevalent hail events • All of these could result in localised loss of habitats thus accelerating soil and biodiversity loss 	<ul style="list-style-type: none"> • Adoption of farming practices that increase resilience to manage physical risks 	<ul style="list-style-type: none"> • All credit applications are assessed for flood risk potential • Investigated options to geolocate all customer farm locations to be able to use a wider selection of long-term risk models 	<ul style="list-style-type: none"> • Geolocate all term loans • Identify credible long-term flood and drought risk models for future risk assessments
	Oxbury operations	L	Operational	<ul style="list-style-type: none"> • Oxbury operations has low exposure to acute physical risk events due to location 	<ul style="list-style-type: none"> • 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Due to company growth, expansion to a second site in the same vicinity is planned with no change in the risk profile
Physical risk: Chronic	Agricultural Sector	S - M	Credit Risk as a result of loss of on farm production	<ul style="list-style-type: none"> • Drought • Higher average temperatures • Spread of diseases • Loss of pollinators • Presence of invasive species 	<ul style="list-style-type: none"> • Adoption of farming practices that mitigate and reduce impact of agriculture and conserve soil moisture and quality • Ability to establish crops in previously inhospitable 	<ul style="list-style-type: none"> • Investigated options to geolocate all customer farm locations to be able to use a wider selection of long-term risk models 	<ul style="list-style-type: none"> • Geolocate all term loans • Identify credible long-term drought and biodiversity loss risk models for future risk assessments

Risk type		Short/ Medium/ Long term	Principal Risk Category impacted	Risks	Opportunities	Actions in reporting period to assess and mitigate	Planned actions
					regions e.g. wine in South England		
	Oxbury operations	L	Operational	<ul style="list-style-type: none"> Oxbury operations has limited exposure to chronic physical risk events due to location 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Training of all employees on climate risk including business continuity planning
Transition risks							
Policy and legal	Agricultural Sector	S	Credit risk	<ul style="list-style-type: none"> Rapid changes in policy and regulations may limit customers' ability to implement changes and maintain access to grant funding. Regulatory changes may increase production costs. Future trade agreements may increase competition with foreign producers. 	<ul style="list-style-type: none"> Availability of policy and funding to support the development of natural capital projects like biodiversity net gain, nutrient neutrality, etc 	<ul style="list-style-type: none"> All credit applications are stress-tested to assess repayment ability over the short term Participated in NEIRF project to assess impact of new grant schemes in England on loan products and security values 	<ul style="list-style-type: none"> Ongoing assessment of implementation of grant schemes by customers and monitoring of government policy announcements.

Risk type		Short/ Medium/ Long term	Principal Risk Category impacted	Risks	Opportunities	Actions in reporting period to assess and mitigate	Planned actions
	Oxbury operations	S	Conduct, legal, compliance	<ul style="list-style-type: none"> • Availability of human and financial resources to meet increased demand for disclosure, data-modelling and reporting to meet regulatory requirements 	<ul style="list-style-type: none"> • Participation in industry groups to provide inputs in disclosure frameworks. 	<ul style="list-style-type: none"> • Appointed additional resource, Head of Sustainable Banking 	<ul style="list-style-type: none"> • Publication of Natural Capital report to incorporate TCFD and TNFD disclosures. • Appointment of graduate in September to increase capacity.
Technology	Agricultural Sector	S	Credit risk	<ul style="list-style-type: none"> • Development of substitute products in certain sub-sectors e.g. plant-based milks as competition for dairy • Ability to implement certain actions depend on speed and scale of availability of certain products which are still in early development stage 	<ul style="list-style-type: none"> • Increased availability of technology and equipment to assist farmers to reduce emissions, adopt more nature-friendly farming practices. • Development of new heat and drought resistant cultivars 	<ul style="list-style-type: none"> • Assessed the functionality of various tools to geolocate farms, determine soil carbon and emission levels as well as improving the Oxbury Earth system to incorporate such information in future. 	<ul style="list-style-type: none"> • Ongoing review of tools as technology is continuously improving and investigate financing options of technology solutions that support farmers in their transition.
	Oxbury operations	S	Operational	<ul style="list-style-type: none"> • Reliance on external data sources and models without necessarily understanding the 	<ul style="list-style-type: none"> • In-house development of Oxbury Earth allows for customisation to incorporate 	<ul style="list-style-type: none"> • Developed capability to import information from an external carbon calculator for reporting at 	<ul style="list-style-type: none"> • Expand ability to consume natural capital related information from external sources at customer and portfolio level for monitoring and reporting.

Risk type		Short/ Medium/ Long term	Principal Risk Category impacted	Risks	Opportunities	Actions in reporting period to assess and mitigate	Planned actions
				underlying assumptions and limitations.	natural capital risk assessments and monitoring on an ongoing basis.	customer and portfolio level. • Ongoing training and exposure of relevant employees to build capability to assess data reliability and limitations through industry training and workshops.	• Consider data and models during supplier onboarding process and obtain external inputs where critical.
Market	Agricultural Sector	S	Credit risk as customer may be excluded from some markets or received lower prices for produce	<ul style="list-style-type: none"> • Changing consumer preferences especially around animal products. • Supplier net zero requirements. • Customers entering into nature-based systems contracts without fully understanding the implications and potential revenue related to sale. 	<ul style="list-style-type: none"> • Customers who are undertaking baselines and pro-actively planning emission reductions may secure preferential treatment and prices within supply chains. 	<ul style="list-style-type: none"> • Engagements with various role players in the food supply chains to understand the impact of their net zero requirements on customers and identify opportunities to collaborate in order to support farmers to collect and share information. 	<ul style="list-style-type: none"> • Identify opportunities for farmers to collect and share information responsibly across the supply chains and providing financial product to farmers aligned to these opportunities. • Ongoing engagements with supply chain.
	Oxbury operations	S	Financial	<ul style="list-style-type: none"> • Increased investor demands regarding 	<ul style="list-style-type: none"> • Provision of reliable, on-farm information to 	<ul style="list-style-type: none"> • Launched pilot projects to improve data collection, 	<ul style="list-style-type: none"> • Continue to improve data quality and reporting to

Risk type		Short/ Medium/ Long term	Principal Risk Category impacted	Risks	Opportunities	Actions in reporting period to assess and mitigate	Planned actions
				disclosure of and evidence of impact on climate and biodiversity	support disclosures and evidence of credible, nature-positive products and services that support the farmer transition are attractive to impact-focused investors.	monitoring and reporting. • Involvement in NEIRF project to identify product gaps for farmers undertaking natural capital projects.	stakeholders aligned to expectations.
Reputation	Agricultural Sector	S	Credit risk as demand for certain agricultural products may decline.	<ul style="list-style-type: none"> • Consumer perceptions regarding the negative contribution of agriculture to emissions and biodiversity loss 	<ul style="list-style-type: none"> • Focus on potential of agricultural sector to mitigate climate risk and improve biodiversity while providing nutritious food could improve image of sector. 	<ul style="list-style-type: none"> • Participated in various industry engagements that seek to support farmers who engage in nature-positive actions. 	<ul style="list-style-type: none"> • Improve loan due diligence process to identify customers who engage in more nature-positive practices and provide recognition to pricing and products.

Risk type		Short/ Medium/ Long term	Principal Risk Category impacted	Risks	Opportunities	Actions in reporting period to assess and mitigate	Planned actions
	Oxbury operations	S	Conduct, legal, compliance	<ul style="list-style-type: none"> Perception of greenwashing through disclosures deemed incomplete or overstated, and/or lack of evidence of actual impact, and/or funding of agricultural activities perceived as negative to the environment 	<ul style="list-style-type: none"> Public reporting that provides adequate, credible and comparable disclosures on Oxbury's activities. Consideration of environmental and social concerns in all credit applications to identify negative impacts on a proactive basis. 	<ul style="list-style-type: none"> Adopted a formal exclusion list as part of the Responsible Impact policy review. Board and senior management review of public disclosures on natural capital related disclosures. 	<ul style="list-style-type: none"> Ongoing consideration of reputational risk with regards to credit assessments and disclosures. Training to employees on risks associated with greenwashing.

The use of scenario planning

We refer to 3 different sets of macro scenarios to inform our scenario planning namely:

- The Network for Greening the Financial System;
- Shared Socio-Economic Pathways developed by the IPCC; and
- TNFD critical uncertainties matrix scenarios.

Based on projected temperature ranges and emissions reduction pathways of these scenarios and a qualitative internal assessment of the current trajectory of implementation, Oxbury intends to use a “Disorderly Delayed Transition” scenario in the short-term to inform strategy and risk assessments. Over the next 6 months, and on an ongoing basis, we will improve our understanding of the quantitative impact of the specific scenarios and undertake additional work to confirm the selection of the macro scenario.

The selection of a macro scenario then allows Oxbury to assess the impact thereof on various sub-sectors. To assess the inherent risk for each sub-sector, we use a mixture of media articles, formal research studies and customer feedback to assess the current impact of physical and transition risk on the sub-sector. Livestock-based systems are already subject to transition risk especially taking into consideration consumer sentiment, additional supply-chain demands and more intensive practices that have to take into consideration potential heat and water stress. In comparison, plant-based systems are subject to relatively more physical risk at this stage like heat waves and drought.

The Bank’s financial exposure to each sub-sector was then used to assess the potential impact of agricultural sector climate and biodiversity risks on its loan exposures. The risks, available mitigants and opportunities for each sub-sector are taken into consideration to develop a heat map of the residual risk of exposure to physical and transition climate and biodiversity risk for each one. Sub-sectors with the most options available to address and mitigate risks are regarded as more resilient, but it should be noted that circumstances on-farm will differ. At this stage we do not have sufficient data, nor the necessary risk models to quantify the outcomes. Over the short term we will focus on identifying the data gaps, improving internal and external data collection and create model development capacity to reflect the information in the individual loan Expected Credit Loss ratings in the medium term.

Prepare (SBTN - measure, set and disclose)

Oxbury’s own operations

The emissions and energy consumption reporting in respect of Oxbury has been conducted in accordance with methodology set out in the Greenhouse Gas (“GHG”) Protocol Corporate Standard, and using the DEFRA emissions factors to calculate emissions. Detailed information on each component is available in Detailed information on Oxbury’s own carbon footprint including upstream and direct operations:

Calculation of Oxbury's Streamlined Energy and Carbon Reporting (SECR) energy consumption and GHG emissions was completed by an independent third party, e4Environment. 2022 was the first time Oxbury appointed a third-party to support the Bank to calculate a comprehensive Scope 1, 2 and direct Scope 3 footprint. The information will inform an action plan for implementation in 2023 to improve our carbon intensity which will focus on employee training and improved data collection as well as preparation to submit Science Based Targets in 2024.

Financed emissions:

For term loans, the current methodology estimates the farm emissions based on the overall profile of the farm. On farm emissions factors were obtained from the University of Oxford Research Archive's model of the Life Cycle Environmental Impacts of Food and Drinks⁷. Average yields are based on information from DEFRA and the Agriculture and Horticulture Development Board and where available the most recent five seasons were averaged as at the time of calculation. These are then weighted based on the farm financial statements as prescribed by the PCAF (Global GHG Accounting and Reporting Standard for the Financial Industry - option 2b - for business loans).

Working Capital Lending farm emissions are calculated based on the PCAF standard (Global GHG Accounting and Reporting Standard for the Financial Industry - option 3a - for business loans), using the financial position of the farm. This is likely to be incomplete as complete financial statements are not always available. The exception to this is for beef scheme products which uses a calculation similar to the term lending process described above, limited to the cattle financed on the scheme.

While we have confidence in our modelling approaches, the accuracy of outputs relies heavily on the availability of on-farm information regarding herd sizes, crop rotations, etc which are constantly subject to change as well as correct appropriation of Oxbury's share in overall funding of the farms. Scope 3 financed emissions will be an ongoing focus area for us to improve the accuracy of input data, update our methodology based on industry initiatives to standardise collection and reporting thereof and take advantage of technological advances over the next few years.

⁷ Poore, J. 2018. University of Oxford. Full Excel model providing life-cycle impacts of food and drink products. <https://ora.ox.ac.uk/objects/uuid:a63fb28c-98f8-4313-add6-e9eca99320a5>

Transition financing opportunities

The food and farming sector, despite having risks, presents a number of lending opportunities as farm businesses adapt to new operating environments, with capital outlays required. Oxbury categorises such opportunities to mirror the three 'Achieving Net Zero' pillars⁸ outlined by the National Farmers Union (NFU) namely:

- Pillar 1: Boosting productivity and/or reducing emissions;
- Pillar 2: Farmland carbon storage; and
- Pillar 3: Renewable and Bio-energy.
- Other climate related not covered above.

Climate-related loans opportunities apply to term loans where:






- the purpose of the loan, and/or
- the protocols used by the farmer *ex-ante* with respect to the purpose of the loan, and/or
- the original purpose of any refinanced loan,



means that Oxbury can categorise the loan against these pillars.

The change in loan book size and composition in 2022 has affected the climate opportunity split significantly. Many loans are primarily for land purchase where elements of the pillars may be present, but the overall classification is non-climate. We are investigating the use of additional indicators to identify opportunities and regenerative farming practices to provide additional information on the portfolio in future.

⁸ <https://www.nfuonline.com/updates-and-information/achieving-net-zero-meeting-the-climate-change-challenge/>

TCFD metrics

TCFD metric category	Metric	Data quality confidence rating	2022	2021
Absolute Scope 1, Scope 2 and upstream Scope 3 emissions	Absolute emissions (tCO ₂ e)		161.4	Oxbury relocated to its current premises in September 2021 and no comparable information is available.
	Carbon intensity ratio: Scope 1 and 2 carbon emissions per full-time employee (location-based) [kgCO ₂ e/ full-time employee]:		115.16	
	Carbon intensity ratio: Scope 1, 2 and upstream scope 3 carbon emissions per full-time employee (location-based) [tCO ₂ e/ full-time employee]:		1.7	
	Purchased offsets (tCO ₂ e):		1,828 @ £25/ton	
Assessment of physical risk	Proportion of financing activities vulnerable to physical risk Physical risk heatmap by sector/geography	Qualitative	See sections: Evaluate (SBTN - Assess) Assess (SBTN - Interpret and Prioritise) - by sector	
Assessment of transition risk	Exposure to carbon-related assets by sector Transition risk heatmap by sector/geography	Qualitative	See sections: Evaluate (SBTN - Assess) Assess (SBTN - Interpret and Prioritise) - by sector	
Portfolio decarbonisation	Financed emissions: <i>Absolute emissions (tCO₂e)</i> Term loans		554,455 349,998	173,366 152,156

	Working capital		204,457	21,210
	<i>Intensity (kgCO2e/£):</i>		1.59	1.56
	Term loans		2.00	2.31
	Working capital		7.30	2.02
Transition financing	Exposure to climate related opportunities (as % of overall term loan portfolio)		Pillar 1: 11% Pillar 2: 2% Pillar 3: 6% Other: 8% Total: 27%	49% 0% 17% 0% 66%

TNFD metrics

TNFD metric category		2022	2021
Exposure to sectors or companies with material dependence on nature	Total loan book	349, 532 (GBP '000)	110,545 (GBP '000)
Exposure to high impact or sensitive sectors or companies active in sensitive areas (by geography)		See Assess (SBTN - Interpret and Prioritise)	N/A
Measure of biodiversity intactness or richness	No information yet - expected 2023 - pilot for data sources underway	N/A	N/A
Volume of financial flow to deliver nature-based opportunity or positive impact	No information yet - expected 2023 - pilot for data sources underway	N/A	N/A
Volume of financial flow with evidence of material mitigation of nature-related risk through e.g. engagement, due diligence or KPIs	No information yet - expected 2023 - pilot for data sources underway	N/A	N/A

Statements of consistency



Statement of consistency with the TCFD framework

Pillar	Recommended disclosures	Level	Page and link to section
Governance Disclose the organisation's governance around climate-related risks and opportunities	Describe the Board's oversight of climate related risks and opportunities	Full	p25-26 Board and Board Committees
	Describe management's role in assessing and managing climate-related risks and opportunities	Full	p26-27 Senior Management
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term	Full	p32-37 Natural capital risks and opportunities
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Full	p18 - 21 Implementation of our Natural Capital Strategy
	Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	Partial	p18 Resilience and risk management
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks	Describe the organisation's processes for identifying and assessing climate-related risks	Full	p29 - 38 Evaluate (SBTN - Assess) Assess (SBTN - Interpret and Prioritise)
	Describe the organisation's processes for managing climate-related risks	Full	p31 Assess (SBTN - Interpret and Prioritise)
	Describe how processes for identifying, assessing and managing	Full	p29 Natural capital risks and opportunities

	climate-related risks are integrated into the organisation's overall risk management		
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	Partial	p38 - 42 Prepare (SBTN - measure, set and disclose)
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions and the related risks	Partial	p41 TCFD metrics p50-53 Detailed information on Oxbury's own carbon footprint including upstream and direct operations
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	In development	TCFD metrics

Statement of consistency with the TNFD v0.4 framework

Pillar	Recommended disclosures	Level	Page and link to section
General	Approach to materiality	Full	p15 - 16 Materiality
	Scope of disclosures	Full	p5 -6 Scope and boundaries of report
	Location	Full	p5- 6 Scope and boundaries of report
	Integration with other sustainability-related disclosures	Full	p5 - 8 About Oxbury's Natural Capital report
	Stakeholder engagement	Full	p21 Reporting and industry engagements p22 - 23 Oxbury and the Natural Environment Investment Readiness Fund (NEIRF) grant
Governance Disclose the organisation's governance	A. Describe the Board's oversight of nature-related dependencies,	Full	p25 - 26 Board and Board Committees

around nature-related dependencies, impacts, risks and opportunities	impacts, risks and opportunities		
	B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities	Full	p26 - 27 Senior Management
Strategy Disclose the actual and potential impacts of nature-related dependencies, impacts, risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	A. Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short-, medium- and long-term	Full	p32- 37 Natural capital risks and opportunities
	B. Describe the effect nature-related risk and opportunities have had and may have on the organisation's businesses, strategy, and financial planning	Full	p18 - 21 Implementation of our Natural Capital Strategy
	C. Describe the resilience of the organisation's strategy to nature-related risk and opportunities taking into consideration different scenarios	Full	p18 Resilience and risk management
	D. Disclose the locations where there are assets and/or activities in the organisation's direct operations, and upstream and/or downstream and/or financial where relevant, that are priority areas	In development	p19 - 20 Pilot projects
Risk and impact management Disclose how the organisation	A. (i) Describe the organisation's processes for identifying and assessing nature-related	Full	p32- 37 Natural capital risks and opportunities

identifies, assesses and manages nature-related dependencies, impacts, risks and opportunities	dependencies, impacts, risks and opportunities in its direct operations		
	A. (il) Describe the organisation's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value-chain(s) and financed activities and assets	Full	p15 Identify p29 Evaluate (SBTN - Assess) Assess (SBTN - Interpret and Prioritise)
	B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in the light of these processes	Full	p31 Assess (SBTN - Interpret and Prioritise)
	C. Describe how processes for identifying, assessing and managing nature-related risks are integrated into the organisation's overall risk management	Full	p29 Natural capital risks and opportunities
	D. Describe how affected stakeholder are engaged by the organisation in its assessment of and response to nature-related dependencies, impacts, risks and opportunities	Full	p21 Reporting and industry engagements p22 - 23 Oxbury and the Natural Environment Investment Readiness Fund (NEIRF) grant
Metrics and targets Disclose the metrics and targets used to assess and	A. Disclose the metrics used by the organisation to assess and manage to nature-related risks and opportunities	Partial	p42 TNFD metrics

manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material	and opportunities in line with its strategy and risk management processes		
	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature	Partial	p42 TNFD metrics
	C. Describe the targets and goals used by the organisation to manage to nature-related dependencies, impacts, risks and opportunities and its performance against these	In development	TNFD metrics

**Detailed
information on
Oxbury's own
carbon footprint**



Detailed information on Oxbury's own carbon footprint including upstream and direct operations as well as potential impact drivers.

Oxbury upstream and direct operations

Scopes and emissions	2022 tCO ₂ e	Estimated % of operating expenses	Data	Emissions activity for 2023	Production processes involved based on SBTN Materiality screening	Material impact drivers based on SBTN Materiality screening
Scope 1: Direct						
Not applicable						
Scope 2 Indirect:						
Purchased electricity, steam, heating & cooling for own use	11.64	0.5	60,182 kWh			
Scope 3 Indirect own activities:						
Working from home	36.71		Average of 3 days working from home/week/employee	Improve information on employee home carbon footprints		
Employee commuting	50.94		Average of 23 miles round trip and split by mode of transport based on national average	Collect actual data from employees		
Business travel	47.91	4	Actual business miles travelled	Collect actual data on transportation modes from employees		

Waste generated in own operations	1.12		Average of 50 litres water/employee/day and 250 kg general waste/employee/year	Conduct a waste audit and engage with landlord to improve waste management on-site		
Leased assets	No information available yet	3	Rent paid	Collect data from suppliers		
Capital assets	No information available yet			Determine methodology to calculate embedded carbon	Manufacture of furniture Electronics and hardware production	
Scope 3 Indirect upstream: Purchased goods and services (by ISIC code)						
Advertising, marketing, etc	12.92	9	Based on average emissions for type of corporate clothing and merchandise purchased	Collect data from suppliers and incorporate product life-cycle analysis in procurement of merchandise	Manufacture of beverages Natural and synthetic fibre production	GHG emissions Non-GHG air pollutants Soil pollution Solid waste Water pollutants Water use
Data processing, hosting and related activities; web portals	0.0	7	Emissions certificate from supplier	Ongoing engagement with supplier	Infrastructure holdings	Non-GHG air pollutants Soil pollution Solid waste Water pollutants Water use

Computer programming, consultancy and related activities	No information available yet	21	To be determined	Collect data from suppliers	Infrastructure holdings	Non-GHG air pollutants Soil pollution Solid waste Water pollutants Water use
Accounting, bookkeeping and auditing activities; tax consultancy		17				
Management consultancy activities		13				
Legal activities		4				
Activities of employment placement agencies		3				
Insurance		2				
Other financial service activities, except insurance and pension funding activities	No information available yet	6	To be determined	Collect data from suppliers	Financial services	Solid waste
Total	161.4	83.5				
Average number of full time equivalent employee for year		101.08	1.7 tCO ₂ e			

Exclusions for Upstream Scope 3 activities:

Fuel and energy related activities as Oxbury does not have any activities not accounted for by Scope 2.

Upstream transportation and distribution as Oxbury's purchased goods constitute a small percentage of the Bank's total procurement and for capital goods was assumed to be included in the lifecycle embedded carbon footprint of office furniture and equipment.

Purchased goods and services included in the Scope 3 assessment were determined based on a financial spend analysis to identify material categories of suppliers. For 2022, only two categories were included to calculate the carbon footprint of the organisation based on information available from the suppliers or derived from goods purchased. The aim is to expand this process to other areas of the supply chain in 2023 and including at least one additional category. In addition, the supplier due diligence process will be reviewed in 2023 to collect carbon emission information from targeted suppliers.

Purchased goods and services were also assessed in terms of the SBTN Materiality Screening tool to identify the production processes involved and potential impact of those processes on the natural environment. These will have to be confirmed for specific suppliers based on actual operations and will be prioritised based on the financial spend analysis. The majority are considered infrastructure holding entities using the materiality screening tool which may not be the case and therefore the impacts will be subject to change.