



# Oxbury Bank Plc 2023 Natural Capital Report

Including TCFD and TNFD disclosures

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## Glossary

<b>Acronym</b>	<b>Definition</b>
CCRO	Chief Customer and Regulatory Officer
DEFRA	Department for Environment, Food and Rural Affairs
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FLAG	Forest, Land and Agriculture Guidance
FSB	Financial Stability Board
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
MSA	Mean Species Abundance
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
STAR	Species Threat Abatement and Restoration
TCFD	Taskforce on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-Related Financial Disclosures
TPT	Transition Plans Taskforce
UK	United Kingdom

## Key metrics

### Financial

£ **1.876**m

2023 Profit

£(**643**k)

2022 Profit

£ **606**m

2023 Loans and  
Advances to Customers

£ **349**m

2022 Loans and Advances to  
Customers

**19%**

2023 Adequacy Ratio

**19%**

2022 Adequacy Ratio

**28%**

2023 Transition finance  
as % of loan book

**22%**

2022 Transition finance  
as % of loan book

### Planet

**320.2**

2023 Oxbury emissions  
(tCO<sub>2</sub>e)

**160.1**

2022 Oxbury emissions  
(tCO<sub>2</sub>e)

**1,826**

2023 Carbon offsets  
(tCO<sub>2</sub>e)

**1,828**

2022 Carbon offsets  
(tCO<sub>2</sub>e)

**26,000**

Trees planted since  
inception

**15**ha

Ecosystem restored

**848,454**

2023 Financed emissions  
(tCO<sub>2</sub>e)

**533,138**

2023 Financed emissions  
(tCO<sub>2</sub>e)

## Natural capital and the financial sector

### Background

Our 2023 Natural Capital report is published within the context of a rapidly changing regulatory and disclosure context as awareness of the risks posed to the financial sector by climate and biodiversity change and the demand for credible information continues to grow. The current regulatory landscape is a product of events and policies over the past three decades. In the run-up to the 1992 Earth Summit the importance of private finance in sustainability was recognised with the launch of the United Nations Environmental Programme (UNEP) Statement by Banks on the Environment and Sustainable Development which created the UNEP Finance Initiative in partnership with 13 founding members. Once institutions started describing their social and environmental impact, the need for consistent disclosure standards became apparent which was addressed by the founding of the Global Reporting Initiative in 2000. By 2011, 175 institutions were using the financial sector guidance to voluntarily report annually on their progress.

In June 2003, the Equator Principles which currently include 128 signatories globally were developed to encourage the consideration of environmental and social impacts in project finance. This was followed shortly thereafter by the launch of the

Principles for Responsible Investment aimed mainly at asset managers, institutional investors and insurance companies to encourage the incorporation of social and environmental considerations in investment decisions.

Following the publication of the Stern Review on the Economics of Climate change in 2006, climate change and associated topics including the need for decarbonisation, renewable energy and biodiversity loss came to the fore in the financial sector, but in the short-term the financial crisis focused attention on the stability and social impact of the sector. In 2009, the Financial Stability Board (FSB) was founded and endorsed by the Heads of State of the G20.

### Taskforce on Climate-related Financial Disclosures (TCFD)

The launch of the Sustainable Development Goals (SDGs) and signing of the Paris Agreement in 2015, provided renewed impetus to incorporate natural capital in financial decision-making as private finance was once again identified as instrumental to achieving the outcomes sought by these initiatives. During the same year, Mark Carney, then Governor of the Bank of England, highlighted the fact that the potential impacts of climate change exceed the time horizon of most role players in the financial sector and will become a defining issue for future financial stability.

The FSB created the Taskforce on Climate-related Financial Disclosures (TCFD) that in 2017 released the TCFD disclosures

recommendations designed to help companies provide better information to support market transparency and more informed capital allocation. The disclosure recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.

In the UK, the Prudential Regulation Authority (PRA) set out its expectations with regards to climate risk disclosures in Supervisory Statement 3/19 (SS3/19) which includes an expectation that affected institutions should engage with the TCFD initiative. Additionally, the Financial Conduct Authority (FCA) introduced rules that from December 2020 required specific companies to disclose in terms of TCFD.

By 2023, the TCFD identified nearly 5,000 entities globally reporting in terms of the recommendations which increased annually since the publication of the TCFD, but it raised concerns regarding the fact that only 4% of companies reported against all 11 of the required disclosures. The availability of information and data was identified as the top challenge for those disclosing.

The TCFD's nearly exclusive focus on risks to and impacts on the business of the disclosing entity has subsequently been criticised and the need to extend the original disclosures to cover impacts and dependencies on the environment. The Trustees of the IFRS

Foundation announced the formation of the International Sustainability Standards Board (ISSB) in November 2021 which absorbed the TCFD at the end of 2023 following the publication of the International Financial Reporting Standards S2 Climate-related Disclosures (IFRS S2). Although IFRS S2 addressed some of the concerns related to the original TCFD recommendations, it remains a single materiality framework focused on financial materiality. Consultation on the local adoption of IFRS S2 is currently ongoing in the UK.

#### Taskforce on Nature-related Financial Disclosures (TNFD)

The publication of the TCFD disclosure recommendations, combined with a visible increase in extreme weather events, focused attention on the interconnectedness of climate and biodiversity and ecosystems. The scale of some extreme events has been directly connected to the existing state of local habitats and ecosystems which either contributed to or ameliorated the effects of these events.

The Taskforce on Nature-related Financial Disclosures (TNFD) was founded in 2020 as a voluntary initiative, to develop a framework to enable organisations to understand and disclose their nature related impacts, dependencies, risks and opportunities. The final recommendations were launched in September 2023 following

extensive consultation based on three beta versions available for piloting and review.

While the overall structure of the TNFD recommendations follow the same thematic areas as TCFD, additional core disclosures and metrics were added. Nine specific sector guidance documents were launched in draft for further consultation and will be finalised in 2024.

At the time of publication, 320 companies globally had voluntarily adopted the TNFD with an intention to disclose between 2024 and 2025.

### Transition Plan Taskforce

In 2021, the UK government announced its intention to become the world's first net-zero aligned Financial Centre and that it would launch the Transition Plan Taskforce (TPT) with the mission to produce a gold standard Disclosure Framework for transition plans<sup>1</sup>. Oxbury contributed its specific insights to the TPT Food & Beverage Working Group which developed the Food and Beverage Sector Disclosure Framework guidance for the Taskforce in 2023. The final TPT disclosure framework was launched in October 2023.

The FCA has announced that listed companies and financial firms will have to disclose in terms of the TPT standards for financial years 2024 and onward.

### Oxbury's approach to natural capital disclosure

We define natural capital in terms of four interdependent dimensions recognising that climate change is exacerbating pressure on these, and that actions to adapt or mitigate climate change may affect more than one dimension simultaneously namely:

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

We use 3 specific criteria namely resilience, risk mitigation and reporting to guide our assessment of the significance of natural capital-related risks, opportunities, dependencies and impacts and inform our strategic choices and have applied these to our decisions regarding disclosure. Recognising that our business model is focused on servicing the rural economy through financial products and enabled by our bespoke technology, the natural

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<sup>1</sup> Transition Plan Taskforce Disclosure Framework. October 2023.



capital managed by our customers is integral to the market within which we operate.

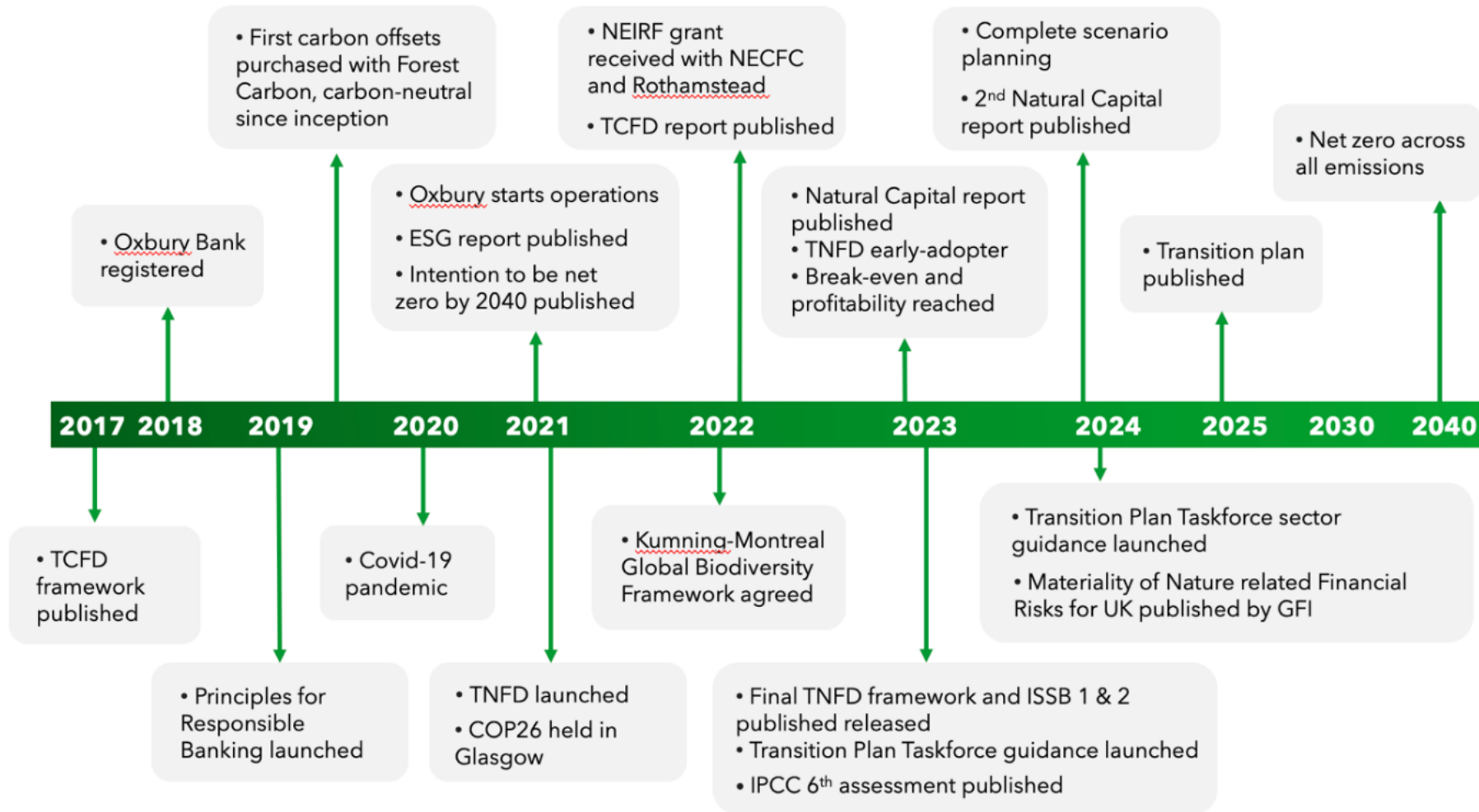
The regulatory environment and disclosure requirements that apply are firstly determined by the structure, size and location of the organisation which is a privately owned company with its head office located in Chester and currently operating only in Great Britain.

We published our first stand-alone TCFD report in 2022 to align to our first year of business in 2021, thus becoming one of the first of the new generation of fintechs to formally disclose.

Given our integrated definition of natural capital, it was a logical choice for us to become an early-adopter of TNFD on a voluntary basis, thus putting ourselves in a position to be at the forefront of developing the methodologies, metrics and processes associated with nature-based disclosures. Oxbury became the only UK headquartered group to have published a formal disclosure with the publication of our inaugural Natural Capital report in 2023 which combined our TCFD and TNFD disclosures.

We intend to meet the proposed target dates for publication of our transition plan in 2024 for reporting in 2025 in line with the TPT framework.

**Figure 1: Our journey towards a net zero, climate positive future**



## Chairman's statement

Oxbury's 2023 Natural Capital Report allows the Board to report on specific progress made with regards to one of the pillars within our broader approach to responsible impact, namely: the planet and to inform stakeholders of the risks, opportunities, impacts and dependencies posed by climate and nature change to Oxbury.

Since the publication of our inaugural 2022 Natural Capital Report, we have made general and specific progress in:

- Assessing tools and establishing a clear methodology to determine location and natural capital risks, opportunities, impacts and dependencies at customer level which we describe in relation for our 20 largest exposures in this report;
- Establishing at farm level the specific information to be collected to support our net zero by 2040 commitment;
- Considering the ability to derive meaningful information from various possible scenario planning tools;
- Providing natural capital training to all our employees based on a curriculum developed to reflect Oxbury's specific context;

- Understanding the scope of UK emissions disclosure and the applicability of the UK Carbon Budget to developing a credible transition plan;
- Interpreting ongoing developments in the regulatory landscape to determine potential impacts on Oxbury and its customers;
- Evaluating a large number of tools and information sources on nature-related indicators to identify options that could be applied cost-effectively both at farm-level and portfolio level to inform decision-making; and
- Ongoing industry engagements, both the financial and agricultural sector, to share and contribute knowledge.

In 2023 the proportion of our loan book associated with transition finance increased by 25% to 28% of our total lending which include examples like:

- Currently providing tailored financing through our distribution partners to farmers producing the local, low-carbon beef sold by two major retailers in the UK;
- Being financing partner for a collaboration between a local farmers co-operative and a large multinational buyer who are supporting the farmers to transition to regenerative practices; and

- Providing financing for various renewable energy projects including solar and anaerobic digesters.

In 2024 we will make progress in the following areas to enhance alignment to the frameworks:

- Scenario planning and stress testing;
- Transition planning; and
- Identification and setting of metrics and targets.

Oxbury's approach to natural capital is based on the principle of double materiality and considers both the organisation's impact on the dimensions through its activities and funding, in addition to its dependence on each one. As a financial services business with its head office based in Chester, we have 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 customers and investors committing funds to the rural economy expect us to consider the potential impact of these funds on the natural environment through our customers' activities.

The Board is engaged in ongoing learning and knowledge gathering, including with Senior Management, Regulators and external experts, to ensure it has the necessary capabilities to

support the organisation's long-term strategy with regard to natural capital. We support the ongoing contribution of our colleagues to various industry initiatives related to natural capital. The Board will also strive to oversee continuing improvement in the quality of disclosures in line with stakeholder and regulator expectations.

Oxbury is improving its understanding of the metrics and baselines of both its internal operations and financed emissions. This reporting period saw the incorporation of the TNFD core indicators and it remains our 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. During 2024 the focus will be on the development of scenario-planning, stress testing and preparation to publish our transition plan in 2025.

Oxbury, as a responsible corporate citizen, is accountable for the impact of its own activities on the planet. In 2023, our carbon footprint increased to 320 tCO<sub>2</sub>e from 160 tCO<sub>2</sub>e in 2022. This was due to a combination of the expansion of our business both in number of employees and office space as well as the inclusion of more elements in our carbon footprint.

Since inception we have offset our operational emissions and will maintain our carbon neutral position as we grow. We continue to

not only offset Oxbury's operational carbon emissions annually, but also an additional 10 tCO<sub>2</sub>e per employee to partially offset their personal emissions. In 2023, Oxbury purchased 1,825.7 tCO<sub>2</sub>e offset units to mitigate the impact of 1,790 tCO<sub>2</sub>e including the total employee footprints from Forest Carbon. Since 2019 this has resulted in the planting of more than 26,000 trees and contributed to the restoration of 15 hectares of ecosystems.

In 2023, the emissions intensity of our financed emissions decreased by 8% (our total financed emissions increased from 533,138 in 2022 to 848,454 tCO<sub>2</sub>e in 2023, but the 60% increase was less than the 73% increase in our loan book over the same period).

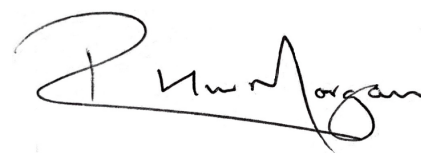
We would like to thank all our customers who entrust their savings to us to make an impact on the agricultural sector and the farmers and other customers who are undertaking the work on a daily basis to create a low-emissions, more resilient and nature-positive sector.

The Board continue to offer commitment and constructive engagement and oversight on all matters related to our 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 organisation.

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](mailto:ClimateRisk@oxbury.com).

As the Oxbury Board, we acknowledge our responsibility for the 2023 Natural Capital Report and confirm that we believe that the report fairly represents the performance Oxbury during the reporting period.

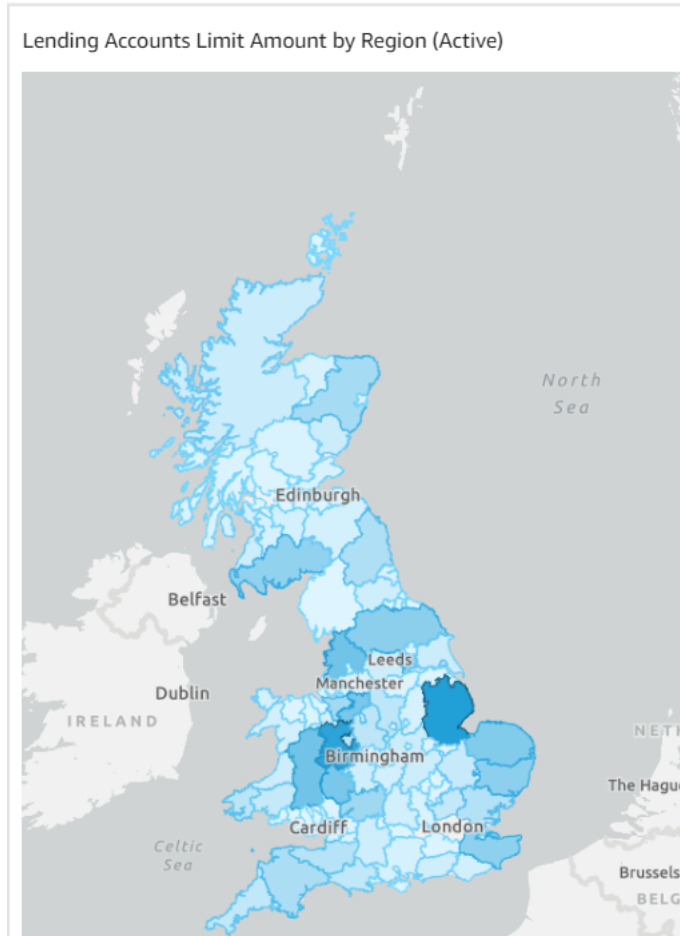


R. HUW MORGAN

INDEPENDENT NON-EXECUTIVE CHAIR

DATE: 25 June 2024

**Figure 2: Oxbury area of operations reflecting active lending accounts limit amount by region**



**Table 1: Composition of loan book**

Tenor*	Loans and advances to customers as at 31 December 2023 (GBP '000)	% of loan book	Loans and advances to customers as at 31 December 2022 (GBP '000)	% of loan book
<b>Immediate</b>	10,722	2	11,865	3
<b>Short-term</b>	54,658	9	38,072	11
<b>Medium-term</b>	83,125	14	51,950	15
<b>Long term</b>	457,740	75	247,645	71
<b>Total</b>	606,245	100	349,532	100

\* Please refer to page 53 for a definition of the time scales used

## The importance of natural capital to Oxbury's strategy

The natural environment enables our customers to produce and trade food and other nature-derived products that enables them to prosper and contribute to wider society, thereby allowing Oxbury 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.

### Climate change

Oxbury affirms the conclusion of the Intergovernmental Panel on Climate Change (IPCC) that “it is unequivocal that human influence

<sup>2</sup> 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.

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”<sup>2</sup>.

Agriculture is responsible for around 10% of the UK’s territorial greenhouse gas emissions, primarily as a result of emissions of nitrous oxide from fertilisers and biogenic methane from livestock. In 2021, the most recent year for which data is available, territorial agriculture and associated land use emissions in the UK were<sup>3</sup>:

**Table 2: Territorial agricultural and related land use emissions**

GHG Source	2011 MtCO <sub>2</sub> e	2021 MtCO <sub>2</sub> e
Agriculture: carbon dioxide	5.8	6.5
Agriculture: methane	28.0	27.9
Agriculture: nitrous oxide	13.9	13.6
Forest land	-18.7	-17.6
Cropland	13.8	13.3
Grassland	1.1	0.3
Wetlands	3.0	3.0
<b>Net emissions</b>	<b>46.9</b>	<b>47.0</b>

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.

<sup>3</sup> Department for Energy Security and Net Zero. 30 March 2023. *Final UK greenhouse gas emissions national statistics 1990-2021*

While agricultural emissions have declined by 12% since 1990, the rate of change has stabilised and net emissions have not changed materially in the past decade. This poses a significant challenge to the sector as it is necessary to decrease net emissions to 40 MtCO<sub>2e</sub> by 2035 and 16 MtCO<sub>2e</sub> by 2050 in accordance with the 6<sup>th</sup> UK Carbon Budget Balanced Net Zero Pathway<sup>4</sup> which describes the UK's route to net zero in fulfilment of the Climate Change Act. Not all the reductions are the direct responsibility of the agricultural sector with, for instance, a 50% reduction in food waste targeted, but urgent sectoral action is required.

Agricultural activities are already affected by climate and nature physical risks, both acute and chronic. Nature risks are defined as those risks to an organisation that stem from the degradation of nature. It is assumed that physical risks will continue to intensify over the short- to medium-term although their form may differ between regions and sub-sectors. Certain physical risks like coastal flooding will materialise over the long-term but are already considered where relevant during loan due diligence.

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<sup>4</sup> Climate Change Committee. 9 December 2020. The Sixth Carbon Budget Agriculture and land use, land use change and forestry.

We believe that farmers who invest in farming practices that strengthen their ability to withstand chronic and acute physical risks will be able to take advantage of opportunities afforded by the transition to a low-carbon economy and will represent a more attractive customer segment 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 are becoming an important consideration 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.

### **Biodiversity loss**

The Food and Agricultural Organisation (FAO) 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.”<sup>5</sup> 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. It is estimated that up to 15% of agricultural output in the UK could be at risk in future due to nature-related physical risks<sup>6</sup>. While multiple factors including climate change are contributing to the decline in biodiversity, farming practices have been a major 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 is able to also contribute to improved biodiversity through specific farming practices, some of which are being supported by DEFRA in England and in the Devolved Administrations in Scotland, Wales and Northern Ireland through new grant schemes.

Our first steps towards improving our understanding of the impact of biodiversity loss on our customers has been to recognise the

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<sup>5</sup> 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.

interdependent nature of the dimensions of natural capital. During 2023, we focused on identifying the data and sources needed to inform decision-making, monitoring, metrics and targets through targeted pilot projects. Some of the outcomes related to measuring the impact of customer operations on habitats are presented on page 20.

### **Natural capital opportunities**

The UK government has developed a range of policies, frameworks and strategies to enable the transition to a low-carbon economy and address nature loss across England and the Devolved Authorities. Many of the planned activities and projects will inevitably have to take place on the 70% of land currently controlled by farmers, thus creating opportunities for the sector to participate in the investments identified for implementation.

Private investment will be crucial to delivering net zero, building climate resilience and supporting nature’s recovery. The Green Finance Strategy published in 2023 by the UK government estimates that to deliver on the UK’s net zero ambitions, through

<sup>6</sup> Green Finance Institute. 2023. Assessing the Materiality of Nature-Related Financial Risks for the UK: 7.

the late 2020s and 2030s, an additional £50-60 billion capital investment will be required each year. Most investments envisaged in the report are aimed at the energy sector developing sources of and enabling the distribution of renewable energy, as well as the decarbonisation of the transport sector.

The publication of the Green Investment Strategy was accompanied by the Nature Markets Framework in which the government has set the additional ambitious target to grow annual private investment in nature by at least £500 million by 2027, rising to over £1 billion by 2030. Unavoidably most of these nature investments will occur on agricultural land and farmers are likely to require external finance to take advantage of these opportunities. Oxbury's understanding of the natural capital context will enable it to provide appropriate funding to such farmers.

In addition to the above policies, the 6<sup>th</sup> UK Carbon Budget's Balanced Net Zero Pathway identified that transition finance is needed by the agricultural sector in the form of £1.6 billion in capital investment by 2030 with a further £627 million by 2035 to

fund new machinery, improve efficiencies in crop and livestock yields and reduce farm emissions.

The agricultural sector is in a unique position compared to other economic sectors as it is also 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. While methodologies to assess the volume of carbon stored by trees and peatlands are well-known and incorporated in inventory assessments, similar methodologies and quantification of soil carbon storage are still in early stages of development. The importance on soil carbon storage on UK farms is emphasised by a recent study from the Republic of Ireland which showed that soil carbon made up 96% of all carbon stored on the seven study farms<sup>7</sup>. We describe our case study to assess soil carbon stored on page 20.

In terms of carbon removal through nature, the 6<sup>th</sup> UK Carbon Budget's Balanced Net Zero Pathway identified opportunities through the planting of woodlands, hedgerows and restoration of

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<sup>7</sup> Gilliland, J and P Casement. August 2023. ArcZero Accelerating farming towards carbon neutrality.

peatland valued at £3.7 billion by 2030 and nearly £4 billion additionally between 2031 and 2035 based on current grant allocations.

Biodiversity Net Gain (BNG) became mandatory for property developments in 2023 and the market is expected to be worth £135 - £274 million annually according to Natural England, but the scale of opportunity for farmers to meet the demand is still being established. While developers are expected to be able to create the required biodiversity uplift on smaller developments, large greenfield projects may have to rely on entering into agreements with farmers to develop and maintain the required biodiversity uplift on their farmland.

Additionally, long-term climate shifts as well as market and technology innovations to create a low-carbon economy may create site specific opportunities for individual farmers. Opportunities related to changing weather patterns are illustrated by the recent growth in the UK wine industry with the 3,928 hectares now under vine representing a 74% increase in area from

2018 due to ongoing investments by wine makers in search of relatively cooler areas to future-proof the global industry. From a consumer demand and related supply-chain changes perspective, recent shifts have created the opportunity for Oxbury, using its distribution partners, to provide tailored-lending financing for farmers producing the local, low-carbon beef sold by two major retailers in the UK.

### **Integrating our strategic approach to natural capital**

Oxbury recognises the importance of integrating the opportunities presented by the transition to a low-carbon, nature positive economy for our customers with a responsible risk response. Combining our technological abilities with our considerable and diverse skills and knowledge, allows Oxbury to take a leading role in developing the metrics and methodologies to integrate climate and nature considerations into credit models, both in the financial and rural economy sectors. In the next section of the report, we demonstrate this integrated approach through specific projects which we undertook since 2023.

## **Applying our capabilities to locate and assess natural capital assets**

We believe that appropriate knowledge of the role of ecosystems and natural capital enables customers to undertake farming practices that will enable them to adapt and create resilience in a volatile world. As a leader in adopting TNFD for voluntary disclosure, we have used our deep knowledge of the UK agricultural sector to undertake specific pilot projects in 2023 to inform our selection and interpretation of biodiversity indicators, location-specific information, and guide our selection of further projects to expand our capabilities.

In the first project we identified a number of tools to assess emissions both at farm and land use level which creates a foundation for our overall net zero strategy as an organisation. We then identified our 20 largest term loan exposures as at 31 December 2023 and used a combination of tools and public databases to locate and evaluate these customers which is detailed in the further case study on page 26.

## **Case study: On farm carbon emissions and sequestration**

### **Background**

The presence of soil organic matter is associated with improved water infiltration and retention of soils thus reducing both flood and drought risk. Soil also represents a global carbon store which has been hard and expensive to quantify to date at farm level. Oxbury believes that customers who invest in farming practices that build soil health including carbon will be better able to navigate physical risks in future.

In addition, many UK businesses have published Net Zero targets to comply with the Climate Change Act. Their targets cover so-called Scope 3 emissions which are within their supply chain, but not directly controlled by the business. Many farmers who supply produce to food processors and retailers have recently been asked to provide information on their carbon emissions and storage which can be quite onerous to do. As these demands increase, Oxbury believes that farmers who have prepared baselines and are able to plan to reduce emissions and increase carbon stored, will be better prepared to respond to such demands and in time take advantage of better prices or choose buyers based on their implementation.

In 2023 Oxbury facilitated a case study which combined all the elements needed to create a complete view of both emissions and carbon storage on-farm. We identified partners to deliver the various components required and combined the outcomes to represent a complete outcome for the case.

The case study was undertaken on a commercial cereal farm in the Chilterns focusing mainly on a winter wheat, spring barley and oilseed rape rotation across nearly 400 hectares focused on crop yields as well as cost management. Farming practices have been adapted over the years to improve effectiveness which include minimal tillage to limit soil disturbance, keeping straw on-field to cover the bare soil and now cover crops.

### **Farm map**

The project started with creating a map of the home farm which provided a variety of base data layers showing the location of the farm within the London Greenbelt, with more than 2 kilometres of public footpaths and 2.1 hectares of ancient woodland.

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<sup>8</sup> SAC Consulting conducted a carbon footprint with the Agrecalc carbon calculator at the end of 2023 using the Future Farming Resilience Fund provided by DEFRA to cover the costs.

### **On-farm emissions**

A carbon footprint tool that can provide results at a whole farm, enterprise and product level aligned to the 2019 IPCC GHG accounting methodology was selected<sup>8</sup>. The carbon footprint highlighted some expected areas of large emissions in an arable business including diesel, but fertiliser accounts for 84% of emissions in the business. This has immediately highlighted the main area where the operation can focus their attention to assess options to reduce the farm emissions. Total emissions on the home farm equated to approximately 270 tCO<sub>2</sub>e in 2023.

Fortunately for baselining purposes, they had previously completed a similar footprint themselves in 2021 which could then be used to establish a baseline of 320 tCO<sub>2</sub>e. Emissions per hectare has declined from 2.786 kgCO<sub>2</sub>e to 2.115 kgCO<sub>2</sub>e over the three-year period. The 2021 footprint will serve as a baseline for emissions against which future progress can be assessed.

## Carbon stored

The carbon footprint also included the approximately 75 tCO<sub>2</sub>e stored by trees including ancient woodland on farm.

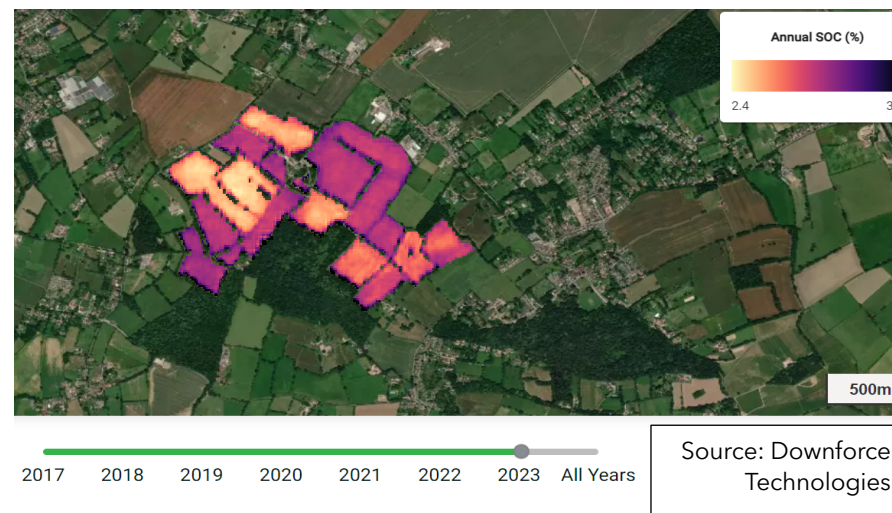
To obtain a complete inventory of carbon stored on-farm a soil carbon assessment was undertaken. The process is done completely remotely using satellite imagery combined with weather and soil information to model changes in soil carbon stored at a depth of 30 centimetres. The satellite imagery, rainfall and temperature information are collected every 10 days and average soil carbon determined at 10 x10 metre resolution.

This enables us to assess how soil carbon levels changed on the farm since 2017 and consider how annual weather changes and crop rotations affect the process. During a wet year, more carbon is stored compared to a dry year and certain crops deplete soil carbon more than others. The home farm has a current stock of between 8,000 and 9,000 tons of soil carbon stored across 100 hectares equating to nearly 29,000 tCO<sub>2</sub>e.

However, the crucial information from a supply-chain perspective is the change in the soil carbon stock on an annual basis. During the dry year of 2022, they stored 670 tCO<sub>2</sub>e less than 2021, but in the wet 2023, stored 1,962 tCO<sub>2</sub>e more than the previous year. In order to manage this annual variability, the Greenhouse Gas

Protocol Agricultural Guidance recommends at least a three-year base period to average the information.

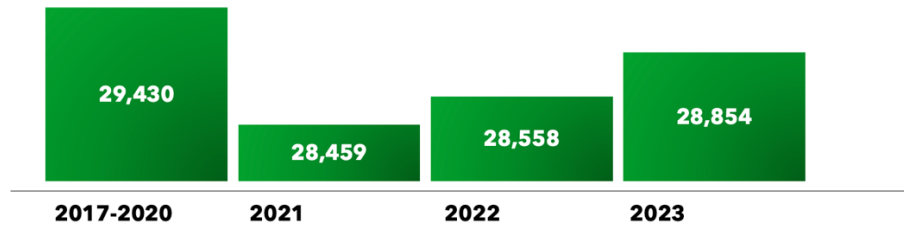
**Figure 3: 2023 Annual Soil Organic Carbon**



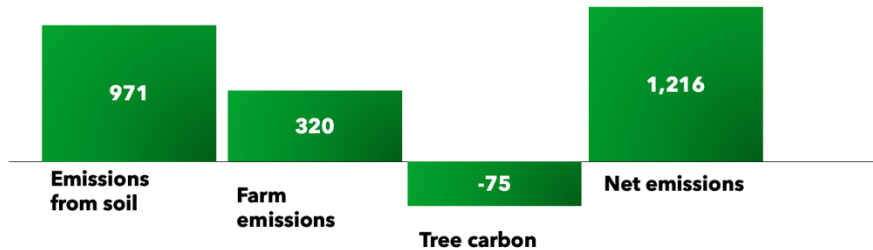
## Carbon status

Based solely on the 2023 emissions and carbon stored both in trees and soil, the operation was carbon negative for the year - 71 tCO<sub>2</sub>e more carbon was stored than emitted. But this does not reflect the longer-term position as overall soil carbon levels remain lower than the baseline period following the dry weather in 2022. While the farming operation stored more carbon than emitted in 2023, the total soil carbon stock is still below the baseline by 505 tons which would have to be improved over time to achieve net zero.

**Figure 4: Change in on-farm soil carbon stock compared to baseline (Carbon Stock on farm tCO<sub>2</sub>e)**



**Figure 5: 2021 baseline including farm and land use emissions and storage**



**Figure 6: 2023 carbon negative performance**



## Conclusion

The study was a two part process, firstly to undertake a carbon footprint to establish the total emissions from farm operations. Revealingly, but in common with many arable enterprises, the operation discovered that more than 80% of their footprint is embedded in fertiliser which incorporates both the production of the fertiliser, transport to farm and on-farm use. Secondly, remote sensing information incorporating spectral imagery technology was used to establish the carbon stored in the soil across each field and across multiple years to capture the intra-seasonal changes in weather, cropping rotation and cultivation practices.

The overall conclusion of the results showed that once the carbon stored in the soil is deducted from the carbon emissions from the farming activity, the farming operation is closer to net zero than it had previously imagined and had the scientific data to back that conclusion up. While not simple, the clear path towards net zero - based around more precise applications of inorganic fertiliser and potentially the introduction of livestock manures and the use of organic nitrogen could all play a part in achieving that target.

From Oxbury's perspective, this case study illustrates both the opportunities for farmers to implement climate action on-farm while highlighting the need to understand methodologies and

metrics at a detailed level to use and communicate the information in a meaningful way. The case study allowed us to gain an appreciation of the variability of soil carbon as a proxy indicator for soil health and the need to invest in further studies to assess the replicability at portfolio level. While we focused on the net zero position at farm-level in this case study, we considered the applicability of the methodology with regards to our overall approach to reach net zero in future.

This innovative collaborative research with customers will enable farm businesses to better understand the impact of different farming practices on the natural environment and long-term farm productivity and will support farm businesses to better plan for reducing emissions and increasing carbon stored as the sector transitions to a low-carbon economy.

We appreciate the support we received from Richard and Henry Percy, Agrecalc, Downforce Technologies, The LandApp and SAC Consulting to undertake the case study.

## **Soil carbon and Oxbury's net zero commitment**

### **Our net zero target**

Oxbury remains committed to being net zero across all emissions, including financed emissions, by 2040 recognising that the achievement of both our own and the wider industry commitment depends on a large number of stakeholders working together to make the necessary progress over the next decade. Like most other financial institutions, financed emissions make up by far the largest share of our commitment. In 2023, 99% of our emissions were related to our customer activities within the definition of Scope 3: Category 15 Investments.

We follow best-practice guidance from the Greenhouse Gas Protocol Corporate Value Chain Accounting Standard including not only our customers' Scope 1 and 2 emissions, but also customer upstream and downstream Scope 3 emissions. This is a factor of the nature of the agricultural intensity factors used for farm carbon models and footprints. Our financed emissions are therefore not comparable with most other versions in the financial sector which limit the calculation to Scope 1 and 2 of their customer emissions.



## **Science Based Targets Initiative (SBTI)**

The SBTI was set up as a voluntary organisation to assist companies to develop credible net zero target aligned to the Paris agreement and validate these targets. As part of its work, the SBTI has developed a range of sector-specific guidance taking into consideration to structure of economic sectors and in 2022 it published its Forestry, Land and Agriculture Guidance (FLAG). Companies are required to set FLAG targets when forestry, land or agricultural activities contribute 20% or more to their emissions across any scope.

The FLAG guidance recognises that these sectors are different in that they not only emit emissions, but also store carbon through biological processes in nature. Companies who set FLAG targets are expected to set a target to reduce non-FLAG emissions (our operational emissions), a second target to reduce FLAG emissions (our customers' emissions) and a third target to store carbon. Very few organisations have set FLAG targets to date and we will be a rare financial institution within that group when we finalise our targets. Our financed emissions methodology is discussed in detail on page 54.

## **The role of the case study**

This case study where we have collected emissions, combined with carbon stored on farm is a foundation stone in our development of a FLAG target. Net zero targets use a baseline which is ordinarily a single year's emissions, but due to the volatility in soil carbon stored as illustrated by the case study, the Greenhouse Gas Protocol recommends using a minimum 3-year baseline which adds another extraordinary dimension to any target that we develop.

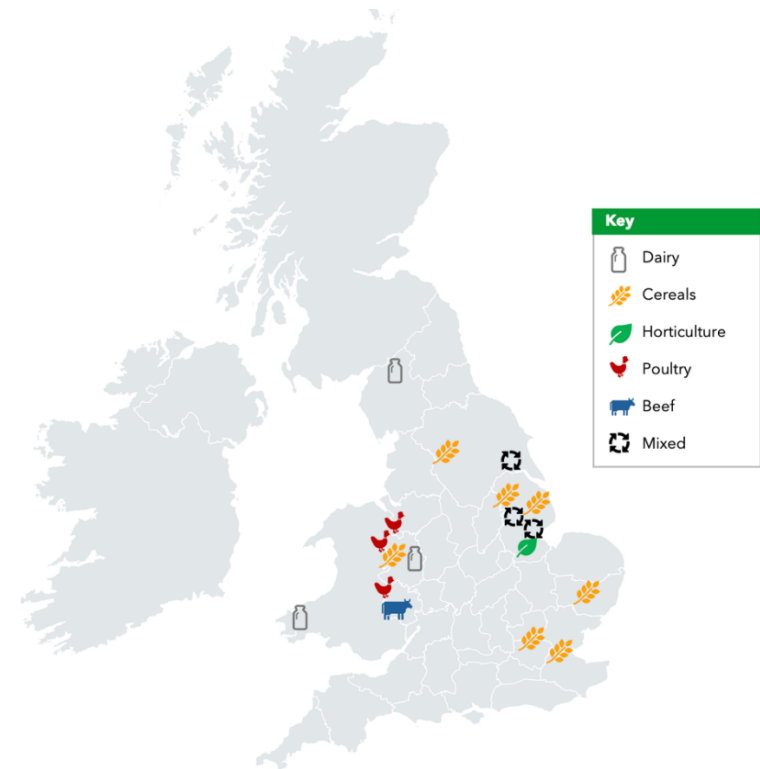
We will continue to enhance our understanding of the elements that contribute to our net zero target. Our focus is on balancing the need for accurate on-farm data with modelled information and finding cost-effective methods to collect the necessary data to provide stakeholders with reliable and credible information on progress against our net zero target.

### Case study: Location and evaluation of our largest exposures

Currently Oxbury operates solely in the United Kingdom which limits the geographic boundaries of its financed assets. During 2023 we launched a pilot project to assess the natural capital information that could be available at geolocated areas by mapping our 20 largest term loan exposures. These loan exposures comprised 26% of our loan book at the end of 2023 and include locations in England, Scotland and Wales. The businesses represent our material value-chains including cereals, horticulture, dairy, poultry and beef.

They comprise a total area of 10,389 hectares of which land use information was available for 9,453 hectares. In terms of sensitive locations, the sites are located across a range of designations described in Table 3. Some of our customers are responsible for maintaining historical artefacts on their farms including scheduled monuments and ancient woodland.

Figure 7: Location of Oxbury's largest term loan exposures



**Table 3: Customer exposure to nature sensitive areas**

<b>Designation</b>	<b>Ancient woodland</b>	<b>Areas of Outstanding Natural Beauty</b>	<b>Sites of Special Scientific Interest</b>	<b>Scheduled monuments</b>	<b>National Parks</b>	<b>Greenbelt</b>	<b>England Peat Status</b>	<b>Nitrate Vulnerable Zones</b>
<b>Hectares</b>	121	423	71	33	226	1,075	489	8,065
<b>Number of customers</b>	10	4	3	6	2	3	6	16

Specific land use information is available for 15 of the identified 20 largest exposure customers covering 9,453 hectares. This analysis is based on a combination of public data from the UK Habitat Classification and Rural Payments Agency and has not been verified on-farm. Designations and certain land uses like orchards, woodland and ponds are unlikely to change over the short-term and the locations are therefore reliable. We will continue to expand our capability to combine on-farm and public data to enhance our existing understanding of arable and permanent grassland locations.

**Table 4: Customer land use**

<b>Land use</b>	<b>Arable</b>	<b>Orchards</b>	<b>Permanent grasslands</b>	<b>Natural Woodland</b>	<b>Woodland</b>	<b>Ponds</b>
<b>Area</b>	6,418	310	1,350	151	262	22
<b>% of area</b>	68	10	14	2	3	0

These farms are traversed by nearly 80 kilometres of public access ways, footpaths providing recreational and wellbeing opportunities to the general public. In addition, more than 500 kilometres of hedgerows provide the means to connect dispersed natural environments and provide shelter and food for a variety of species. We estimate that approximately 2,500 tCO<sub>2</sub>e could be stored in the woodlands and orchards and an additional 400 tCO<sub>2</sub>e in the hedgerows on these farms.

## **Conclusion**

This project exemplifies Oxbury's ability to combine the sector-specific knowledge, natural capital experience and technology embedded in its business model to enhance its understanding of customer locations. The project was used to establish key components that will form part of our ongoing strategic focus on natural capital as both an opportunity and risk for customers and the organisation itself.

## **Governance**

The TCFD framework requires the entity to describe the governance of climate risks, impacts and how the assessment of these risks is integrated in the overall risk management framework. Oxbury's governance structure and framework is discussed in our 2023 Annual Report and Accounts. This section therefore only focuses on the governance of natural capital matters which we have expanded to include our voluntary disclosures against the TNFD's framework integrating the governance of risks, opportunities, dependencies and impacts.

## Board and Board Committees

**Table 5: 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 met 10 times in 2023 and received Natural Capital related information at all meetings	<ul style="list-style-type: none"> <li>• Approve our approach to natural capital risk</li> <li>• Approve the Natural Capital Risk Policy</li> <li>• Consider climate and biodiversity risk impacts when assessing credit applications</li> <li>• Approve our risk appetite including limits for natural capital risk</li> <li>• Approve metrics and indicators to monitor climate risk performance and monitor ongoing progress</li> <li>• Approve the TCFD and TNFD statement</li> <li>• Consider the climate report and recommend appropriate actions to management</li> <li>• Oversees the identification and setting of metrics and targets related to natural capital-related risks and opportunities and ongoing monitoring of progress</li> </ul>	<ul style="list-style-type: none"> <li>• Approved Responsible Impact policy</li> <li>• Approved Natural Capital Risk Policy</li> <li>• Ensured natural capital matters were addressed in credit applications approved by Board</li> <li>• Received and reviewed monthly and quarterly natural capital reports from management</li> <li>• Approved inclusion of natural capital and environmental risk in Risk Management Framework</li> <li>• Approved Natural Capital Risk Appetite statements and metrics</li> </ul>
Board Audit Committee met 7 times in 2023 where Responsible Impact including Natural Capital is a standing item on the agenda	<ul style="list-style-type: none"> <li>• Review and recommend TCFD and TNFD disclosures to Board for approval</li> <li>• Review SECR disclosures in Annual Report and Accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed financial statements</li> <li>• Engaged with internal and external auditors including on matters related to natural capital risks</li> </ul>
Board Risk Committee meets quarterly and consider natural capital as part of credit applications (weekly meetings) as well as quarterly risk updates	<ul style="list-style-type: none"> <li>• Approve various credit policies which includes criteria for assessment of and portfolio management of climate and biodiversity risk</li> <li>• Consider climate and biodiversity risk impacts when assessing credit applications</li> <li>• Consider proposals in respect of the risk appetite including limits for natural capital risks</li> <li>• Consider and provide oversight of natural capital risk within the risk management framework</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed and approved the Credit Lending and Underwriting policy including updated guidance related to natural capital risks</li> <li>• Reviewed ICAAP to ensure natural capital risks included, as relevant</li> <li>• Ensured natural capital matters were addressed in credit application approved by Risk Committee</li> </ul>

Committee	Responsibilities for natural capital-related dependencies, impacts, risks and opportunities	Specific actions during the reporting period
Nomination Committee - the committee met 2 times in 2023	<ul style="list-style-type: none"> <li>Consider the skills, knowledge and experience related to natural capital risk of Board members during annual assessments and identification of potential new board members</li> </ul>	<ul style="list-style-type: none"> <li>Arranged Board training on ESG related matters from external service providers</li> </ul>
Executive Committee met weekly in 2023	<ul style="list-style-type: none"> <li>Review and recommend to the Board for approval the natural capital policies as well as proposed metrics and indicators to monitor climate risk performance</li> <li>Review and recommend TCFD and TNFD disclosures to Audit committee</li> </ul>	<ul style="list-style-type: none"> <li>Approved Carbon Literacy training programme for all employees to commence in 2023</li> <li>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 and received regular updates on these projects</li> <li>Approved the development of over-arching approach to agronomic and responsible impact information collection from customers to support loan due diligence and disclosure</li> <li>Received monthly updates on Natural Capital related matters</li> <li>Reviewed and approved the Oxbury operational carbon footprint and purchase of offsets to cover emissions</li> </ul>
Remuneration Committee met 4 times in 2023	<ul style="list-style-type: none"> <li>The Remuneration Committee approves pay policy on an annual basis and ensures that senior management has appropriate remuneration arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>At the current state of development of Oxbury, climate-related considerations are not factored directly into executive remuneration.</li> </ul>
<b>Executive sub-committees</b>		
Responsible Impact Committee meets every second month	<ul style="list-style-type: none"> <li>Review and recommend natural capital related developments and the wider positive impact of the company to the Executive Committee</li> </ul>	<ul style="list-style-type: none"> <li>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</li> </ul>

<b>Committee</b>	<b>Responsibilities for natural capital-related dependencies, impacts, risks and opportunities</b>	<b>Specific actions during the reporting period</b>
Product Governance Committee meets twice a month	<ul style="list-style-type: none"> <li>Consider natural capital risks, impacts and dependencies when products are developed and reviewed</li> <li>Review and approve products that support the transition to a low carbon, nature-positive economy</li> </ul>	<ul style="list-style-type: none"> <li>Updated all product templates expanding the ESG section to include natural capital risk as a consideration for all new products and all product reviews</li> <li>Reviewed and provided inputs on initial business cases for product proposals related to agroforestry, regenerative farming and biodiversity net gain.</li> </ul>
Credit Risk Committee meets twice weekly	<ul style="list-style-type: none"> <li>Assesses and approves loan applications and distributors incorporating natural capital risks and opportunities in the credit criteria and assessments</li> <li>Develops sub-sector industry profiles which include the impact and dependencies of natural capital risks</li> </ul>	<ul style="list-style-type: none"> <li>Implemented the updated Credit Lending and Underwriting policy which expanded the ESG assessment to include both risks and opportunities, and incorporated the wider natural capital lens, beyond climate and animal welfare</li> </ul>
Conduct and Organisational Risk Committee meets monthly	<ul style="list-style-type: none"> <li>During supplier onboarding and reviews, assesses the potential impact of natural capital risk events at supplier businesses on Oxbury's operations to assess operational resilience</li> </ul>	<ul style="list-style-type: none"> <li>Updated templates to enhance assessment of ESG risks including natural capital risks</li> <li>Approved suppliers related to Oxbury pilot projects, carbon footprints, and industry bodies</li> </ul>

## 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). He also managed the project with the North East Cotswold Farmer Cluster and acted as the 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 (CRO) 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. The CRO 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 (CFO) is the main contact with internal and external auditors on natural capital related queries. The CFO also provides input in natural capital risk assessments, policy updates and the inclusion of natural capital risk costs on the financial reporting.
- 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. She also compiles employee training material and reviews disclosure requirements. A Natural Capital Knowledge Specialist was appointed during 2023 to strengthen the function.

- Responsible Impact Committee: This Committee 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 risks as well as our people, principle and partnership pillars. The committee is chaired by the CCRO and members include the CFO, CRO, Head of Sustainable Banking, Money Laundering Reporting Officer, Head of Product and one Relationship Manager representative.



## Oxbury's approach to responsible impact and value chain engagement

In 2023 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. These pillars will also form the basis of our approach to a just transition.

We believe that integrating the four pillars of responsible impact into our corporate strategy, risk management approach, business processes and financial planning, while also strengthening our own as well as our customer and supplier resilience. Oxbury follows a stakeholder-inclusive approach to consider the legitimate interests of all parties affected by its activities. Our responsible impact activities contribute to the global objective of "peace and prosperity for all" embodied in the United Nations Sustainable

Development Goals (SDGs). The activities described in this report directly contribute to or impact a number of the SDGs including:



In 2023, we engaged with stakeholders across our value-chain on matters related to natural capital to identify areas of collaboration and enable beneficial outcomes. We communicated the progress we have made as early-adopter of TNFD through a number of events and interviews with the CCRO and Head of Sustainable Banking including a webinar hosted by the Green Finance Institute. We also became a member of the Green Finance Institute's UK Finance Institutions for Nature Group working to identify barriers to UK government ambitions on increasing private sector nature investment.

**Table 6: Value chain engagements**

Responsible Impact Pillar	People		Principle			Pillar	
	Stakeholder	Customers	Employees	Suppliers	Investors	Regulators	Business Enablers
Who they are	<p>More than 90% of lending customers are SMEs in the agricultural sector</p> <p>In 2023, financing was approved to 19 NewGen customers with average age of 31 years, of whom 3 are female</p>	<p>42% of employees are 30 years or younger of age (2022: 38%)</p> <p>80% of placements and graduates since inception of the programmes remain employed at Oxbury.</p>	<p>Suppliers provide:</p> <ul style="list-style-type: none"> <li>• Goods and services that enable Oxbury to operate including office and IT equipment, marketing merchandise, etc.</li> <li>• Professional services such as legal advice and auditing, IT software and risk services</li> </ul>	<p>Shareholders comprise a mix of farming interests, distributors, private equity, family offices and asset managers, Oxbury management and employees.</p>	<ul style="list-style-type: none"> <li>• Prudential Regulation Authority</li> <li>• Financial Conduct Authority</li> <li>• Information Commissioner's Office</li> <li>• Health and Safety Executive</li> <li>• Advertising Standards Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Distributors allows Oxbury to provide supply chain finance through 19 distribution partners where customers are able to use Oxbury financial products to buy inputs or livestock from these partners with invoices supporting loan disbursements in line with expenditure.</li> <li>• British Business Bank</li> </ul>	<ul style="list-style-type: none"> <li>• Agricultural sector organisations including farmer clusters and associations.</li> <li>• Carbon Literacy Trust</li> <li>• Future Food Movement</li> <li>• Bankers for Net Zero.</li> <li>• Forest Carbon</li> <li>• Transition Plan Taskforce</li> <li>• Innovate Finance Net Zero Working Group</li> <li>• Natural Environment Investment Readiness Fund (NEIRF)</li> <li>• The Country Trust</li> </ul>

<b>Responsible Impact Pillar</b>	<b>People</b>		<b>Principle</b>			<b>Pillar</b>	
<b>Stakeholder</b>	<b>Customers</b>	<b>Employees</b>	<b>Suppliers</b>	<b>Investors</b>	<b>Regulators</b>	<b>Business Enablers</b>	<b>Society</b>
Why they are important	Customers are central to Oxbury's strategy. Depositors enable us to provide financing to farmers and other participants in the rural economy. The produce of our lending customers feed the world.	The skills, experience, diversity and productivity of our employees enable Oxbury to meet its strategic objectives and deliver value to stakeholders	The goods and services provided by suppliers enable our operational activities across all functions.	Investors enable Oxbury to raise the capital required to meet regulatory requirements and operate as a licensed Bank.	Regulators ensure that trust is maintained in the financial sector on behalf of customers and therefore create the legal framework for Oxbury to operate as a licensed bank.	Providing finance within supply-chains reduces credit risk to Oxbury as the loans are used for a specific purpose. Distribution partners provide access to new customers.	The food sector and rural economy depends on partnerships and operates within a wider community context.
Our objective in terms of natural capital	Develop long-term relationships by understanding customer expectations to provide appropriate savings and lending products with high service levels by deploying our bespoke technology and deep sector understanding including natural capital risks and opportunities faced by customers	Provide an employee value proposition that attracts and retains top-class talent and skills by acting as a responsible corporate entity and embedding our approach to natural capital in our own operations	Obtain and maintain a quality and timeous supply of goods and services from suppliers who are aligned to our approach to natural capital and net zero aspirations.	Build trusted relationships based on sustained value creation for shareholders and investors taking into consideration investor expectations regarding emissions management and transition finance	Maintain a transparent, effective relationship and ensure compliance with all legal and regulatory requirements	Develop long-term relationships with distributions partners to offer finance to our shared customers to reduce emissions within the value chains.	Build trusted relationships and ensure Oxbury is able to share knowledge and experience on natural capital with a wider community

<b>Responsible Impact Pillar</b>	<b>People</b>		<b>Principle</b>			<b>Pillar</b>	
<b>Stakeholder</b>	<b>Customers</b>	<b>Employees</b>	<b>Suppliers</b>	<b>Investors</b>	<b>Regulators</b>	<b>Business Enablers</b>	<b>Society</b>
Outcomes for stakeholders	<p>28% (2022: 22%) of term loan book allocated for transition finance aligned to the NFU Net Zero climate pillars</p> <p>On-farm carbon footprints completed in partnership with SAC for 10 pilot projects to allow for comparison between modelled and on-farm emissions and identify further actions</p>	<p>158 employees received peer delivered training in Natural Capital literacy based on an in-house curriculum accredited by the Carbon Literacy Standard</p> <p>In response to our annual colleague survey, we enabled 9 employees to benefit from the Bike2Work scheme</p>	<p>All material suppliers have been reviewed in past year.</p> <p>Reviewed our supplier onboarding templates to increase scrutiny of ESG risks including natural capital</p>	£93 million of share capital raised as at 31 December 2023.	<p>No fines were received from regulators.</p> <p>Regular interaction by the Board and Executive Management with the Prudential Authority on climate-risk related matters</p> <p>Publication of inaugural Natural Capital Report</p>	£100 million ENABLE Guarantee agreed with British Business Bank to support SMEs in the agricultural sector	Engagement with farmers at industry events, shows, and through an on-farm demonstration at our CCRO's home farm on the importance of natural capital and the transition.

## **Risk management**

In compliance with the TCFD framework, we have integrated the assessment of climate risks into our wider risk management framework. 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 2023 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 processes.

Using the voluntary TNFD framework, 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.

We use a combination of industry engagements, customer inputs, scenario-planning, data modelling and its own in-house expertise to assess these risks on an ongoing basis. 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 our own operations.

### **Physical risks and mitigation actions**

Physical risks are those related to the physical impacts of climate change and nature-degradation and take the form of either acute, event driven risks, or chronic risks, that stem from longer-term shifts in climate patterns or the changes in state of nature. Acute risks in the UK may take the form of flooding, intense heat waves, droughts, wildfires or a livestock disease outbreak among others. Chronic risks occur as long-term changes, such as a drop in yield and production from continuous high temperatures, or the gradual loss

of ecosystem services due to ongoing nitrate and phosphate runoff from agricultural activities. As everyone involved in the agricultural value chain can attest, acute and chronic climate physical risk events are already experienced by the sector on annual basis and require ongoing adaptation by farmers to mitigate the risks. These risks could materialise as credit risk for Oxbury in case of loss of production or additional costs incurred by customers as a result of such events.

These were exemplified for the UK by 2023 both becoming the second warmest year, behind 2022, since records began in 1884 and recording 111% of the 1991-2020 annual average rainfall during the year, unevenly split between an above average dry start to the year and a wet ending<sup>9</sup>.

In response to these physical nature risks, we undertook a number of specific actions in 2023, including:

- Developing physical climate risk reports initially focusing on general weather warnings and flood risk which enables us to assess portfolio exposure in real-time to these hazards;

- Reviewing all poultry-related applications to assess the applicant's ability to manage avian flu risk and the availability of insurance against this endemic risk; and
- Enhancing due diligence of loan applications to include a review of any environmental fines received and consideration of media reports to identify potential high-risk customers related to acute nature risk events;

There is little direct physical risk to Oxbury's own operations in Chester over the short and medium term due to the location, which is not at risk of flooding, extreme heat or water scarcity. Physical risk exposure of Oxbury's operations and its suppliers is assessed as part of annual and ongoing business continuity planning in line with regulatory obligations. During 2023, the topic was included as part of natural capital training to all employees who assessed the impact of a climate risk event on their area of operations and individual responsibilities and the outcomes were incorporated in business continuity planning.

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<sup>9</sup> MetOffice. January 2024. Provisional assessment of the weather experienced across the UK during 2023 and how it compares with the 1991 to 2020 average.

## Transition risks and mitigation actions

Transition risks are those that derive from the transition to a net-zero and nature-positive economy and typically fit into the categories of policy and legal actions that attempt to constrain adverse effects or promote adaptation, technology improvements that support the transition, market effects including shifts in demand and supply, and reputational risk tied to public perceptions.

These transition risks were exemplified in 2023 through, for example, the:

- Publication of a number of climate and nature-related policies by DEFRA including the Green Investment Strategy and the Nature Markets Framework;
- Launch of a variety of grants such as the Environmental Land Management scheme (ELMs) such as the Sustainable Farming Incentive by DEFRA;
- Creation of a new market for nature through the Biodiversity Net Gain scheme in England;
- Piloting of various technologies using low carbon fertilisers and methane suppressors in the sector supported by

supply-chain players to reduce emissions related to nitrous oxide and enteric fermentation; and

- Availability of new tools to measure, quantify and monitor the quantity, state and change in water, biodiversity and soil sources are proliferating using a combination of public information, on-site sensors, and remote sensing technologies.

In terms of our customers transition 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.

We took a number of actions related to transition risks in 2023, including:

- Providing training to the Relationship Management team on ELMs and the options available to assist in their support of farming customers throughout the subsidy transition;
- Engaging with and assessing a number of new nature-related technologies which could be used for reporting and/or customer baselining and pilot projects will be initiated as required to assess nature risk on-farm and improve TNFD reporting; and

- Updating our new product and product review templates to ensure that claims regarding sustainability are screened from product inception to withdrawal in line with new regulations regarding greenwashing by the Financial Conduct Authority.

### **Implication of climate and nature related risks to Oxbury**

In line with our responsibility to comply with TNFD, we assess the potential impact of the described risks on our loan book.

No single obligor exposure exceeds 2% of the total loan book and based on our ongoing due diligence and review, and whilst a specific climate event could have a detrimental impact on a specific customer operation in theory, we have not identified any singular or group of common facilities where such an event would have a material negative impact on Oxbury's financial performance in the short to medium term. We employ risk management strategies including diversification by commodity, geography and components of the food value chain to distribute the risks inherent in the loan book, including natural capital. Concentration risk management, both in terms of sub-sectors and geographical area, forms part of the Risk Appetite Framework of Oxbury, being monitored and reported to the Board and Board Risk Committee

on a regular basis. In the design of the approach to assessing exposures, we consider climate risk as part of the credit due diligence process across our loan book. The term loan book that forms the majority of the exposures continues to be well secured and provides confidence that our existing expected credit loss provision as disclosed in Note 19 to the 2023 Annual Report and Accounts reflects the risks appropriately.



## Evaluation of biodiversity risks

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.

In terms of the TNFD framework LEAP methodology, we evaluate biodiversity and nature risks using a variety of tools which we have considered in terms of their applicability to our business model as well as relevance to the UK and scale of our operations. 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, plants, animals 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.

The UK-based customers are located within the Temperate Broadleaf and Mixed Forest terrestrial ecoregion and in two main biomes namely intensive land use systems (excluding urban and industrial ecosystems) as well as rivers and streams. Some of the livestock operations may have an indirect connection to tropical and sub-tropical forests biomes through imported soya and maize for feed. At the moment, we do not have the information to assess the scale of imported soya and maize, and although not required by regulation, we will start the ongoing collecting information from

prioritised customers in 2024 to assess exposure. The associated ecosystem dependencies and impacts are underpinned by a range of natural capital assets including:

- Species;
- Habitats;
- Water;
- Atmosphere;
- Soils and sediments;
- Land geomorphology;
- Minerals; and
- Ocean geomorphology.

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, our main outputs are emissions and solid waste associated with a professional services operation.

Using ENCORE we identified and assessed the materiality of the following impact drivers aligned to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) classification for large-scale rainfed-crop production and large-scale livestock production. The Natural Capital Protocol defines an impact driver as a measurable quantity of a natural resource that is used as an input to production or a measurable non-product output of business activity. Unsurprisingly, terrestrial land use is a material impact driver as crop and livestock farming is practiced on land. From an output perspective, livestock has the most material impact on GHG emissions, and since ENCORE only allows for rainfed-crop production, livestock has the most material dependency on water sources in this assessment. Both cereal and livestock production contribute to soil and water pollution and depend on the quality of soil and water to produce safely.

**Table 7: Impact drivers related to Oxbury's loan book**

Drivers of nature change	Land use/water/ocean change			Climate change	Pollution		Natural resource use		Invasive species
	Terrestrial use	Fresh Water	Ocean		Soil	Water	Other	Water	
Impacts				GHG emissions					Customers are subject to UK Invasive Non-Native species regulations
Cereals and general cropping	●●●●●				●●●●●	●●●●●	●●		
Livestock	●●●●●			●●●●●	●●●	●●●		●●●●●	

Key	
●	Very low materiality rating
●●	Low materiality rating
●●●	Medium materiality rating
●●●●	High materiality rating
●●●●●	Very high materiality rating

ENCORE also enabled us to identify 19 potential ecosystem dependencies which cereal and livestock farming rely on the continue production. Large-scale livestock production included 4 while large-scale rainfed crop production involved 9 dependencies with very high or high materiality. For cereals and general cropping, high dependencies relate to soil erosion, water management and temperatures as well as services like pollination and disease control. Water availability and soil quality were the main dependencies for livestock production.

**Table 8: Ecosystem services dependencies related to Oxbury's loan book**

<b>Ecosystem services</b>	<b>Cereals and general cropping</b>	<b>Large scale livestock production</b>
Bio-remediation	●●●	●●●
Buffering and attenuation of mass flows	●●●●	●●
Climate regulation	●●●●	●●●
Dilution by atmosphere and ecosystems	●●●	●●
Disease control	●●●●	●●●
Fibres and other materials	●●●	
Filtration	●●●	●●●
Flood and storm protection		●●●
Genetic materials	●●●	●
Ground water		●●●●●
Mass stabilisation and erosion control	●●●●●	●●
Mediation of sensory impacts		●●
Pest control	●●●●	●●
Pollination	●●●●	●
Soil quality	●●●●	●●●●●
Surface water	●●●	●●●●●
Ventilation	●●	●
Water flow maintenance	●●●●	●●●
Water quality	●	●●●

<b>Key</b>	
●	Very low materiality rating
●●	Low materiality rating
●●●	Medium materiality rating
●●●●	High materiality rating
●●●●●	Very high materiality rating

The UK is one of the world’s most nature-deprived areas<sup>10</sup> which is illustrated when considering species abundance and the condition of rivers and water courses is an area of concern. It is therefore not surprising that this is also reflected in an analysis at river basin level of our 20 customers with largest exposures who have an average Mean Species Abundance (MSA) score of less than 0.3 (where 1.0 represents the highest level of biodiversity). A biodiversity assessment using ENCORE confirms a below average Species Threat Abatement and Restoration (STAR) score of 6.91e-02 across the Oxbury portfolio which is indicative of the fact that there are limited opportunities for any public and private entities in the UK to reduce global extinction risks. In the Environmental Improvement Plan, DEFRA has described the government’s ambition to help the natural world regain and retain good health and many of our customers are engaged in grant-supported projects to restore biodiversity on-farm, water quality and natural flood management.

**Table 9: Analysis of species abundance**

<b>River Basin District</b>	<b>Hectares</b>	<b>Mean Species Abundance (MSA)<sup>11</sup></b>
Severn	2,079	0.26
North West	439	0.31
Anglian	5,458	0.26
Humber	885	0.30
Thames	1,073	0.26
Solway-Tweed	755	0.35
Western Wales	108	0.26
<b>Average MSA</b>		<b>0.27</b>

<sup>10</sup> State of Nature Report. 2023. State of Nature Partnership.

<sup>11</sup> GloBio. Global biodiversity model for policy support. <https://www.globio.info/globioweb> Accessed 23 May 2024.

## Scenario planning

We acknowledge that scenario-planning and stress-testing is an area that requires further development to allow us to comply fully with the requirements of TCFD.

During 2023 we reviewed the following sources of scenarios:

- Updated Network for Greening the Financial System Scenarios for Central Banks and Supervisors;
- Network for Greening the Financial System Conceptual Note on Short-term Scenarios;
- Intergovernmental Panel on Climate Change Shared Socio-Economic Pathways;
- Taskforce for Nature-related Financial Disclosures scenarios; and
- Climate Change Committee - 6<sup>th</sup> Carbon Budget.

As part of our commitment to comply with TCFD we undertook various actions to deepen our understanding of the available methodologies and open-source data to create decision-useful scenarios. We set out to develop narratives that combined elements of the scenarios and to identify historical climate and agricultural sector events to inform our selection. A pilot project to assess risk to the dairy sector, highlighted the limitations of

deriving decision-useful information at sub-sector level in the UK from macro-economic models. As many other companies also acknowledge in their scenario planning, the availability of appropriate data is a challenge across industries. Very little data is publicly available on the future composition of the UK agricultural sector either at baseline or specific scenario level and it is therefore a challenge to relate the outcomes to the loan book composition e.g. changes in livestock numbers, hectares cultivated, etc. This information forms the cornerstone of credible transition plans and natural capital risk assessment.

In 2024 we are using public data from DEFRA, the Office for National Statistics, the Climate Change Committee and others to develop a baseline of the material sub-sectors which we will deploy for scenario planning. We are reviewing scenario planning methodologies which complement our narrative-based approach and identifying historical events to use. The process will also be informed by the scenarios for nature-risks which was recently published by the Green Finance Institute.

## Metrics and targets

In compliance with TCFD, we provide a summary report of the metrics across Scope 1, 2 and 3 emissions in our own operations as well as financed emissions. More information on the elements which comprise Oxbury's operational footprint and the associated methodology may be found on page 60. We acknowledge that formal targets remain an area of development while maintaining our commitment to be net zero across all scopes including financed emissions by 2040.

### 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.

In 2023 we expanded the range of data collected for our upstream carbon footprint to include assets purchased and we conducted an employee survey to establish detailed information on commuting and business travel. Our expansion to include the new office in The Steam Mill, Chester also resulted in significant one-off costs to furnish the new office. On a like-for-like basis our total emissions intensity (tCO<sub>2</sub>e/employee) increased from 1.54 to 1.83 as a result,

but energy intensity total by net income (tCO<sub>2</sub>e/£'000) declined from 0.029 to 0.017 over the same period.

We will continue to manage our own environmental footprint to ensure that our operations remain carbon neutral, as they have been since company incorporation in May 2018.

### Financed emissions

In common with other financial institutions, we make a range of assumptions with regards to our financed emissions which we describe on page 54. 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.

## Taskforce on Climate-Related Financial Disclosures (TCFD) metrics

In compliance with the TCFD framework, we disclose metrics used to assess the impact of transition and physical climate-related risks on our lending portfolio. The metrics selected are based on the sector guidance for banks by the TCFD and the Climate Financial Risk Forum convened by the Bank of England.

**Table 10: Taskforce on Climate-Related Financial Disclosures (TCFD) metrics**

TCFD metric category	Metric	2023	2022
Absolute Scope 1, Scope 2 and upstream Scope 3 emissions <sup>1</sup>	Absolute emissions (tCO <sub>2</sub> e)	320.24	161.4
	Carbon intensity ratio: Scope 1 and 2 carbon emissions per full-time employee (location-based) [tCO <sub>2</sub> e/ full-time employee]:	0.094	0.123
	Carbon intensity ratio: Scope 1, 2 and upstream scope 3 carbon emissions per full-time employee (location-based) [tCO <sub>2</sub> e/ full-time employee]:	2.18	1.54
	Purchased offsets (tCO <sub>2</sub> e):	1,826 @ 25/ton	1,828 @£25/ton
Assessment of physical risk	Proportion of financing activities vulnerable to physical risk	72%	77%
Assessment of transition risk	Exposure to carbon-related assets by sector (%)	0	0
Portfolio decarbonisation <sup>2</sup> (covering Scope 1, 2 and 3 upstream and downstream of our customer emissions)	<b>Financed emissions:</b>		
	<i>Absolute emissions (tCO<sub>2</sub>e)</i>	848,454	533,138
	Term loans	572,403	328,861
	Embedded finance	276,052	204,277
	<i>Intensity (kgCO<sub>2</sub>e/£):</i>	0.0014	0.0015
Transition financing (as % of overall term loan portfolio)	Exposure to climate related opportunities: Total	28%	22%
	Pillar 1	13%	13%
	Pillar 2	6%	2%
	Pillar 3	6%	4%
	Other climate	3%	5%



<sup>1</sup> Calculation of Oxbury's Streamlined Energy and Carbon Reporting (SECR) energy consumption and GHG emissions was completed by an independent third party, e4Environment in 2022 and 2023 to establish a comprehensive Scope 1, 2 and direct Scope 3 footprint and meets the definition of a PCAF data quality score of 2.

<sup>2</sup> Calculations of financed emissions is based on primary data on production/farm composition and meets the definition of a PCAF data quality score of 3.

### **Taskforce on Nature-Related Financial Disclosures (TNFD) metrics**

The TNFD framework has been voluntarily adopted by Oxbury and we disclose the following metrics based on the Additional Guidance for Financial Institutions published in 2024. Our disclosures in terms of the TNFD core metrics may be found on page 60.

**Table 11: Taskforce on Nature- Related Financial Disclosures (TNFD) metrics**

<b>TNFD metric category</b>	<b>Data source</b>	<b>2023</b>	<b>2022</b>
Exposure to sectors or companies with material dependence on nature (£'000)	Total loan book	605,711	349,532
Exposure to high impact or sensitive sectors or companies active in sensitive areas (by geography)	Measure of 20 largest exposures completed in 2023	See Table 3	No data
Measure of biodiversity intactness or richness	Measure of 20 largest exposures completed in 2023	See Table 9	N/A
Volume of financial flow to deliver nature-based opportunity or positive impact	Equate to financing for Pillar 2 of NFU Net Zero plan	£11.9 million	£3.7 million
Volume of financial flow with evidence of material mitigation of nature-related risk through e.g. engagement, due diligence or KPIs	In development		

## Additional information

### Our approach to 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 2023 Annual Report and Accounts. This is further supported through formal weekly “horizon scanning” of the wider market, regulatory 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;

- Regular 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 Oxbury’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, Oxbury has a limited direct environmental impact, but the farmers, food producers and other supply chain participants financed or partnered with, affect these dimensions daily and across our national geography.

Previously 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 12: Criteria for materiality assessment**

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

We identify material exposures to natural capital risks in our loan book based on a combination of the following criteria:

- Loan term;
- Loan value;
- Financed emissions;
- Agricultural sub-sector;
- Value-chain exposure to high-risk commodities; and
- Location relative to sensitive areas including, but not limited to, water resources and environmental designations.

Natural capital opportunities are assessed based on the availability of:

- Grants and private sector funding to undertake projects;
- Technologies to support the implementation and ongoing maintenance; and
- New or expanded markets.

### Apply

We use the materiality 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.

In terms of our loan book, term loans are prioritised as these comprise our largest exposure as described in on page 53. Combining loan values and number of loans, the main sub-sectors to which we have exposure include (categorised by UK SIC):

- Raising of dairy cattle;
- Mixed farming;
- Growing of cereals, leguminous crops and oil seeds;
- Raising of poultry;
- Raising of other cattle;
- Raising of sheep and goats; and
- Growing of pome fruits and stone fruits.

Several of these sub-sectors are associated with both high-risk commodities and high emissions including dairy, poultry, beef and cereals production as defined by the Science Based Targets Network either due to the presence of soya, maize and fertiliser in the value chain or the type of produce. We have completed sub-sector risk assessments across air, soil, biodiversity and water including mitigation and adaptation considerations for the most at risk sub-sectors.

Site specific environmental conditions are assessed on an application basis and considered during the loan due diligence process by relationship managers, credit underwriters and credit committee members.

## Reporting to stakeholders

- 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.

We have included a more detailed assessment of our 20 highest exposures in terms of natural capital in this report on page 26.

## Information on methodologies applied

### 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 our exposures consist of long-term loans which correspond to these time scales:

- Immediate - Within 1 year
- Short-term - Over 1 year, but less than 5 years
- Medium-term - Over 5 years but less than 10 years
- Long-term - More than 10 years

### Approach to assurance of this report

We have adopted an internal 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 organisation'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.

### Reporting frameworks and regulations

This report is guided by and presented with reference to the requirements of:

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

### Our reporting suite

Our Annual Report and Accounts for financial year end 31<sup>st</sup> December 2023 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 IFRS S2 and TNFD.

### Scope and boundaries of report

The report provides information on the Natural Capital related activities of Oxbury Bank Plc (Oxbury) and its single subsidiary (Oxbury Earth Ltd) covering the period of 1 January 2023 up until 31 December 2023. The report focuses on Oxbury's lending book and excludes liabilities as well as asset finance for which insufficient data is available regarding emissions associated with farm equipment to provide credible information at this time.

### Forward-looking statements

This report contains forward-looking statements on Oxbury's performance and targets. While these statements represent our judgements and future prospects at the time of writing this report, these statements involve risk and uncertainty that may cause the actual results and achievements to differ materially from those

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<sup>12</sup> Poore, J. 2018. University of Oxford. Full Excel model providing life-cycle impacts of food and drink

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.

### 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's Research Archive's model of the Life Cycle Environmental Impacts of Food and Drinks<sup>12</sup>. Average yields are based on information from DEFRA and the Agriculture and Horticulture Development Board (AHDB) 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

products. <https://ora.ox.ac.uk/objects/uuid:a63fb28c-98f8-4313-add6-e9eca99320a5>

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.

### The NFU Net Zero plan to classify 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' pillars<sup>13</sup> 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 categorisation of the loan book is reviewed and improved to reflect the current position of those facilities and customers, and alignment to the financial statements. 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.

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<sup>13</sup> <https://www.nfuonline.com/updates-and-information/achieving-net-zero-meeting-the-climate-change-challenge/>

## Statement of consistency with the Taskforce on Climate-Related Financial Disclosures framework

At the time publication Oxbury has made climate-related financial disclosures consistent with the TCFD recommendations in the 2023 Natural Capital Report against:

- Governance
- Strategy
- Risk management
- Metrics and targets

For strategy disclosures (c), further work is being undertaken to identify an appropriate approach to and relevant scenarios and stress testing. For metrics and targets disclosure (c), the development of targets is in progress. The further work will be published in the 2024 Natural Capital report.

<b>Pillar</b>	<b>Required disclosures</b>	<b>Page</b>	<b>Section reference</b>
Governance Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the Board's oversight of climate related risks and opportunities	29	Board and Board Committees
	b) Describe management's role in assessing and managing climate-related risks and opportunities	31	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	a) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium- and long-term	37	Physical risks and mitigation actions
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	39	Transition risks and mitigation actions
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	40 46	Implication of climate and nature related risks to Oxbury Scenario planning
Risk management	a) Describe the organisation's processes for identifying and assessing climate-related risks	37	Risk management



Disclose how the organisation identifies, assesses and manages climate-related risks	b) Describe the organisation's processes for managing climate-related risks	37	Risk management
	c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	40	Implication of climate and nature related risks to Oxbury
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes	48	Taskforce on Climate-Related Financial Disclosures (TCFD) metrics
	b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions and the related risks	48	Taskforce on Climate-Related Financial Disclosures (TCFD) metrics
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		

### Statement of consistency with the Taskforce on Nature-Related Financial Disclosure framework

At the time of publication Oxbury has made voluntary nature-related financial disclosures consistent with the TNFD recommendations in the 2023 Natural Capital Report against:

- General
- Governance
- Strategy
- Risk management
- Metrics and targets

For governance disclosures (c), the development of a human rights policy is being undertaken and will be completed in 2024. For strategy disclosures (b) and (c) further work is being undertaken to integrate our approach to scenarios and stress testing for nature with our climate-scenario planning. For metrics and targets disclosure (a) and (b), further metrics will be identified as the overall TNFD framework matures and for (c), the development of targets is in progress. The further work will be published in the 2024 Natural Capital report.

<b>Pillar</b>	<b>Recommended disclosures</b>	<b>Page</b>	<b>Section reference</b>
<b>General</b>	Approach to materiality	50	Our approach to <b>materiality</b>
	Scope of disclosures	54	Scope and boundaries of report
	Location	14	Oxbury area of operations reflecting active lending accounts limit amount by region
	Integration with other sustainability-related disclosures	53	Reporting frameworks and regulations
	Time horizons considered	53	Timescales used in this report <b>Composition of loan book</b>
	Engagement with Indigenous Peoples, Local Communities and affected stakeholders	33	Oxbury's approach to responsible impact and value chain engagement
<b>Governance</b> Disclose the organisation's governance around nature-related dependencies, impacts, risks and opportunities	A. Describe the Board's oversight of nature-related dependencies, impacts, risks and opportunities	29	Board and Board Committees
	B. Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities	31	Senior Management
	C. Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to Indigenous Peoples, Local Communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities		
<b>Strategy</b> 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	37	Risk management
	B. Describe the effect nature-related risk and opportunities have had and may have on the organisation's businesses, strategy, and financial planning	40	Implication of climate and nature related risks to Oxbury
	C. Describe the resilience of the organisation's strategy to nature-related risk and opportunities taking into consideration different scenarios	46	Scenario planning

	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	26	Case study: Location and evaluation of our largest exposures
<b>Risk and impact management</b> Disclose how the organisation identifies, assesses and manages nature-related dependencies, impacts, risks and opportunities	A. (i) Describe the organisation's processes for identifying and assessing nature-related dependencies, impacts, risks and opportunities in its direct operations	41	Evaluation of biodiversity risks
	A. (ii) 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.	41	Evaluation of biodiversity risks
	B. Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities and actions taken in the light of these processes.	37	Risk management
	C. Describe how processes for identifying, assessing and managing nature-related risks are integrated into the organisation's overall risk management.	37	Risk management
<b>Metrics and targets</b> Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities where such information is material	A. Disclose the metrics used by the organisation to assess and manage to nature-related risks and opportunities in line with its strategy and risk management processes	49	Taskforce on Nature-Related Financial Disclosures (TNFD) metrics
	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature	49	Taskforce on Nature-Related Financial Disclosures (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		

## Detailed information on Oxbury’s own carbon footprint and Taskforce on Nature-Related Financial Disclosure indicators

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.

In preparation for undertaking our annual carbon footprint, we completed the following actions during 2023 to improve the data quality:

- Conducted an employee commuting and working from home survey. This collected data on the number of days employees worked from home, their commuting distance, and the type of transport they used for both commuting and business travel, including the type of car they used if applicable. The type of transport for business travel was matched to the expensed miles and receipts to provide more accurate footprint information. The footprint survey had a response rate of around 97% and for employees with missing responses, their working from home, commuting, and business travel data was replaced with company averages.
- Collected accurate data on capital assets purchased throughout the year as the headcount increased. Addition of new office space in September meant that a large quantity of office equipment was purchased. A general embedded carbon methodology was applied by E4environment to determine the average emissions of that equipment.

**Table 13: Oxbury upstream and direct operations**

Scopes and emissions	2023 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	Estimated % of operating expenses 2023	Data	Planned activities for 2024	Production processes involved based on SBTN Materiality screening	Material impact drivers based on SBTN Materiality screening	TNFD Core global disclosure indicators and metrics
<b>Scope 1: Direct</b>	Not applicable							
<b>Scope 2 Indirect:</b>								
Purchased electricity, steam,	13.76	11.64	0.50	66,408 kWh	Full year of operations at			

Scopes and emissions	2023 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	Estimated % of operating expenses 2023	Data	Planned activities for 2024	Production processes involved based on SBTN Materiality screening	Material impact drivers based on SBTN Materiality screening	TNFD Core global disclosure indicators and metrics
heating & cooling for own use					Steam Mill incorporated			
<b>Scope 3 Indirect own activities:</b>								
Working from home	44.71	36.71		Based on employee survey on commuting and working from home information.	Improve information on employee home carbon footprints			
Employee commuting	143.18	50.94		Based on employee survey on commuting and working from home information.	Engage with employees to reduce footprint emissions and continue current data collection procedure.			
Business travel	67.46	47.91	3	Actual business miles travelled combined with transport type data from the employee survey. Also includes hotel stays based on average emissions of night in a hotel.	Improve data accuracy of public transport travel use and hotel stays.			
Waste generated in	0.78	0.56		Average of 250 kg general waste/employee/year	Conduct a waste audit and engage with			C2.2 Waste generation and disposal - 36.75

Scopes and emissions	2023 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	Estimated % of operating expenses 2023	Data	Planned activities for 2024	Production processes involved based on SBTN Materiality screening	Material impact drivers based on SBTN Materiality screening	TNFD Core global disclosure indicators and metrics
own operations					landlord to improve waste management on-site			tonnes of total waste (2022: 25.27 tonnes). All waste is non-hazardous.  C2.3 Plastic pollution - no information available yet.
Water supply and treatment	0.29	0.23		Average of 50 litres water/employee/day				C2.1 Wastewater discharged- 7.35m <sup>3</sup> /day in 2023 (2022: 5.05m <sup>3</sup> /day).
Leased assets	No information available		2	Rent paid	Collect data from suppliers			C1.0 Total Spatial Footprint - Office space leased: 12,257 sq. ft. in 2023 (2022: 5952 sq. ft.)
Capital assets	33.74	No information	4	Based on average embedded emissions for each type of capital asset e.g., office chair or monitor.	Improve accuracy and granularity of embedded emissions.	Manufacture of furniture Electronics and hardware production		

Scopes and emissions	2023 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	Estimated % of operating expenses 2023	Data	Planned activities for 2024	Production processes involved based on SBTN Materiality screening	Material impact drivers based on SBTN Materiality screening	TNFD Core global disclosure indicators and metrics
<b>Scope 3 Indirect upstream: Purchased goods and services (by ISIC code)</b>								
Advertising, marketing, printing and stationery	16.32	12.92	6	Based on average emissions for type of corporate clothing, merchandise and stationery purchased	Improve accuracy and granularity of embedded emissions 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	0.0	5	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		14	To be determined	Engage and 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			19					

Scopes and emissions	2023 tCO <sub>2</sub> e	2022 tCO <sub>2</sub> e	Estimated % of operating expenses 2023	Data	Planned activities for 2024	Production processes involved based on SBTN Materiality screening	Material impact drivers based on SBTN Materiality screening	TNFD Core global disclosure indicators and metrics
Management consultancy activities			10					
Legal activities			3					
Activities of employment placement agencies			4					
Insurance			1					
Other financial service activities, except insurance and pension funding activities	No information available yet		5	To be determined	Collect data from suppliers	Financial services	Solid waste	
<b>Total</b>	320.24	161.4	76.5					
<b>Average number of full-time equivalent employee for year</b>				2023: 147	2022: 105			



**Table 14: Emission Intensities**

<b>Metric</b>	<b>2023</b>	<b>2022</b>	<b>Comment</b>
Total emissions intensity tCO <sub>2</sub> e/employee	2.18	1.54	
Like for like total emissions intensity tCO <sub>2</sub> e/employee	1.83	1.54	Excludes flights, trains, and hotel accommodation as well as capital assets for 2023 as these were not included in 2022
Total net income (£'000)	19,367	5,649	
Energy intensity tCO <sub>2</sub> e/£'000 total net income	0.017	0.029	
Scope 1 & 2/tCO <sub>2</sub> e employee (SECR)	0.094	0.123	Total energy use in Steam Mill based on 3 months occupation for 2023

### **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 Oxbury'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.

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.

### **TNFD core global disclosure indicators and metrics with no data available or deemed immaterial in 2023**

C2.1 - Oxbury is currently unable to measure the concentrations of key pollutants in the wastewater discharged or the temperature of water discharged. Oxbury's wastewater discharge from own activities is not material compared to the much larger impact of its agricultural customer base.

C2.2 - Oxbury's waste is all non-hazardous. Oxbury is currently unable to split the weight of waste into different methods of disposal.

C1.1, C2.0, C2.4, C3.0 and C3.1 - The following indicators are deemed not material in relation to Oxbury's direct activities due to the nature of its business operations, its size and location of operations. Oxbury's own activities occur in two offices in the city of Chester with limited connection to natural ecosystems, and no high-risk materials are sourced. Chester's water is sourced mainly from the River Dee, Cumbria and

North Wales by United Utilities, Severn Water and Welsh Water. Based on available information, Oxbury operates in an area with moderate to low water stress<sup>14</sup>. Material impacts will be continuously assessed and the information available will be improved.

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<sup>14</sup> Environment Agency.1 July 2021: Areas of water stress: final classification