Oxbury

Oxbury Bank Plc

2024 Responsible Impact Report

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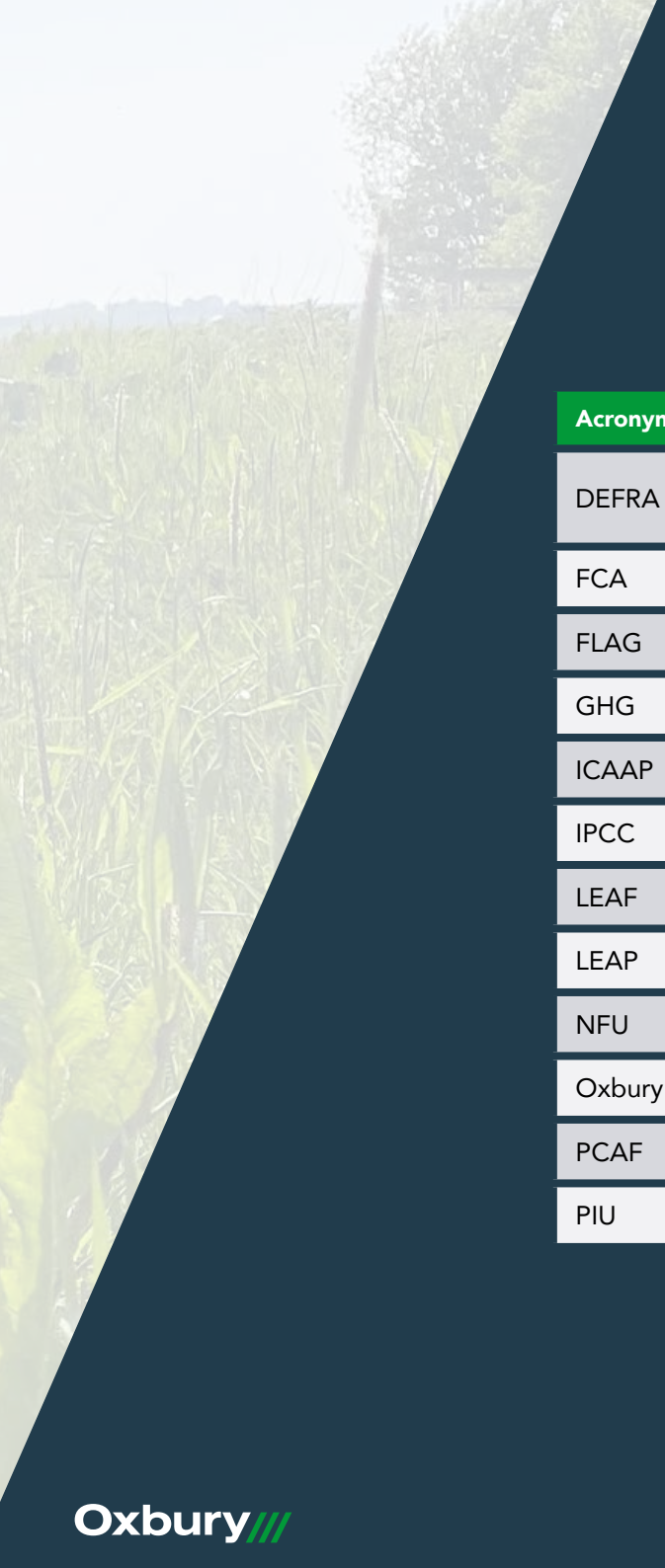


Acronym	Definition
DEFRA	Department for Environment, Food and Rural Affairs
FCA	Financial Conduct Authority
FLAG	Forest, Land and Agriculture Guidance
GHG	Greenhouse Gasses
ICAAP	Internal Capital Adequacy Assessment Process
IPCC	Intergovernmental Panel on Climate Change
LEAF	Linking Environment and Farming
LEAP	Locate, Evaluate, Assess, Prepare
NFU	National Farmer Union
Oxbury	Oxbury Bank Plc
PCAF	Partnership for Carbon Accounting Financials
PIU	Pending Issuance Units

Acronym	Definition
PRA	Prudential Regulation Authority
SBTI	Science-Based Targets Initiative
SBTN	Science-Based Targets Network
SECR	Streamlined Energy and Carbon Reporting
SOC	Soil Organic Carbon
SS	Supervisory Statement
TCFD	Taskforce on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TPT	Transition Plan Taskforce
UK	United Kingdom

Principle///

Chairman's statement

The Oxbury 2024 Responsible Impact Report sets out our non-financial impact, including our approach to climate and nature. We recognise the particular importance of acting responsibly in the sector we finance, and this report seeks to provide transparency to our shareholders and customers as well as the broader agricultural and financial ecosystem. We are not required by regulation to disclose. However, we have done so since 2020 because we believe that open dialogue facilitates positive change across the sector and we strive to play our part in that.

Context and background

Our first Environmental, Social and Governance report reflected our ambition across these three elements and mainly took the form of a statement of intent. The first report highlighted that in 2020 the Board had raised climate and environmental risk as a principal risk and that Oxbury took steps to invest in voluntary carbon offsets in woodland from the start of operations. This report was published in the immediate aftermath of the Covid-19 pandemic, and shortly after the publication of Prudential Regulation Authority (PRA) Supervisory Statement 3/19 (SS3/19), which set out the first expectations of the regulator in terms of climate risk disclosure by financial institutions.

The publication of our 2021 Taskforce on Climate-related Financial Disclosures (TCFD) report was one of the earliest comprehensive climate risk reports published by a UK challenger financial institution and we applied the 'Achieving Net Zero' pillars[1] outlined by the National Farmers Union (NFU) for the first time to identify term loans approved that contributes to on-farm emissions reduction and carbon storage. We also published a modelled estimate of our financed emissions in another milestone for challenger financial institutions. The same report contained our first scenario analysis across three scenarios adopted from the Network for Greening the Financial System namely: Net Zero 2050; Delayed Transition; and Current Policies. These methodologies created the foundation for our subsequent work on climate and nature risk, but as this 2024 report highlights, are now due for review to enable the next phase of our development. Globally, the launch of Taskforce for Nature-related Financial Disclosures (TNFD) consultation and conclusion of the Kumning-Montreal Global Diversity Framework were the first steps towards a broader approach to nature risks beyond climate.

Our 2022 Natural Capital report was significant, as it incorporated biodiversity risks within an expanded definition of natural capital for the first time. Released before the final publication of TNFD, we nonetheless applied the proposed Locate, Evaluate, Assess, Prepare (LEAP) methodology to some of our loan book as well as Oxbury's own operations. The report also contained our first externally produced operational carbon footprint. We adopted TNFD early and contributed to several industry projects following its publication, including those listed on page 60. Globally the launch of the Transition Plan Taskforce (TPT) to develop more comprehensive guidance for the publication of net zero plans, as well as the consultations by the International Financial Reporting Standards (IFRS) on sustainability and climate standards, all combined to address investor demands for higher quality disclosures.

Furthermore, we became the first bank with headquarters in the UK to publish combined TCFD and TNFD disclosures in our 2023 Natural Capital Report. The report expanded on the work done since 2021, specifically on displaying the first example of a financial institution that combined on-farm emissions with carbon stored above and below ground to calculate net financed emissions. We enhanced our application of the LEAP methodology, quantifying natural capital assets in a sample of our largest term loan exposures and evaluating biodiversity risks at portfolio level. This report contained a comprehensive overview of recent regulatory developments with regards to natural capital and the financial sector, which remains relevant and which we have not repeated in the 2024 report. Similarly, we assessed the risks, opportunities and impacts resulting from climate and nature physical and transition risks across the material sub-sectors where Oxbury operates, which we deem materially unchanged and still applicable.

As an immediate outcome of our 2023 report, we collaborated with the Environmental Farmers Group to evaluate how corporate TNFD disclosure could drive demand for nature-based projects or data from farmers. The output from that project has been separately published:

https://www.oxbury.com/exploring-nature-markets/

[1] *https://www.nfuonline.com/updates-and-information/achieving-net-zero-meeting-the-climate-change-challenge/*

2024 Responsible Impact Report

Our 2024 Responsible Impact Report signifies the next phase in the evolution of our non-financial disclosures. We return to the intent of our first published report by incorporating information on people and partnerships to reflect not only on natural, but also social and human capital. This report celebrates the progress made since the launch of our New Gen product - aimed at new entrants to the agricultural sector - as well as our maturing approach to ensure good customer outcomes in line with Financial Conduct Authority (FCA) expectations.

We remain committed to being net zero across all emissions by 2040, including financed emissions. To make the necessary progress over the next decade Oxbury and the many stakeholders in the wider industry must commit to work together. Like most other financial institutions, financed emissions continue to make up by far the largest share of our emissions. Since describing the methodology in our second report, we have consistently published our financed emissions following 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.

For 2024, we report that despite our loan book (excluding asset finance) increasing by 54%, the emissions intensity of our financed emissions only increased by 20%. However, as our loan book continues to grow in line with our business plan, there is a commensurate increase in total financed emissions, even though some of our new lending is used to replace aging infrastructure, equipment and machinery, reducing gross sector emissions in the process. In this report, we start examining the limits of modelling financed emissions and identifying a series of next steps to expand beyond Scope 3 emissions reporting.

The quantum of term loan lending that contributes to on-farm emissions reduction and carbon storage increased 28% year-on-year from £140.3 million in 2023 to £178.8 million in 2024. This reflects a linear improvement since reporting £67.8 million the first time we introduced the methodology in 2021. Based on our work in the dairy industry described here, we are able to illustrate the potential to move beyond this methodology to implement a classification of assets reflecting the recommended transition plan strategy nomenclature of climate solutions, aligned and aligning assets.

Since publishing our first operational carbon footprint, we have expanded the categories of Scope 3 emissions included in our calculation, including reporting embodied carbon in data centres where our data is hosted for the first time this year.

The combination of additional categories, as well as growth in employees, results in an overall increase in operational emissions from 320 tCO_2e in 2023 to 576 tCO_2e, a 44% increase year on year. The overall increase also reflects the number of overseas flights undertaken in pursuit of international opportunities to grow the business. Pleasingly, Scope 2 emissions have decreased due to all premises being on renewable tariffs and all suppliers rated Material-Critical now having net zero-aligned plans. Our intention remains to avoid emissions where possible, reduce emissions where feasible and annually offset any remaining emissions using nature-based solutions aligned to our focus on the rural economy. We continue to purchase an additional 10 tCO_2e/employee annually based on the average individual footprint in the UK, and in 2024 we purchased 2,446 tCO_2e Pending Issuance Units (PIUs) in woodland in the Scottish Borders.

Building on the case studies and combination of climate and nature risk, opportunity and impact assessments previously disclosed, we are partnering with Downforce Technologies to assess over 120,000 ha of soil organic carbon (SOC) stored on customer farms in 2025. To date, more than 50,000 ha have been mapped. This creates an opportunity for Oxbury to assess one of the largest SOC datasets available on a consistent, comparable basis including historical trends. We are prioritising our largest customer exposures by loan size and farm area as well as our Oxbury Transition Facility loans for this analysis which we estimate will represent approximately 60% of our total loan book by value by year-end.

We describe the application of this information to the dairy sector, focusing our climate and nature risk, impact and opportunity assessment on a materially important sub-sector. The immediate output from the initial application to a sample of dairy farms is the ability to calculate that net emissions reduced by 9% once on-farm carbon storage was included across the sample farms. In addition, the operations could be classified as either net zero aligned or aligning in terms of transition plan strategies which is an important step in our development of an Oxbury transition plan.

Previously we identified that more work is required in terms of stress-testing and scenario planning. Moreover, in 2024 we expanded the initial work done on natural capital asset identification on a sample of our largest exposures to establish the potential to apply a natural capital valuation methodology to these farms. The initial outcomes showed the potential to use the approach for climate and nature risk stress-testing. However, more work is required to be able to incorporate the outcomes in a decision-useful manner in our due diligence processes.

A specific highlight in this report is the launch of the Oxbury Transition Facility. This reflects a culmination of the work done to date to combine our understanding of the importance of farmers adapting their farming practices, the collection of geospatial data, farm emissions and carbon storage, supply chain expectations as well as the financing needs to support these elements in one product. As a Board, we are extremely proud of the work done by the team to launch this ground-breaking product.

From the point of view of risks to the balance sheet related to natural capital and biodiversity are manageable because our book is highly secured. No single obligor exposure exceeds 1.5% of the total loan book. Whilst a specific climate event could have a detrimental impact on a specific customer operation our ongoing due diligence and review has 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 risks. Concentration risk management, both in terms of sub-sectors and geographical area, forms part of the Oxbury Risk Appetite Framework monitored and reported to the Board and Board Risk Committee on a regular basis. We consider climate risk as part of the credit due diligence process across our loan book. While we recognise that systemic climate risk events such as a drought could have an impact on multiple assets simultaneously, only a small percentage of our loan book consists of seasonal working capital loans repayable within a year as set out in **Table 8**. We use an early warning system where weather alerts are monitored at asset level daily enabling us to increase customer contact and review as necessary to proactively manage customer exposures. Additionally, the risk management strategies employed serve to distribute the credit risk within this section of the portfolio.

The term loan book that forms many exposures continue to be well secured and provides confidence that our existing expected credit loss provision as disclosed in the 2024 Annual Report and Accounts reflects the risks appropriately.

Future focus areas

Specific actions are progress in our social and human capital development; the ongoing work to determine financed emissions and carbon stored to establish baselines; and stress-testing and scenario planning. The launch of new partnerships, especially those supporting the Transition Facility, is an exciting opportunity for Oxbury to collaborate with the wider supply-chain as well as technology partners to increase overall resilience in the food system.

We would like to thank our customers who entrust their savings to us to make an important impact to the rural economy and those who work daily to create a low-emissions, more resilient and nature-friendly sector.

The Board continues to offer commitment and constructive engagement and oversight on all matters related to our responsible impact. The Executive Management team and all employees remain committed to ensuring that responsible impact is embedded as a strategic focus area across the organisation.

I would like to thank my fellow directors, the Executive Management team and employees for their dedication and professionalism to embed responsible impact in our daily operations.

As the Oxbury Board, we acknowledge our responsibility for the 2024 Responsible Impact Report and confirm that we believe that the report fairly represents our performance during the reporting period.

R. Huw Morgan

Independent Non-Executive Chair

24 June 2025

Our approach to responsible impact

Responsible impact means that Oxbury carefully manages activities to enhance positive outcomes and reduce negative ones across the business.

We implement this through four non-financial pillars:

/// **People**

/// **Planet**

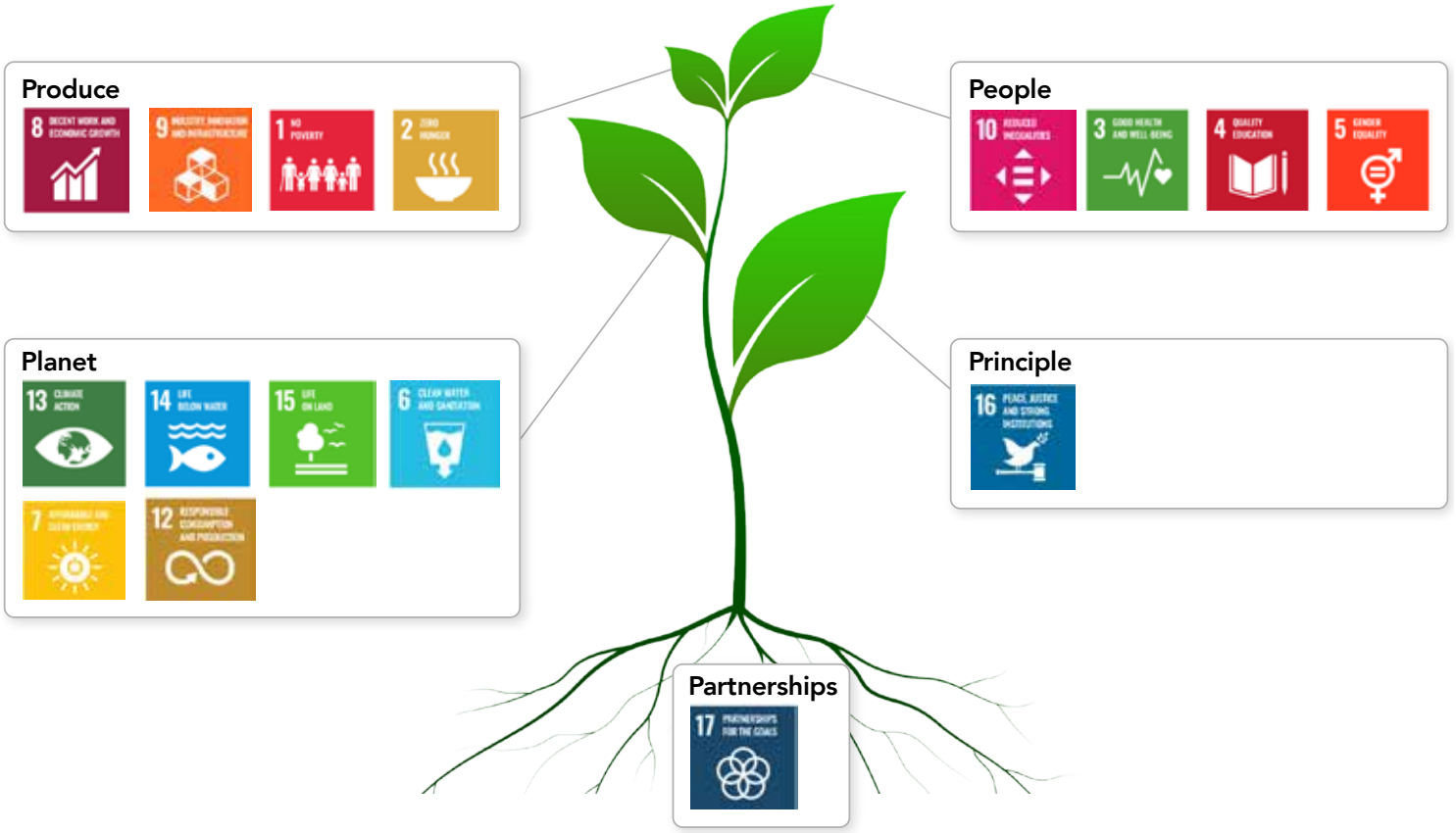
/// **Principle**

/// **Partnerships**

Integrating these pillars into our strategy, risk management, processes and planning will strengthen not only our own resilience, but also that of our customers and suppliers. We recognise the need to balance current needs with those of future generations for sustainable value creation. For each pillar we aspire to identify key indicators that support our financial risk assessments.

Oxbury adopts a stakeholder-inclusive approach, considering the interests of all affected parties. Our responsible impact activities support the UN's Sustainable Development Goals (SDGs) for global peace and prosperity. We finance food and fibre production, directly addressing SDG2 (Zero Hunger), generating revenue, and creating rural employment. As both an entity and financier, we contribute to SDGs related to people and the planet. Additionally, our financial crime controls support SDG16. Partnerships amplify our contributions to these goals as illustrated (right) in **Figure 1**.

Figure 1: Supporting global development goals through a resilient food system.



Our value chain

We aim to work responsibly with the stakeholders in our value chain to encourage sustainable practices and enable economic activities that create long-term value for all participants while contributing to global development goals.

Table 1: Engagement with our value chain

Responsible impact pillar	People			Principle		Partnerships		Planet
Stakeholder	**Customers**	**Employees**	**Suppliers**	**Investors**	**Regulators**	**Business enablers**	**Society**	**Environment**
Why they are important to us	Customers are central to our strategy. Through depositors we provide financing to farmers and other participants in the rural economy. Our lending customers' produce feeds 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.	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.
Our objective in terms of responsible impact	Use our bespoke technology and deep sector understanding to develop long-term relationships by understanding customer expectations and providing appropriate savings and lending products with high service levels.	Provide an employee value proposition that attracts and retains top-class talent and skills by acting as a responsible corporate entity.	Obtain and maintain a quality and timeous supply of goods and services from suppliers who are aligned to our responsible impact approach 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 within the value chains aligned to our responsible impact approach.	Build trusted relationships to share knowledge and experience on responsible impact with a wider community.	Support our customers with financing and data to enable a resilient food system with reduced emissions, increased carbon storage and enhanced biodiversity.

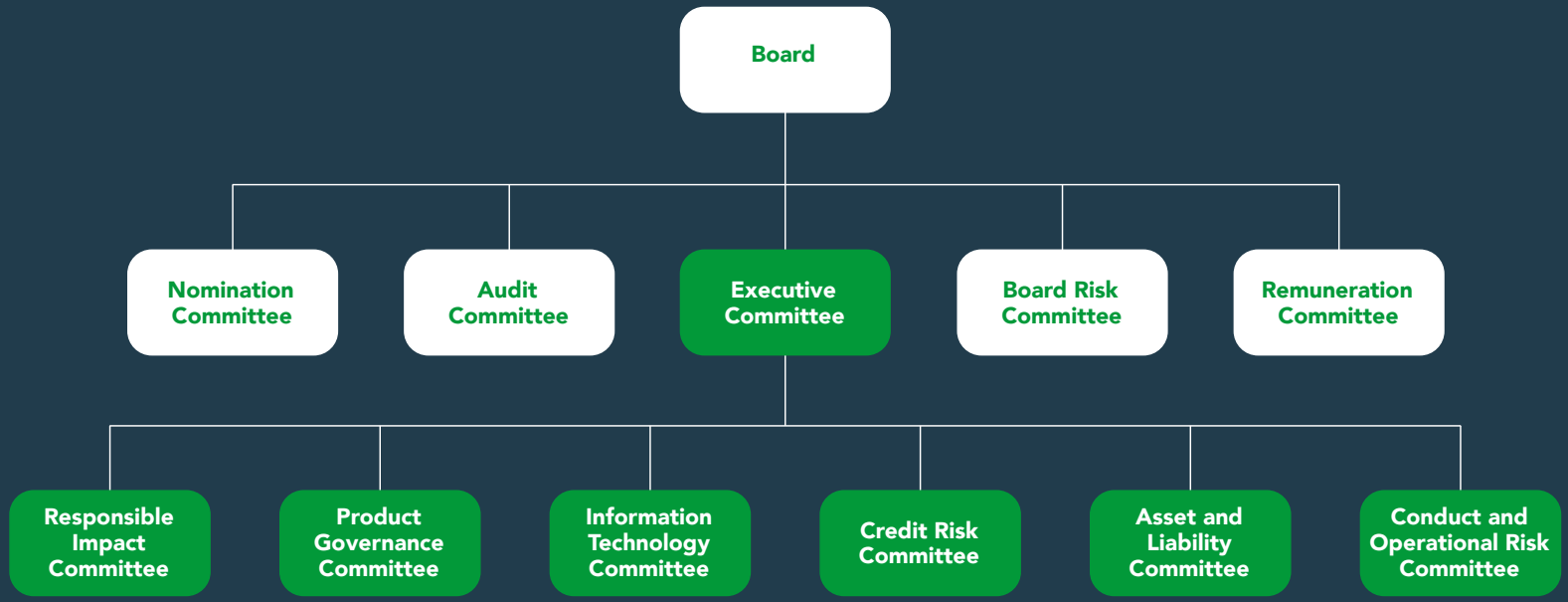
Responsible impact pillar	People			Principle		Partnerships		Planet
Stakeholder	**Customers**	**Employees**	**Suppliers**	**Investors**	**Regulators**	**Business enablers**	**Society**	**Environment**
Why they are important to us	We meet our customers through in-person meetings on their farms, our customer service teams based in Chester who are available for phone calls and digital support, as well as our apps for savings and loan customers.	A monthly 'townhall' to provide updates on corporate objectives and projects, regular team meetings and individual employee discussions as well as an annual colleague survey.	Formal monthly engagements with critical suppliers, regular discussions with material non-critical suppliers and ongoing reviews of existing non-material suppliers.	Our Annual General Meeting is held in-person in Chester and online, regular bi-lateral engagements with institutional investors.	Monthly meetings with the Prudential Regulation Authority.	Monthly engagements with distribution partners and joint participation in industry events.	Attendance at various industry events and groups.	One-on-one engagement with customers during loan applications, distribution of Natural Capital newsletter to employees, speaking engagements at industry events.
Our objective in terms of responsible impact	Our customers continue to provide positive feedback via Feefo and TrustPilot, with average scores of 4.7 and 4.6 respectively.	We increased the number of placements and graduates from six in 2023/24 to eleven in 2024/25.	All suppliers rated Material-critical have net zero aligned policies in place.	We raised £69 million in Common Equity Tier 1 capital in 2024 from a combination of existing and new investors.	As a result of our focus on Consumer Duty, we have identified over 200 actions to improve customer outcomes and/or mitigate against poor customer outcomes, of which 150 have been delivered to date.	The British Business Bank approved a £100 million increase to the existing £200 million ENABLE guarantee to allow Oxbury to provide loans to small business in the agricultural sector.	We attended more than 100 industry events including farmers' days, agricultural shows, etc in 2024 where we engaged across topics from farming practices to natural capital risks and opportunities.	Became first bank with headquarters in the UK to voluntarily publish combined TCFD and TNFD disclosures in our 2023 Natural Capital Report.

How we govern responsible impact

Oxbury's governance framework underpins our responsible management of the business. It is designed to facilitate sound decision making and provide robust oversight and control of our operations. This framework supports us to balance the impact of our decisions over the short, medium and long term across our four pillars of responsible impact.

Our overall governance framework is summarised below.

Figure 2: The Oxbury Board, Executive and respective sub-committees.



Role of Oxbury Board and sub-committees regarding Responsible Impact

The Board sets the overall direction of Oxbury. It approves the strategy and sets the risk appetite within which such strategy is delivered and provides regular oversight of management activity. Management is responsible for delivering the strategy. Responsible impact is integral to how we operate our activities and processes as is evidenced by the actions of different governance fora.

General information pertaining to the role of the Board and its sub-committees is provided in our 2024 Annual Report and Accounts. **Table 2** (below) describes the detailed responsibilities of the Board and its sub-committees regarding responsible impact, as well as specific actions undertaken in 2024. Following on, **Table 3** then describes the same information for Executive Management and its sub-committees.

Table 2: Responsible Impact responsibilities and actions by the Board and sub-committees in 2024

Board and sub-committees	Responsibilities for responsible impact-related dependencies, impacts, risks and opportunities	Specific actions during the reporting period
Oxbury Board met 6 times in 2024 and received information related to Responsible Impact including Natural Capital at all meetings	■ Approve our approach to natural capital risk ■ Approve the Responsible Impact Policy ■ Consider social, climate and biodiversity risk impacts when assessing credit applications ■ Approve our risk appetite including limits for natural capital risk ■ Approve metrics and indicators to monitor climate risk performance and monitor ongoing progress ■ Approve the Responsible Impact report ■ Oversees the identification and setting of metrics and targets related to Responsible Impact-related risks and opportunities, with ongoing monitoring of progress	■ Approved Responsible Impact policy ■ Ensured sustainability related matters were addressed in credit applications approved by Board ■ Received and reviewed monthly and quarterly natural capital reports from management ■ Approved inclusion of natural capital and environmental risk in Risk Management Framework ■ Approved Natural Capital Risk Appetite statements and metrics
Board Audit Committee met 5 times in 2024 where Responsible Impact including Natural Capital is a standing item on the agenda	■ Approve the Natural Capital Risk Policy ■ Review and recommend climate and nature disclosures to Board for approval ■ Review Streamlined Energy and Carbon Reporting (SECR) disclosures in Annual Report and Accounts	■ Reviewed financial statements ■ Engaged with internal and external auditors including on matters related to natural capital risks

Table 2: Responsible Impact responsibilities and actions by the Board and sub-committees in 2024 (continued)

Board and sub-committees	Responsibilities for responsible impact-related dependencies, impacts, risks and opportunities	Specific actions during the reporting period
Board Risk Committee meets quarterly and consider social and natural capital risks as part of credit applications (weekly meetings) as well as quarterly risk updates	■ Approve various credit policies which include criteria for assessment of and portfolio management of climate and biodiversity risk ■ Consider social, climate and biodiversity risk impacts when assessing credit applications ■ Consider proposals in respect of the risk appetite, including limits for natural capital risks ■ Consider and provide oversight of natural capital risk within the risk management framework	■ Reviewed and approved the Credit Lending and Underwriting policy, including updated guidance related to natural capital risks ■ Reviewed the Internal Capital Adequacy Assessment Process (ICAAP) to ensure that a natural capital related scenario was included, where relevant ■ Required that all credit applications for the Board Risk Committee are reviewed by the Head of Sustainable Banking and responsible impact related comments included in applications
Nomination Committee – the committee met 2 times in 2024	■ Consider the skills, knowledge and experience related to Responsible Impact, with a specific focus on natural capital risk, of Board members during annual assessments and identification of potential new board members	■ Arranged Board training on responsible impact related matters from external service providers
Remuneration Committee met 3 times in 2024	■ Approves the remuneration policy annually and ensures that senior management has appropriate remuneration arrangements	■ At the current stage of Oxbury's development, Climate-related considerations are not factored directly into executive remuneration

Role of Executive Management and sub-committees regarding Responsible Impact

Table 3: Responsibilities and actions of the Executive and sub-committees in 2024

Executive and sub-committees	Responsibilities for responsible impact-related dependencies, impacts, risks and opportunities	Specific actions during the reporting period
Executive Committee met monthly in 2024	■ Responsible Impact and Natural Capital policies as well as proposed metrics and indicators to monitor climate risk performance ■ Review and recommend the Responsible Impact Report and associated disclosures to Audit committee	■ Reviewed and provided input on the Oxbury Transition Facility ■ Approved implementation of the Downforce Technologies relationship based on pilot project results ■ Approved the development of over-arching approach to agronomic and responsible impact information collection from customers to support loan due diligence and disclosure ■ Reviewed the 2023 Natural Capital report which included combined TNFD and TCFD disclosures ■ Reviewed and approved the Oxbury operational carbon footprint and purchase of offsets to cover emissions
Responsible Impact Committee meets every second month	■ Review and recommend natural capital related developments and the wider positive impact of the company to the Executive Committee	■ Coordinated day-to-day management of Oxbury's responsible impact risks, providing inputs on data collection, policy and process development and implementation of projects
Product Governance Committee meets twice a month	■ Consider natural capital risks, impacts and dependencies when products are developed and reviewed ■ Review and approve products that support the transition to a low carbon, nature-positive economy	■ Updated all product templates to incorporate the FCA guidance on greenwashing during product inception and review phase ■ Approved the Oxbury Transition Facility

Table 3: Responsibilities and actions of the Executive and sub-committees in 2024 (continued)

Executive and sub-committees	Responsibilities for responsible impact-related dependencies, impacts, risks and opportunities	Specific actions during the reporting period
Credit Risk Committee meets twice weekly	■ Assesses and approves loan applications and distributors incorporating natural capital risks and opportunities in the credit criteria and assessments ■ Develops sub-sector industry profiles which include the impact and dependencies of natural capital risks	■ Implemented the updated Credit Lending and Underwriting policy, which expanded the responsible impact assessment in credit narratives to include both risks and opportunities, and incorporated the wider natural capital lens beyond climate and animal welfare ■ Received detailed natural capital risk, opportunity, adaptation and mitigation assessments across the main sub-sectors in Oxbury ■ Incorporated social and natural capital risk and opportunity assessments in sector reviews
Conduct and Operational Risk Committee meets monthly	■ 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	■ Updated templates to enhance assessment of responsible impact risks including natural capital risks ■ Approved suppliers related to Oxbury responsible impact projects, carbon footprints, and industry bodies

Three lines of defence applied to Responsible Impact

More broadly, responsible impact is embedded into our day-to-day work across the three lines of defence.

Table 4: Application of lines of defence to responsible impact

Line of Defence	Team and key people	Responsibility/ Activity
Line 1	Sustainable Banking *(Managing Director; Head of Sustainable Banking)*	■ Owns the Responsible Impact policy and Natural Capital policy ■ Responsible for directing our overall responsible impact approach ■ Act as subject matter experts on sustainability issues and provide advice, for example in respect to product design and credit underwriting ■ Review and provide input on responsible impact in all lending applications for Board Risk Committee ■ Work with finance to understand the risks to our balance sheet arising from climate and environmental change and the consequences of this for our business plan and strategy ■ Responsible for measurement and monitoring of operational emissions and offsets ■ Provide training to all employees, including executive management, on sustainability ■ Ensure soil organic carbon assessments are undertaken for all loans by collating relevant geospatial information
	Relationship Management *(Managing Director; Chief Commercial Officer)*	■ Understand customer approaches to stewardship and management as well as mitigation of climate and environmental risks as part of broader understanding customers and their businesses ■ Reflect sustainability related risks, opportunities, mitigating and adaptation actions in lending applications ■ Contribute to product development tailored to customers' needs and practices while reflecting the demands of the wider supply chain ■ Collect and capture carbon footprints from customers and create maps of farms associated with loans
	Finance *(Chief Financial Officer; Statutory Reporting Officer)*	■ Contribute to natural capital risk assessments, policy updates and the inclusion of natural capital risk costs on the financial reporting ■ Chief Financial Officer (CFO) is the main contact with internal and external auditors on natural capital related queries ■ Statutory Reporting Officer is responsible for collating sustainability related information to investors

Table 4: Application of lines of defence to responsible impact (continued)

Line of Defence	Team and key people	Responsibility/ Activity
Line 2	Risk *(Chief Risk Officer)*	■ Incorporates natural capital risk into the risk management framework and risk appetite statement ■ Oversees the implementation of the credit policies, which include social and natural capital risks ■ Monitors performance against risk appetite, including indicators specifically relating to climate risk and limits relating to specific products (e.g. Transition Facility) ■ Provide oversight and challenge in respect of responsible impact risk and disclosures, including through the Responsible Impact Committee
	Credit Underwriting	■ Assess social and natural capital risks and opportunities as part of the credit decisioning process
Line 3	Internal Audit	■ Review responsible impact issues periodically in line with Internal Audit framework and plan
	External Audit	■ Provide assurance on selected indicators in the 2024 Annual Report and Accounts, including energy use, emissions and offsets

Our customers///

Responsible Impact and our customers

We acknowledge that our customer actions determine our major impact. Across the pillars of responsible impact, we aim to identify the impacts, risks and dependencies of customer activities in our due diligence processes. We use our business processes, technology, risk management and experience of the sector to continuously expand our ability to assess and record the information.

This section of the report will provide an overview of activities undertaken since 2024 across the pillars of planet, partnerships and people with our customer base.

Planet

"The British Business Bank has agreed an £100m increase to its existing ENABLE Guarantee transaction with leading fintech Oxbury Bank – a UK bank with a singular focus on farmers, food production and the rural economy. Oxbury has a strong track record supporting farm businesses to improve their sustainability, and the extended ENABLE Guarantee will now include a specific enhanced incentive for Oxbury to promote more lending that meets certain sustainability criteria." [2]

Context

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

As everyone involved in the agricultural value chain can attest, the sector already experiences acute and chronic climate physical risk events annually. Physical risks are those related to the physical impacts of climate change and nature-degradation, such as 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 run-off from agricultural activities.

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. These risks could materialise as credit risk for Oxbury when customers lose production or incur additional costs because of such events. To mitigate such risks farmers have to adapt continuously to changing conditions.

We assume that both climate and nature physical risks will continue to intensify over the short- to medium-term although their form may differ between regions and sub-sectors.

Climate change

Oxbury affirms the conclusion of the Intergovernmental Panel on Climate Change (IPCC) that

> *"it is unequivocal that human influence has warmed the atmosphere, ocean and land" and that "human-induced climate change is already affecting many weather and climate extremes in every region across the globe."* [3]

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. 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.

The agricultural sector is in a unique position compared to other economic sectors. 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.

[2] *https://www.nfuonline.com/updates-and-information/achieving-net-zero-meeting-the-climate-change-challenge/*

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

Biodiversity

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."* [4]

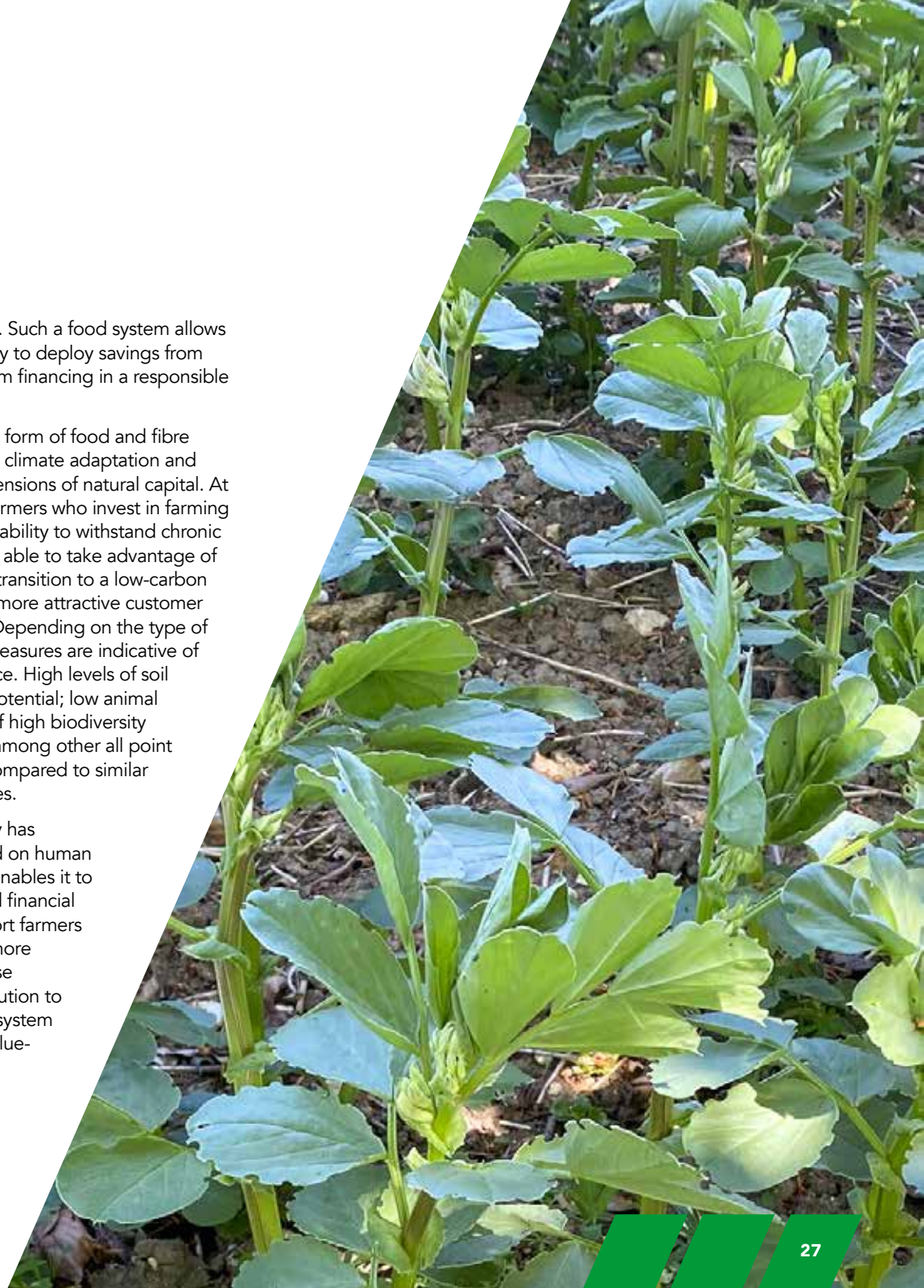
Many indispensable elements of biodiversity such as species for pollination or natural pest control and nutrient cycling systems that maintain the resilience of food production systems are in decline, increasing potential risk to food security and the rural economy. While multiple factors contribute to the decline in biodiversity, including climate change, globally farming practices have been a major driver of losses over the past century. Consequently, significant risks were created for the sector in the light of the pressures emanating from climate change impacts. Again, agriculture can contribute to improved biodiversity through specific farming practices, for example some that the Department for Environment, Food and Rural Affairs (DEFRA) in England and the Devolved Administrations in Scotland, Wales and Northern Ireland support through new grant schemes.

Our response

At a macro level, Oxbury believes a resilient food system that delivers sustained value to all participants with reduced emissions, increased carbon storage and enhanced biodiversity is a significant asset for society. Such a food system allows financial institutions like Oxbury to deploy savings from depositors to provide long-term financing in a responsible manner.

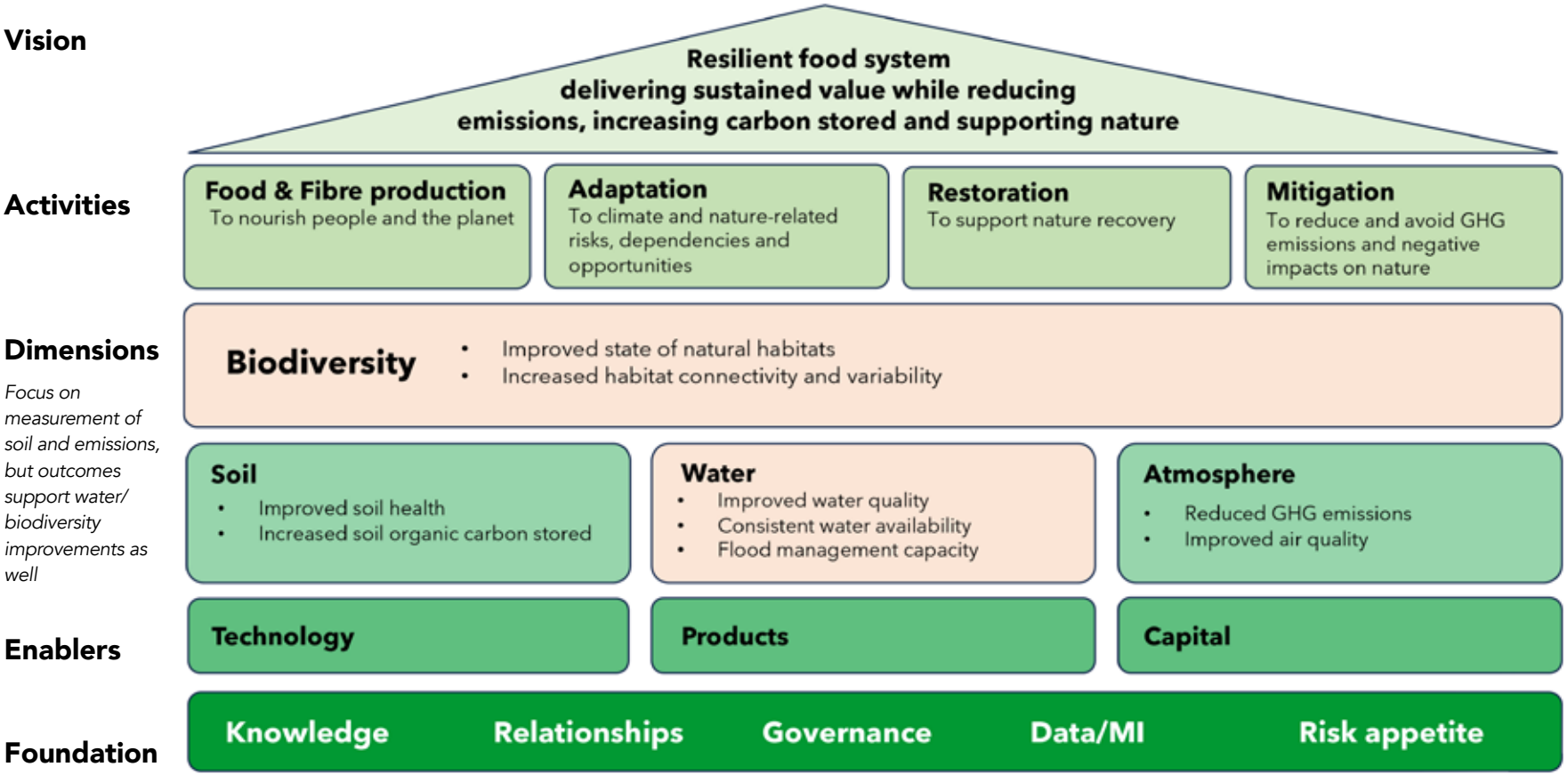
Activities at farm level take the form of food and fibre production, nature restoration, climate adaptation and mitigation across the four dimensions of natural capital. At a local level, we believe that farmers who invest in farming practices that strengthen their ability to withstand chronic and acute 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. High levels of soil organic matter compared to potential; low animal mortality rates; the presence of high biodiversity areas; water storage capacity among other all point to more resilient enterprises compared to similar enterprises with lower measures.

As a challenger fintech Oxbury has developed a foundation based on human and intellectual capital which enables it to deploy technology, capital and financial products to identify and support farmers in their ongoing transition to more resilient business models. These activities represent our contribution to co-create the envisaged food system within the wider agricultural value-chain and rural economy.



[4] *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.*

Figure 3: The Oxbury theory of change to enable customer transition



In terms of measuring change to the four dimensions of our definition of natural capital, we have elected to focus on soil health and greenhouse gas emissions. Emissions reductions are required across the agricultural sector to enable the UK to meet its target set out in the Climate Change Act by 2050.

Healthy soils provide an array of ecosystem benefits including water filtration, reduced soil erosion and water run-off during heavy rain spells, enhanced nutrient cycling, increased carbon storage and the growing of nutritional food. There are a myriad measures of soil health, and we initially focus on soil organic carbon as a proxy, recognising that it is a lag indicator of soil organic matter and that it does not reflect species richness or diversity found in the soil. However, our partnership with Downforce Technologies allows us to measure soil organic carbon consistently, and at portfolio scale, creating a baseline for future developments.

Oxbury Transition Facility development

During 2024 we reviewed the local and international landscape to assess the financial needs of farmers to manage the transition and devoted the final part of the year to develop the Oxbury Transition Facility based on our research. The product provides a flexible working capital facility with a low-interest rate guaranteed for six years for farmers to support them in making sustainable changes to their farming practices.

The product design builds on the insight that the implementation of transition activities often depends on the availability of working capital and recognises that farmers are at different stages in the change process. Independent research by the Soil Association Exchange confirmed that 66% of farmers identify financial and business risks as barriers to transition, and that nearly 70% would have a positive perception of a bank that provides such financial support[5]. The report also indicated that while a third of farmers are already considering climate and nature outcomes in their operations, another 62% are at the early stages of planning to include nature considerations on farm, and that this group of farmers face much higher levels of uncertainty in terms of outcomes than the ones who had already started the process. This latter insight informed our product design to support farmers both right at the start where changes are still being planned as well as during implementation over a longer period.

There are many definitions of transition within an agricultural context, but we have chosen to focus on three specific metrics, activities that result in a reduction of emissions, improved soil health and on-farm carbon storage, to enable long-term financial sustainability aligned to our theory of change discussed above.

Progress over time against these metrics would be indicative that climate mitigation and adaptation practices are being implemented. In agriculture many factors related to emissions reduction and carbon storage are outside of the farmer's direct control as biological processes are involved. For instance, during a very hot, dry year it is much more difficult to maintain carbon stored in soils despite their best intentions, which we acknowledge, and therefore our focus will be on measuring the direction of change in the first instance.

We require customers to provide a carbon footprint as part of the application to baseline the GHG emissions and require updated footprints throughout the six-year product term to track improvements over time. All farm locations are mapped at the outset, which enable not only our physical risk assessments as part of the credit due diligence but form the basis of the soil organic carbon assessment completed by Downforce Technologies for each customer.

We understand that farmers cannot achieve emissions reductions and provide long-term security of supply on their own. Therefore, we deliberately chose to design the product to facilitate collaboration with various role players in the value chain. We incorporated the environmental grants available from the various governments, as well as supply chain programmes related to insetting and regenerative commitments to enable farmers to use their participation in these as evidence of the sustainable on-farm practices. At the launch of the Oxbury Transition Facility at the 2025 Linking Environment and Farming (LEAF) conference, we were able to recognise the positive actions undertaken by LEAF Marque farmers by providing a no-fee version to these farmers.

Future focus areas

We aspire to combine the data related to emissions and carbon stored with financial information to enable us to improve our understanding of the process of transition including the risks and opportunities over the lifespan of these applications. We continue to identify data and indicators that would improve our ability to interpret this information which we will endeavour to collect over time. Better quality information on land use and the ability to assess farming practices with limited farmer inputs will also be considered. The availability of replicable, comparable historical information using remote sensing opens a plethora of opportunities that we are exploring.

We look forward to launching several partnerships within the supply chain during 2025 which will further facilitate access to finance for farmers while limiting the administrative efforts to provide evidence of qualification for the product.

Oxbury Transition Facility details:

https://www.oxbury.com/lending/oxbury-transition-facility/

[5] *Soil Association Exchange. 31 October 2024. Banking for Change: Addressing financial risk as a barrier to farm transition*

Evaluation of natural capital risks, impacts and dependencies of the dairy sector

The dairy sector represents a material sub-sector in our loan book and we applied the TNFD framework LEAP methodology to analyse biodiversity and nature risks for the specific sector. We used the ENCORE tool provided by the Natural Capital Finance Alliance to evaluate the impacts and dependencies of the dairy sector, using the raising of cattle as a proxy variable in the tool. In terms of provisioning ecosystem services, dairy mainly provides food, 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 (e.g. emissions, pollutants, waste) may have a significant impact on the efficacy and resilience of regulating and maintenance services.

Our UK-based dairy 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 dairy operations may have an indirect connection to tropical and sub-tropical forests biomes through imported soya and maize for feed. We updated our Responsible Impact policy in 2024 to require customers with total facilities of £7.5 million or above who use soya as feedstock to provide us with information on their approach to sourcing soya and any associated sustainable procurement considerations. We will continue to collect this information to improve our understanding, noting that our direct ability to influence the procurement of soya is limited.

The associated ecosystem dependencies and impacts are underpinned by a range of ecosystem components including:

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

Climate impact

Agriculture is responsible for around 10% of the UK's territorial greenhouse gas emissions, with dairy farming emissions estimated to account for less than 3% of this footprint, mainly driven by methane from enteric fermentation and nitrous oxide from the application of fertilisers[6]. A range of farming practices can contribute to either directly reduce emissions or improve the emissions efficiency of production. Oxbury provides financing for the construction of either new or upgrades to milking parlours and dairy sheds, slurry storage systems, other animal housing (e.g. calve sheds), and renewable energy systems using the manure such as biogas and anaerobic digester plants. Overall, new infrastructure improves energy efficiency, resulting in a direct reduction of energy consumption and emissions while improving animal health and welfare. Improvements to fertility, youngstock management and animal health results in greater conception rates, lower mortality rates, higher productivity and feed conversion rate which improve emissions efficiency rates.

There is a limit to the extent which changes to physical infrastructure will reduce emissions, with the remainder requiring other interventions. The use of genomics and sexed semen in dairy cattle is already having an impact, for instance reducing the number of unwanted male calves born annually and lowering the risk of dystocia at birth to cows. The use of sexed semen can increase the herd replacement and expansion at a faster rate from within the existing herd reducing biosecurity risks and allowing farmers to select for specific characteristics from existing cows[7]. Taking into consideration the lifespan of an average dairy cow, the total dairy herd in the UK will be replaced at least twice by 2050 and genomics will have a significant impact in the characteristics of animals, including enteric fermentation. The role of genomics in reducing overall emissions from the dairy sector is not fully understood yet and is in general absent from projections of future sector emissions.

Climate risks

The potential impact of climate change on the livestock industry is well documented. This includes changes in the carbon dioxide levels in the atmosphere, increased temperatures and changes in rainfall. **Figure 4** (right) illustrates how these changes can potentially affect the availability and quality of forage, animal health and productivity, and pose risks to infrastructure as a result of flooding.

We provide finance for adaptation purposes including the installation of fans in existing milking parlours and sheds, upgrades to shed roofs to reduce heat stress, heat recovery systems on milk bulk tanks and expansion of water storage capacity on-farm, often for rainwater capturing.

[6] *The Dairy Road Map Climate Ambition: Supporting UK Net Zero.* https://www.dairyuk.org/wp-content/uploads/2021/11/Dairy-Roadmap-Climate-Ambition-Final-Version.pdf

[7] *Holden, S.A. and S.T Butler. 1018. Review: Applications and benefits of using sexed semen in dairy and beef herds. Animal: 12: supplement 1: 97-103.*

Figure 4: Impacts of climate change on livestock

Increase in Temperature

- **Water** consumption **increases** 2-3 times
- **Forage decrease** in nutrient availability, feed intake and feed conversion efficiency
- **Production** of milk and meat **decrease**
- **Reproduction decrease**
- **Health increase** in mortality rates, **decrease** immunity to new diseases and overall health

Increase in CO_2

Forage

- Change in herbage growth
- Positive effect on plants:
  - *Partial stomata closure*
  - *Reduce transpiration*
  - *Improve water use efficiency*
- Decrease forage quality

Forage

Affect composition of pasture by

- Shifting of seasonal pattern
- Changing optimal growth rate
- Changing availability of water

Precipitation Variation

Diseases

Increase

- Pathogens
- Parasites
- Disease spreading
- Disease transmission
- New diseases
- Outbreak of severe disease
- Spreading of vector-borne diseases

Forage

Long dry season decrease:

- Forage quality
- Forage growth
- Biodiversity

Floods change

- Form and structure of roots
- Leaf growth rate

On-farm carbon storage

We used Land App to map most of our dairy exposures in Cheshire, Lancashire and Cumbria. Further, where available we collect carbon footprints from our dairy customers annually. We applied the land use information and used average carbon storage factors from Farm Carbon Toolkit to estimate carbon stored in woodlands and hedgerows on those farms.

Our partnership with Downforce Technologies then enabled us to apply the International Organization for Standardization (ISO) 14064 validated methodology to use a 3-year average of soil organic carbon (SOC) stored to complete the on-farm carbon storage calculation. Our experience since starting to use the annual average SOC information provided by Downforce at scale and applying it to specific areas and sub-sectors highlighted the following benefits:

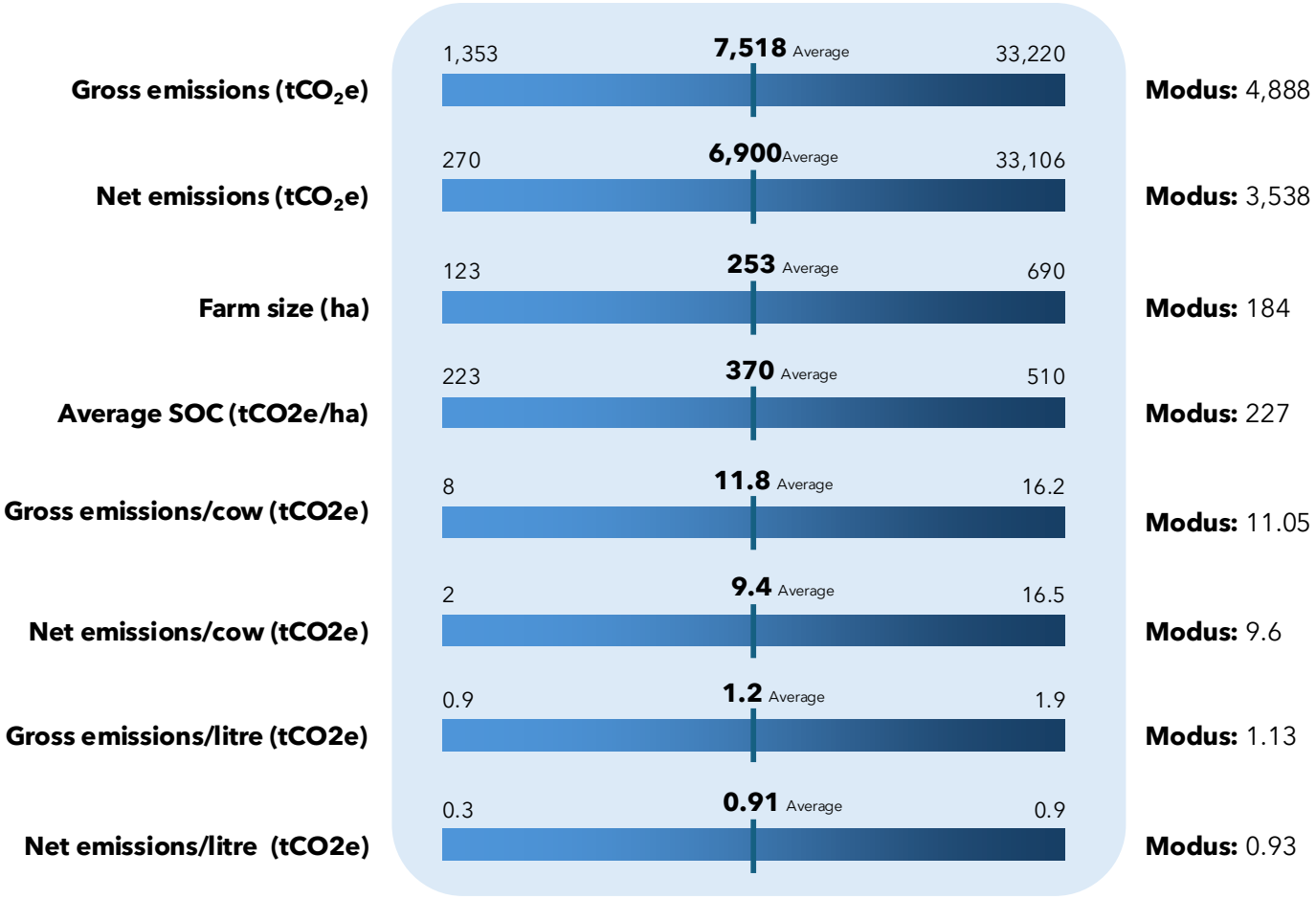
- Consistency in data available across the portfolio – irrespective of when we add a property to the platform, historical data is available for each on a comparable basis which enables us, as an example, to interrogate the effect of weather in a specific year on different farming systems
- Availability of historical information to assess trends and construct net zero pathways – the ability to combine point-in-time-emissions information with the historical trend in SOC stored allow us to identify operations that are net zero aligned or aligning in accordance with the Science-Based Targets Initiative (SBTi) Forest, Land and Agriculture Guidance (FLAG) methodology across our portfolio
- Customer engagement with results – when the results are shared, insightful conversations ensue as customers share their experiences of the land and how these equate with the annual changes in the digital landscape, empowering them to identify practices that have positive or negative impacts and identifying areas for further action
- International Organization for Standardization (ISO) standard 14064 Part 1 on organisational GHG inventories and statements – validation and verification by independent third-party verifiers of the methodology and net carbon removals assessed – provides confidence beyond a voluntary standard that the methodology has been scrutinised and meet GHG protocol requirements
- Scale and replicability of results – most studies on SOC to date depend on a small number of agronomically similar farms, with a limited number of point-in-time soil samples for specific study areas, to be repeated a few years later for comparison which creates large dependencies on specific weather conditions at the time of sampling for comparison. Whereas we are developing a large sample of farms with different practices and locations, which lets us to identify sub-projects and use cases at a rapid pace for further study, irrespective of specific weather or farm conditions
- Comparability between farms – SOC is notoriously difficult to compare across regions due to the significant role of soil type resulting for instance in the SOC levels of sandy farms in the south-east of England never being directly comparable to those on more clay in the north-west. The attainment feature on the platform allows us to compare the performance on one farm relative to similar farms within a 100km radius identifying farmers who are already investing in soil health and those who have opportunities to improve compared to their peers

The results of our assessment of dairy farmers in the North West of England cover a range of farms in land and herd size as well as systems – all-year round versus block calving fully housed versus grazed.

The results are presented in **Figure 5 (**p33).

We calculated both the average and modus (middle value in the sample) for each variable. Notably when the comparisons are made at enterprise level, the modus is much lower than the sample average. This is an indicator that a small number of operations contribute the most to emissions. However, when compared on a per cow/litre of milk basis, the modus and average are much closer to each other, indicative of the higher efficiencies generally achieved by the larger operations. This creates opportunities for the dairy sector as emissions reduction efforts may be focused on a limited number of operations to have significant impact, an approach already embraced by one milk processor and supported by Oxbury through a bespoke offering to their farmers. In 2025 we will explore the clear distinction in the scale of SOC storage between the counties involved to understand whether this is due to geomorphology (soil types), local weather conditions, or dairy system factors.

Figure 5: Selected emissions and carbon indicators on dairy farms in the North West of England



Transition planning

At an individual farm level, the inclusion of on-farm carbon stored changed net emissions by up to 80%. However, it should be noted that emissions from soil also increased the net emissions at two operations. Overall, net emissions reduced by 9% once on-farm carbon storage was included across the farms. Four operations could be classified as net zero aligned, four aligning and only three requiring further assessment to determine whether historical emissions reductions which have been excluded from this study categorises them as aligning.

The ability to use a combination of historical emissions and carbon stored information to classify assets as net zero, aligned to a 1.5-degree pathway or aligning, is an important next step in the development of our transition plan.

Future focus areas

We aim to expand the above study to incorporate our full dairy portfolio by 2026. This entails collaborating with the wider dairy industry to understand the impact of SOC on net emissions and incorporate variables such as forage production, manure applications to arable and pastures, calving and housing systems to increase understanding of the impact of these factors on overall emissions profiles. This work enables us to assist our customers to evidence progress in achieving net zero emissions and to interrogate the impact of on-farm changes.

Scenario planning and stress testing

Our 2023 Natural Capital Report illustrated how we employed the LEAP approach to locate, evaluate and assess the risks, dependencies and impacts of our top 20 exposures. In 2024, we extended that approach in collaboration with Land App and eftec to develop a proof of concept based on the natural capital accounting standards. The aim of this concept was to establish a methodology that will allow Oxbury to consider the value of natural capital.

Natural capital asset registers

The first step is to create a Natural Capital Asset Register, for which we used Land App Nature, Risk and Resilience reporting to map the location of 13 farms for the sample. Baseline habitat maps using the UKHabitat classification combined with land cover data from the Rural Payments Agency on Land App enabled the identification of habitats and land use.

We selected six benefits to include in the natural capital accounts that could be measured based on the land cover data in the asset register. These benefits provide value to both the entity as well as the broader public. The entity benefits from agricultural output and timber provision, while carbon stored in woodland, air quality regulation, recreation and health benefits from active visits provide tangible value to the wider public.

Firstly, it was evident that by using the land cover information we could allocate the contribution of natural capital to private versus public benefit. For instance, measuring the presence and identifying the location of habitats such as woodland and public right of ways contributes to the valuation of public benefit.

In a second step in the process eftec used accepted methodologies and sources of monetary value to estimate the present value of the future benefits associated with each asset. On agricultural output, this posed a range of challenges to consider regional variations in crop yield and incorporate the potential future impact of climate change. This is an important consideration, since the value of the flow of benefits is calculated over a 30-year period and as yet very few examples of such an approach exists. In terms of the proof of concept, it was assumed that climate change would affect yield annually by the same percentage across the sample. In reality, site specific conditions mitigate or exacerbate the impact of climate change across a portfolio. The absence of comparable studies incorporating climate risk over the long-term highlights a particularly valuable area for future analysis, as it could feed into climate stress testing and scenario planning.

Biodiversity metrics

Additional nature focused metrics were also provided by Land App, relating to water catchments and water stressed areas, habitat connectedness and biodiversity, peat and flood risk and several other dimensions. In terms of biodiversity indicators, an important insight relates to the relative permanence of features. Indicators which rely on information associated such as location relative to a fairly stable measure, are easier to determine and maintain, for example flood zones, woodland, and hedgerows.

One of our key learnings from 2024 is that indicators which rely on information provided at farm-level, e.g. the presence of wildflower or wild bird seed margins, are much more challenging to determine and maintain as it relies on regularly updated information from farmers through a manual data collection process. This limits the useability of such biodiversity indicators as they become costly to collect, difficult to scale and compare at portfolio level, and challenging to incorporate into due diligence processes due to the lack of consistency in the available information.

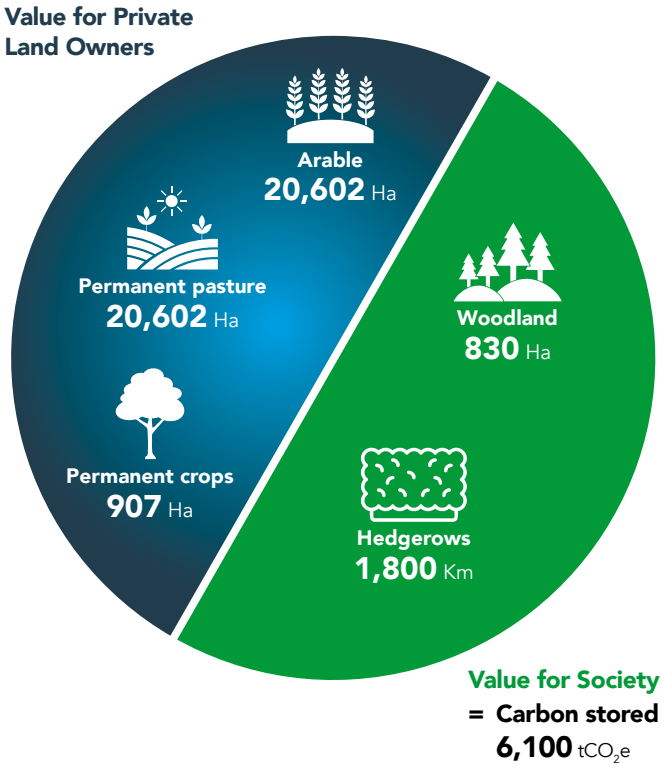
Future focus areas

The proof-of-concept study revealed both the limitations and opportunities related to natural capital valuations and biodiversity metrics at that point in time. The study reinforced our short to medium-term view to concentrate on soil as our main biodiversity focus, while we continue to explore the new technologies available to obtain comparable and scalable information on other indicators at site level. The natural capital valuation methodology, especially related to agricultural output, could become an input into future stress testing. This however requires additional work to improve our baseline knowledge of existing land use including crops and yields to be able to utilise these outputs effectively.

Practical application

We applied these new insights to develop a natural capital asset register for 69 of our largest exposures in England representing nearly 29.000ha.

Figure 6: Natural Capital Asset Register



Financed emissions

In common with other financial institutions, we make a range of assumptions with regarding our financed emissions. 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, and so on which are subject to change as well as correct appropriation of Oxbury's share in overall funding of the farms. This methodology is explained on page 60.

As a new institution, our loan book continues to grow in-line with our business plan, with a commensurate increase in financed emissions, although in 2024 the emissions intensity increased by a slower rate than the loan book increase. One of the limitations of relying on energy intensity factors to calculate financed emissions is the inability to demonstrate change against baseline emissions. Lending to fund improvements to aging dairy infrastructure represent about a third of the increase in our term loan book year-on-year. This we recognise as term loans that contribute to on-farm emissions reduction and carbon storage, but reflects as an increase in our absolute emissions. Although our financing results in a reduction of gross emissions at both agricultural and financial sector level, it increases our own total financed emissions. The same dynamic is present in our asset finance portfolio, which we have not yet incorporated into our financed emissions calculations. In general, the vehicles, equipment and machinery that we finance are used to replace older, less energy efficient and thus higher emitting versions, but the change in overall emissions cannot be evidenced in current methodologies.

During the past year we have explored the opportunity to improve the accuracy of emissions reported on our Oxbury Farm Credit product as described on page 38, where we have collected data on specific products and quantities purchased by customers. The proof-of-concept project in collaboration with Farm Carbon Toolkit indicated that we could identify specific emission factors for approximately 70% of purchases by arable farmers, which would address some of the limitations to the above modelling approach. The next phase of this project is to integrate the emission factors to automate the calculations and agree an acceptable treatment for those items which cannot be identified with specificity. The results of the completed project will be published in our 2025 report.

We classify approved term loans that contribute to on-farm emissions reduction and carbon storage as climate opportunities in accordance with the 'Achieving Net Zero' pillars[8] outlined by the National Farmers Union (NFU) and described in more detail on page 60. Only new finance is considered when calculating our contribution, excluding re-financing of any previous debt with other institutions, even though the original loan purpose may have been in-line with the categorisation, as we believe this provides a more accurate reflection of our contribution. As the size of our term loan book increases, expressing the contribution as a percentage of the total financed becomes illusionary. Thus, the contribution decreased as a percentage of the overall loan book in 2024, even though the quantum of such lending increased 28% year-on-year from £140.3 million in 2023 to £178.8 in 2024. As discussed on page 33, the availability of historical carbon storage information creates the opportunity to move beyond the current methodology to classify assets as climate solutions (Pillar 2 and 3 in our current methodology), net zero, aligned to a 1.5 degree pathway or aligning.

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

Table 5: Taskforce on Climate-related Financial Disclosures (TCFD) metrics

TCFD metric category	Metric	2024	2023
Assessment of physical risk	Proportion of financing activities vulnerable to physical risk (%)[1]	70	72
Assessment of transition risk	Exposure to carbon-related assets by sector (%)	0	0
Portfolio decarbonisation[2] (covering Scope 1, 2 and 3 upstream and downstream of our customer emissions)	**Financed emissions:**		
	Absolute emissions (tCO_2e)	1,612,456	848,454
	Term loans	1,009,242	572,403
	Embedded finance	603,214	676,052
	Intensity (kgCO2e/£):	0.0017	0.0014
Climate-related loan opportunities[3]	Exposure to climate related opportunities[4]: Total	23%	28%
	Pillar 1	11%	13%
	Pillar 2	3%	6%
	Pillar 3	5%	6%
	Other climate, not covered above	4%	3%

1. Term loans as percentage of total loan book as these loans exposed over multiple years to physical climate risk.
2. Calculations of financed emissions is based on primary data on production/farm composition and meets the definition of a Partnership for Carbon Accounting Financials (PCAF) data quality score of 3.
3. Term loans that contribute to on-farm emissions reduction and carbon storage (as % of overall term loan portfolio).
4. For a description of each pillar please refer to page 60.

Future focus areas

Asset finance remains excluded from our financed emissions calculations due to the lack of sufficient information on agricultural assets. However, as the size of our asset finance book increases, we will identify options to include these emissions from 2025 in our reporting.

As discussed previously, evolving the calculation of financed emissions will be a prime area of effort as we explore beyond the current approaches to Scope 3 calculations. Combined with the ability to estimate carbon stored, this would represent another pioneering opportunity for Oxbury and we will take the necessary time to devote sufficient resources prior to communicating these outputs. We do not expect this to be ready for the next reporting cycle.

The Oxbury Transition Facility is the first of our loan products where customers are required to provide a carbon footprint as a precondition for the application. The availability of this information allows us to benchmark our models and improve the accuracy of our emissions reporting in future. Considering the differences between our corporate reporting dates and on-farm carbon footprint completion dates, we are working to further improve our ability to incorporate the on-farm emissions into our reporting. As more data is needed to help inform our models, this product represents the important first step in that process. The use of technology to improve the accuracy of Scope 3 emissions and integration with various platforms which limit the direct input required from farmers also remains a focus area.

In addition, we will invest in the resources and technology required to implement a classification of assets reflecting the available transition strategy nomenclature. There is a definite role for Artificial Intelligence to collate and combine data across disparate data sources available in various formats, including PDF carbon footprints, to enable us to progress this work.

Partnerships

"To me, a big benefit of Gamechanger was the ability to finance cattle purchases through Oxbury. I wanted to invest in enough cattle to improve the farm's monthly income which Oxbury enabled me to do quickly and without financial capital outlay."

Alex Rawlings

Our approach

The food system is highly integrated, requiring a collaborative approach to create effective outcomes for all participants. Oxbury co-operates with many role players in the food value chain to build an adaptive agricultural sector that enables financial, environmental and social development.

Our partners include businesses that operate in the agricultural supply chain providing services and products directly to farmers, as well as those that enable us to develop products and collect information as described in the previous sections.

Distributors

The first product launched at our inception, the Oxbury Farm Credit (OFC), exemplifies this collaborative approach that links farmers and their supply chain for inputs. Customers use it to settle invoices from accredited suppliers and repay Oxbury later, which allows them to benefit from suppliers' early payment terms and manage cash flow during the season.

We currently have 21 distributors where OFC loans are used to purchase inputs, from fertiliser and general farm inputs all the way through to beef cattle. In addition, we offer short term loans to purchase pullets for egg farmers in partnership with two egg packers. This innovative approach not only strengthens relationships within the agricultural sector but also sets a benchmark for financial solutions tailored to meet the specific needs of farming communities. The integration of flexible financing options showcases our dedication to enhancing productivity while empowering farmers to focus on long-term sustainability and operational excellence.

Oxbury's partnership with the Gamechanger supply chain

We launched our innovative beef scheme derivative of the OFC product in 2022. Gamechanger now uses this as part of their fully integrated beef supply chain to provide a consistent, high quality beef product with a 25% lower-carbon footprint compared to the industry average for Sainsbury's Taste the Difference range.

Oxbury provides funding for dairy, rearing, growing and finisher farmers in the Gamechanger supply chain, with payments made as animals progress from one stage to the next. The programme funds 100% of the initial upfront costs of the cattle, with no repayment requirements while they are on the farm. Once they have reached specification and the animals leave the farm, Gamechanger repays the original price and interest accrued. Farmers therefore conserve their cash flow for inputs and other expenses with the cattle, with no need to provide for the initial capital outlay to acquire the animals.

More information on our partnership with Gamechanger can be viewed here:

https://gamechangerfarming.com/cattle-without-capital-with-gamechanger/

Future focus areas

We are exploring new distribution partnerships in 2025 to provide facilities in other sub-sectors and are investing in our IT systems to enhance the information available to customers and distributors at each step of the process.

In addition, we will enable applicants for our Transition Facility to use evidence of their participation in specific supply chain projects to facilitate their onboarding process. The new product will enable us to expand the number of organisations with which we partner to serve mutual customers effectively.

People

"Oxbury really listened to me. Without them, there's not going to be many people entering farming."

Fergus Corrigan

Our approach

Our customers are core to our business. Depositors enable us to provide financing to farmers and other participants in the rural economy. Oxbury was founded to provide a relationship-centred service to the agricultural sector and wider rural economy, recognising the importance of people in ensuring a sustainable food supply to society.

We currently have nearly 50 Relationship Managers located across Great Britain, with a core team based in Chester.

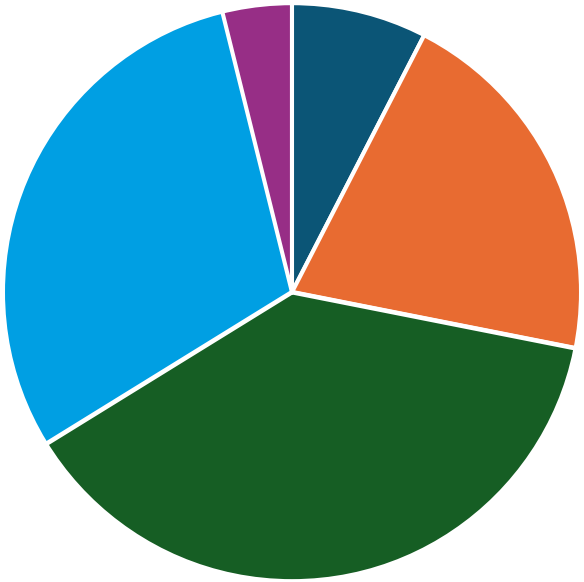
Oxbury New Gen

In 2024, 38% of farmers were 65 years old or over. Only 5% of principle farmers were under the age of 35, and a further 10% between 36 and 44[9]. As a financial institution aiming to support the UK agricultural sector over the long-term, Oxbury recognises the importance to support new entrant farmers who bring fresh approaches and innovation to the industry.

Two of the main barriers to entry for young people wanting to enter the agricultural sector are access to finance and business advice. In 2023, Oxbury launched the New Gen product, designed to support start-up agriculture ventures with founders aged between 18 to 40. We provide up to 100% of financing required and sponsor free business consulting after the business plan has been implemented.

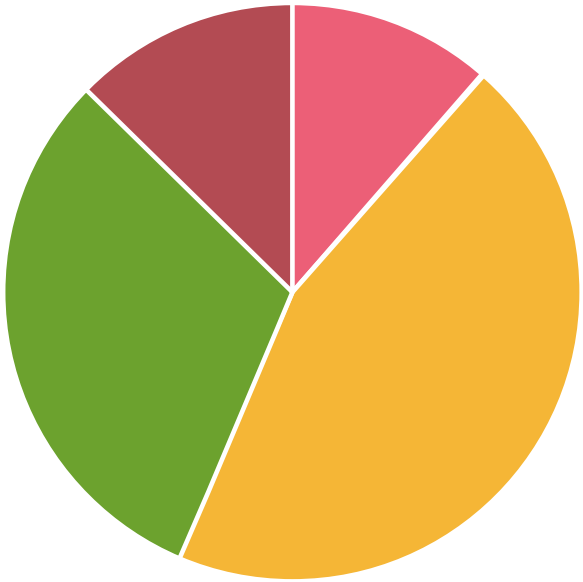
Since launching the product, we have funded 78 business owners that represent 53 different entities. We are proud of the fact that in an industry where 83% of farmers are male, 33% of our New Gen customers are female.

Figure 7: Oxbury New Gen entities by sub-sector



KEY: Arable Dairy Mixed Farming Other Poultry

Figure 8: Oxbury New Gen customers age breakdown



KEY: 25 and younger 26-30 31-35 36-40

Having studied and then worked on various agricultural enterprises around the world for a decade, Fergus Corrigan set up his own farming enterprise in 2021. After securing a tenancy, he became a first-generation farmer in North Yorkshire where he now plants, nurtures and harvests lavender, as well as 20 other varieties of herbs and flowers on 36 hectares. When he needed a specialised lavender harvester that cuts and collects the lavender flowers and then deposits these into a trailer that doubles as a distillation unit to separate the lavender oil and water, Oxbury went further than just funding new equipment. By providing him with a New Gen facility, we directly supported his business and provided opportunities for future growth and mentorship for the long-term. In turn, Oxbury delivered fragrant lavender candles to some of its customers as a surprise Christmas gift.

Find out more about our facility to Fergus:

https://www.oxbury.com/blog/a-day-on-the-farm-with-oxbury-customer-fergus-corrigan-of-the-lavender-farm-limited/

[9] *DEFRA, as at 21 November 2024: Agricultural Workforce in England at 1 June 2024.*
https://www.gov.uk/government/statistics/agricultural-workforce-in-england-at-1-june/agricultural-workforce-in-england-at-1-june-2023

Customer well-being and health

A 2021 report by the Royal Agricultural Benevolent Institution (RABI) used the Warwick-Edinburgh Mental Wellbeing Scale to measure mental wellbeing of more than 15,000 farmers responding to a health and well-being survey[10]. The report revealed that more than a third of the farming community potentially suffers from depression, and nearly half are experiencing some form of anxiety. Respondents identified an average of six factors that combine to cause them to stress. The report also identified that most of the farming community is in relatively poor physical health, with at least 50% experiencing ongoing pain and discomfort.

Our Relationship Managers receive mental health awareness training as part of annual vulnerable customer training and are able to refer customers to support institutions when they identify a specific need. In 2024, a representative of RABI provided additional awareness training to the customer-facing team.

Vulnerable customers

The identification and fair treatment of vulnerable customers is central to the FCA Conduct of Business Rules. Further, the twelfth principle introduced in July 2023 (The Consumer Duty) establishes further obligations on firms to ensure that vulnerable customers receive good outcomes. The FCA defines a vulnerable customer as

> *"Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care".*

As a result, Oxbury defines a vulnerable customer as any potential or current savings or lending customer who is permanently or temporarily less able than others to:

- Fully understand the risk, cost or implications of any product or service provided by Oxbury
- Assess information sufficiently through normal communication means, i.e., during face-to-face or telephone meetings, or when reading written information or product / service literature
- Realistically and objectively prioritise their own needs, wishes and life events
- Make rational decisions concerning their financial circumstances
- Respond to the impact of life events that result in significant financial strain such as the end of a relationship, bereavement, loss of income via employment or investment, loss of assets due to theft, loss or destruction of uninsured property
- Manage their exposure to high levels of debt/financial commitments from the outset or when they arise during the customer's relationship with the firm.

Vulnerability could manifest in many circumstances and can be linked to financial capability or resilience, physical or mental health, or because of a particular issue or practice being experienced. Customers who are vulnerable may be significantly less able to represent their own interests than the average consumer, and more likely to suffer harm.

Oxbury delivers vulnerability training to all customer facing staff to enable them to identify potential indicators of vulnerability, determine customer need and discuss what additional support or actions we can take.

Future focus areas

We will expand our focus on vulnerable customers in 2025 to maintain support that is consistent with FCA guidelines and to foster growth, establishing a specialised team dedicated to addressing the needs of customers identified as vulnerable. This includes ongoing assessments of support requirements and assistance with all Power of Attorney and Lasting Power of Attorney requests, as well as the responsibility for managing the bereavement process. Furthermore, a new management position will collaborate across all teams within Oxbury, ensuring that policies, processes, procedures, and outcome testing are aligned with guidelines.

[10] *Royal Agricultural Benevolent Fund, October 2021.The Big Farming Survey:* https://rabi.org.uk/wp-content/uploads/2024/03/RABI-Big-Farming-Survey-FINAL-single-pages-No-embargo-APP-min.pdf

Sarah and Alice Heath, two Oxbury employees and from a farming family, cycled more than 800 miles from Land's End to John O'Groats in July 2024 and raised more than £3,500 for three charities including The Farming Community Network which provides pastoral and practical support to the agricultural sector.

Our operations///

Oxbury and Responsible Impact

We recognise that, as a medium-sized financial service company with direct operations that are mainly office-based, our direct contribution to the four pillars of responsible impact is limited. Our headcount increased by nearly 30% in 2024 and we continue to progress overseas opportunities that will require us to adapt our impact strategy over time.

In this section of the report, we provide an overview of our direct operations aligned to the four pillars of responsible impact.

Planet

Our approach

Oxbury, as a responsible corporate citizen, is accountable for the impact of its own activities on the planet. Using the voluntary TNFD framework, we apply the LEAP methodology and Science-Based Targets Network (SBTN) 5 step process to assess natural capital risk and opportunities, both climate and biodiversity-related to our own operations.

Risks and opportunities

Our own operations mainly rely on the terrestrial ecosystem represented by its 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.

There is little direct physical risk to Oxbury's own operations in Chester over the short and medium term due to its location, which is at low risk of flooding, extreme heat or water scarcity. The city'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[11].

Physical risk exposure of Oxbury's operations and its suppliers is assessed during annual and ongoing business continuity planning in line with regulatory obligations. As part of our ongoing operational resilience stress tests, a physical climate risk scenario related to an extreme storm was included in 2024 which has resulted in specific recommendations regarding the deployment of an Incident Management Group during extreme weather events.

The topic is also covered as part of natural capital training presented to all new employees who consider and discuss the impact of a climate risk event on their area of operations.

Greenhouse gas emissions from Oxbury's operations

The Greenhouse Gas ("GHG") emissions and energy consumption reporting regarding Oxbury was conducted in accordance with methodology set out in the GHG Protocol Corporate Standard and using the DEFRA emissions factors to calculate emissions.

Our total emissions in 2024 were 576 tCO_2e, a 44% increase compared to 2023 (320 tCO_2e), equating to a total emissions intensity per employee of 3.08 tCO_2e (2023: 2.18) (based on an average of 187 employees in 2024 compared to 147 in 2023) which is in line with the performance of similar sized financial institutions. The increase in emissions is mainly due to the number of overseas flights, plus the inclusion of embodied carbon from cloud computing for the first time which added 16% to the total. As a result, our total emissions intensity (tCO_2e/employee) increased from 2.18 to 3.08, but energy intensity total by net income (tCO_2e/£'000) remained relatively constant from 0.017 to 0.018 over the same period. The main contributors to GHG emissions reflect the nature of our business as financial services business.

[11] *Environment Agency.1 July 2021: Areas of water stress: final classification*

Figure 9: Contributors to operational emissions, 2024

Flights	Employee commute	Cloud computing	Business travel	Purchased goods
				
32%	25%	16%	15%	7%

Transport

Flights contributed 182 tCO_2e compared to 13 tCO_2e in 2023 as we explore a number of international opportunities. In Great Britain, our team travelled more than 400,000 kilometres by road to visit farmers and enterprises in rural areas with business mileage contributing 85 tCO_2e in total. This reflects our relationship-focused business model which is core to the way we conduct business.

Operations

In 2024, we expanded the range of data collected for our upstream carbon footprint to include 95 tCO_2e of embodied carbon in data centres where our data is hosted. While AWS offsets carbon emissions related to the operations of data centres, the production of the physical infrastructure is responsible for emissions, which we recognise in our footprint.

Emissions from purchased goods declined by 2%, to 49 tCO_2e, compared to 50 tCO_2e in 2023, despite a 27% increase in the average number of employees. The decline is attributable to the fact that our 2023 emissions for purchased goods included all the equipment and furniture required to set up our second office location in Chester. Half our emissions of purchased goods relate to electronic equipment, and we are proud to report that 91% of purchased items are from suppliers aligned with net zero goals.

All end-of-life IT equipment are disposed responsibly by a local company that complies with the Waste Electrical and Electronic Equipment Directive. The equipment is assessed and depending on type and condition either re-used or recycled which in 2024 resulted in 1.6 tCO_2e of avoided emissions had the equipment been sent to landfill.

Facilities

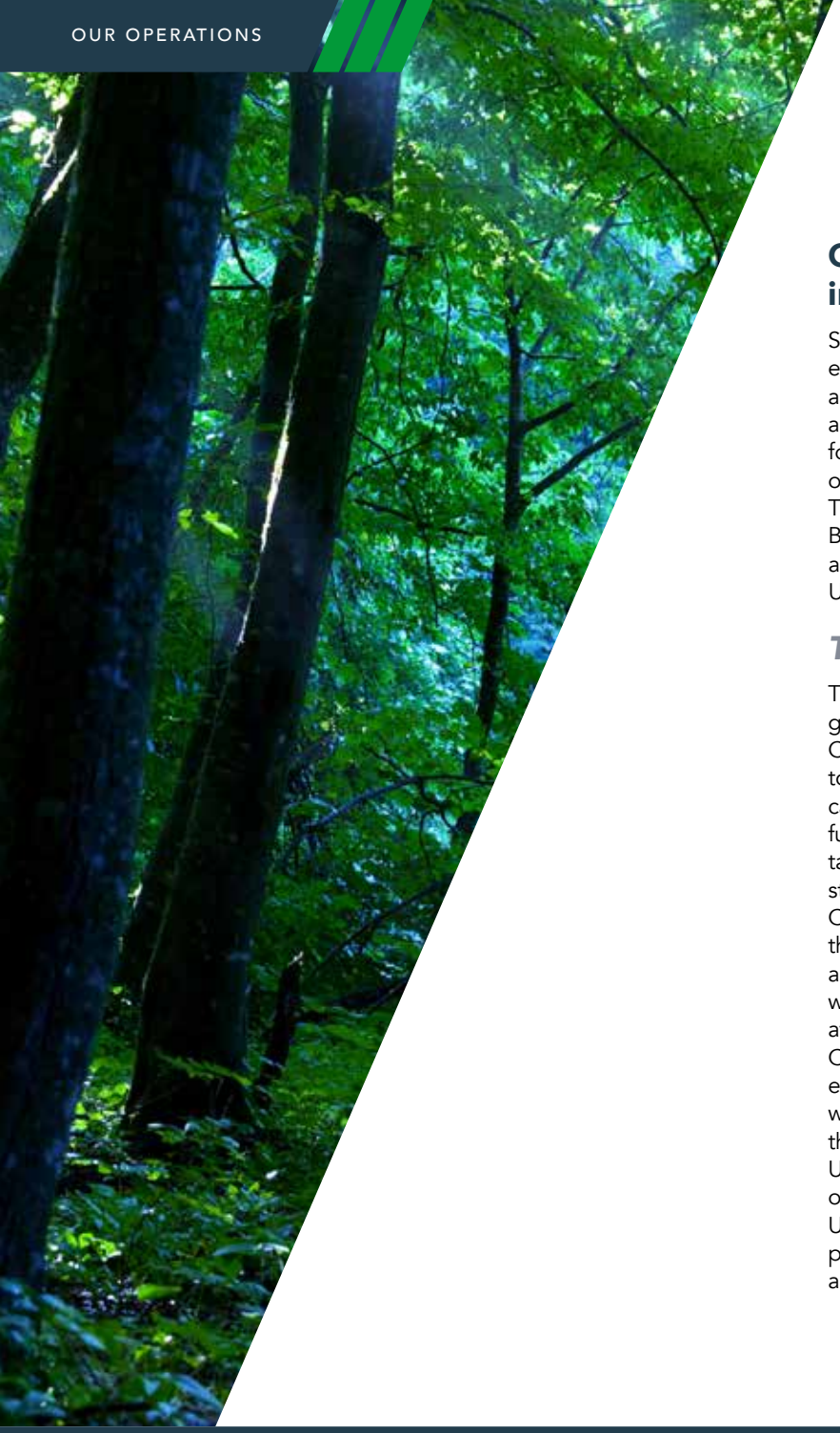
All purchased electricity at our office locations in Chester are on renewable tariffs, which reduced our Scope 2 emissions to zero compared to 2023. The main contributor in the facilities category is our employees who work from home, which contributed 15.5 tCO_2e. This is due largely to our Relationship Managers being based across Great Britain to be within easy reach of our rural customer base. This setup reduces overall business mileage, representing a trade-off in our emissions profile.

Supplier engagement

As a financial services provider, our suppliers largely depend on the terrestrial ecosystem and their main outputs are emissions, soil pollution and water pollution, water use and solid waste. Our main expenditures relate to audit and legal fees, banking and insurance fees, office rental and technology, as well as cloud computing services.

During 2024, we assessed our suppliers deemed Material -critical in terms of net zero aligned policies. One specific supplier was identified for direct engagement in the absence of a published policy, and we are pleased to report that by year-end all our Material-critical suppliers had net zero aligned policies in place. We have undertaken a climate physical operational resilience stress test on our Material-critical supplier deemed the highest risk to inform our business continuity planning for climate risk events.

In collaboration with Alectro, we categorised our suppliers, excluding micro-organisations and those with individual spend of less than 1% which we deemed not individually material. Combined, these constituted 44% of our supply chain expenditure. Of the remaining 56%, three quarters are net zero aligned. We continue to engage with the remaining suppliers, prioritising those classified as Material-Important.



Carbon offsets and nature investments

Since inception, it has been Oxbury's intention to avoid emissions where possible, reduce emissions where feasible and compensate for any remaining emissions on an annual basis using nature-based solutions aligned to our focus on the rural economy. It is also a principle to make our compensating investments where emissions occur. Therefore, we have focused on woodland projects in Great Britain. We purchase an additional 10 tCO_2e/employee annually based on the average individual footprint in the UK.

The Woodland Carbon Code

The Woodland Carbon Code was launched by the government in 2011, followed by the Peatland Carbon Code. When a new woodland is planted, it will only start to capture carbon as the trees grow, and therefore its carbon capture potential will occur over a period in the future. When the emissions to establish the woodland are taken into consideration, a typical woodland would only start to store carbon after about 10 years. The Woodland Carbon Code methodology was developed to estimate the total carbon capture potential of a woodland as well as the timing thereof. Due to the long-term nature of a UK woodland carbon project, and its need to generate funding at the outset to cover capital costs, the Woodland Carbon Code allows for the sale of Pending Issuance Units (PIUs) enabling the transparent registration of ownership of future woodland carbon credits from the outset of the project. As the trees grow, the PIUs convert into Woodland Carbon Units (WCUs) which can be formally retired against the owner's emissions. Both instruments are registered on the UK Land Carbon Registry, operated by S&P Global which provides information on the status of individual woodland and peatland projects and the ownership of units.

Oxbury's purchase of voluntary carbon offsets

Since 2020, in partnership with Forest Carbon, Oxbury has purchased 7,092 PIUs, representing more than 50,000 newly planted trees across 23 hectares in Northumberland and the Scottish Borders. In 2024 these included 2,271 PIUs at an average price of £26.9/PIU to offset 2,446 tCO_2e. (2023: 1,826 PIUs at £25/PIU).

We recognise that these operational emissions have already occurred and that the carbon will only be stored over a long time. However, we believe that these projects will provide broader benefits, some of which will occur over the short term as habitats are restored and connectivity re-established to benefit nature.

This is exemplified by our purchase of all issued PIUs for Bowshiel in 2024. It is estimated that the 27,000 additional trees planted in and around the existing oakwood will store 5,272 tCO_2e over the next century, but also supports the habitat of 36 protected species and improve the water quality of the streams flowing through the forest. Oxbury's purchase of the future carbon comprise one element of a diversified rural enterprise which also hosts woodland experiences and provides community access to the forest through footpaths and access ways.

More information on the project is available here:

https://www.forestcarbon.co.uk/success-stories/bowshiel

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.

Table 6: Taskforce on Nature-related Financial Disclosures (TNFD) metrics

TNFD metric category	Data	2024	2023
C1.0 Total spatial footprint	Office space leased	12,257 sq. ft.	12,257 sq. ft.
C3.0 Water withdrawal and consumption from areas of water scarcity	Risks and opportunities 56	None	None
Exposure to sectors or companies with material dependence on nature (£'million)	Total loan book	1,027	606
Exposure to high impact or sensitive sectors or companies active in sensitive areas (by geography)	Considered as part of customer maps developed for natural capital asset register	Evaluation of natural capital risks, impacts and dependencies of the dairy sector p30	Measure of 20 largest exposures completed in 2023
Measure of biodiversity intactness or richness	Considered as part of customer maps developed for natural capital asset register	Scenario planning and stress testing p34	Measure of 20 largest exposures completed in 2023
Volume of financial flow to deliver nature-based opportunity or positive impact	Equate to financing for Pillar 2 of NFU Net Zero plan	£24.0 million	£11.9 million
Volume of financial flow with evidence of material mitigation of Nature-related risk through e.g. engagement, due diligence or KPIs	In development		

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 and C2.3 – Oxbury's waste is all non-hazardous. Oxbury is currently unable to split the weight of waste into different methods of disposal. We are unable to split the weight of plastic pollution into the raw material content.

C1.1, C2.0, C2.4, C3.1 and C4.0 – 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 or pollutants discharged.

Future focus areas

We will continue ongoing management of our own environmental footprint. In 2025 our carbon footprint boundaries will be updated to reflect operational changes. We would then be able to set targets for each individual operational entity as well as group level once these are in effect.

Operational resilience stress tests, which incorporate extreme physical risk events, will continue to be developed and assessed on a regular basis to expand the range of events taken into consideration in our business continuity planning.

We also plan to assess our approach to investments in nature-based voluntary carbon offsets, which need to reflect the locations of future emissions and consider the time lag between emissions occurring and our net zero commitment for 2040.

Partnerships

Our approach

We believe that partnerships are essential to deliver our vision, and that includes stakeholders directly involved in our operational activities including suppliers, regulators, shareholders, and the community within which we conduct our business. Throughout this report, we include examples of active collaboration to enhance our broader impact.

In terms of a contribution to the wider society, we have partnered with The Country Trust since 2021.

The Country Trust

The Country Trust is a charity dedicated to empowering children - especially the most disadvantaged - and the adults who influence them, to discover the connections between their lives and food, farming and the land that sustains us through diverse programmes. One of the long-term aims of the Trust is to foster curiosity in children through their exposure to the farm, food and nature landscapes, which encourage them to consider a wider range of future possibilities including careers in these areas.

In 2024, we provided dedicated space on the Oxbury stand at Groundswell to representatives of The Country Trust to create awareness of the importance of their work to the wider sector. Our employees shared their talents and helped raise funds by contributing home baked and decorated cakes for raffles, the sale of agri-themed art works, quiz participation and other events arranged by the Social Committee.

Some of our employees joined a group of Year 3 children on a local farm visit:

https://www.oxbury.com/blog/a-day-on-the-farm-with-the-country-trust/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The Agricultural Bank
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Asset Finan
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People

Our approach

We understand that our activities affect a wide range of people, including our employees, customers, the wider rural community and society in general.

We believe that our ability to execute our ambitious strategy and service the agricultural sector depends on the skills, experience and commitment of the people we employ. A team of diverse, highly skilled and committed employees is a prerequisite for us. To manage the growth of our business and meet regulatory requirements, we have to invest in our employees and offer a competitive value-proposition. We commit to act as a responsible employer to provide a positive work environment for our employees, and similarly, expect our customer and suppliers to abide by legal and regulatory obligations.

Employee value proposition

The company endeavours to provide a positive working environment to achieve these aims, whilst at the same time enabling employees to develop their own skills and achieve their own individual ambitions. To that end, it is essential that there is a shared philosophy on the way we approach and perform individual and collective duties and responsibilities. In 2024 we continued to expand the customer-facing teams with a combination of agricultural and banking knowledge, while also providing the enabling operational and technical skills in various back-office teams. The total number of employees increased from 169 (2023) to 218 by December 2024 (refer to Note 6 in the 2024 Annual Report and Accounts).

We offer the following benefits to full-time employees:

- Paid holiday leave
- Private Medical Healthcare
- Employee Assistance Programme
- Life Insurance
- Enhanced maternity/paternity leave
- Paid sick leave and jury service
- Company pension plan.

In addition to the comprehensive benefits offered, we strive to create a dynamic and supportive working environment. We consider flexible hours, hybrid-working and all employees have the option of working from home at least one day a week, once they have passed probation to allow us the access to a wide pool of talent across the UK. All employees receive non-voting share options subject to successful conclusion of probation. All employees have formal contracts and performance management plans.

The results of our third annual colleague engagement survey were positive, continuing to be ahead of technology and financial services sector norms. The outcomes were reviewed by the Board, who then oversaw closure of actions to address feedback, including the addition of a range of new employee benefits more aligned to market norms and commitment to increased learning opportunities for colleagues.

Employee health

In 2023 Oxbury entered a partnership with OPH Optimal Performance and Health to offer employees weekly personal training programmes during office hours. We rent additional office space for our employee gym space and employees attend sessions in groups of 2-4 with a personal trainer overseeing personalised training programmes for each employee.

We also arranged for general health checkups with Vitality, providing employees on-site appointments over two days and a series of workshops covering physical health, mental health, emotional wellbeing and financial health delivered by subject matter experts.

Employee development

We introduced a graduate and placement programme when Oxbury started operating and in 2024/25 we had 11 participants, compared to 6 the previous year. We are proud of the fact that our new Corporate Team includes two former graduates who found their next opportunities internally.

As a regulated entity, all employees are expected to complete mandatory training across a range of topics:

- Anti-bribery and corruption
- Anti-money laundering and tax evasion awareness
- Information security including phishing awareness
- Personal data protection
- Whistleblowing
- Conflicts of interest including gifts and hospitality
- Unconscious bias, diversity and inclusion awareness
- Senior Managers and Certification Regime
- Modern Slavery
- Consumer Duty

Employees receive monthly awareness updates on specific topics, including Consumer Duty and Cyber Security during our employee town halls. Additionally, some specific topical matters were presented to employees in 2024 which included legislative changes, updates to employee benefits, absence and performance management, as well as specific training to managers. Certain roles receive additional training in areas that directly affect them, including Vulnerable Customer treatment.

Future focus areas

Based on feedback received in the annual colleague survey, we introduced our first bonus scheme in 2025 and will continue to benchmark our employee value proposition to industry expectations.

Following further feedback, we have expanded the gym hours to provide more opportunities for employees who wish to benefit from additional training. In 2025 we will again sponsor entrance fees for employees undertaking the Chester 10km run to raise funds for The Country Trust.

Additional information

Additional Information

Our approach to materiality

Our approach to identifying material risks and opportunities related to responsible impact 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 2024 Annual Report and Accounts. This is further supported through regular formal "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
- Feedback from employees at monthly company-wide updates, recent employee satisfaction surveys and one-on-one feedback to management.

We previously identified three specific criteria to guide our assessment of the significance of natural capital-related risks, opportunities, dependencies and impacts to inform prioritisation, namely:

Table 7: Criteria for materiality assessment

Resilience	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.
Risk mitigation	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.
Reporting	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 responsible impact risks including 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
- 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
- New or expanded markets

Apply

We use the materiality criteria of risk management, resilience and reporting to prioritise material responsible impact including 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
- Metrics and targets

In terms of our loan book, term loans are prioritised as these comprise our largest exposure as described in on page 59. 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 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 a per-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
- Responsible Impact including TCFD and TNFD disclosures annually in this report.

Information on methodologies applied

Timescales used in this report

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. Most of our exposures consist of long-term loans which correspond to these time scales (refer to Note 25 in the 2024 Annual Report and Accounts):

- **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

Table 8: Composition of the loan book

Tenor	Loans and advances to customers as at 31 December 2024 (GBP '000)	% of loan book	Loans and advances to customers as at 31 December 2023 (GBP '000)	% of loan book
Immediate	95,270	9	42,472	7
Short-term	252,389	25	114,889	19
Medium-term	197,927	19	120,007	20
Long term	480,238	47	328,343	54
Total	1,025,824	100	605,711	100

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 31st December 2024 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 Responsible Impact Report provides information on progress with implementation of IFRS S2 and TNFD.

Scope and boundaries of report

The report provides information on the Responsible Impact related activities of Oxbury Bank Plc (Oxbury) and its single subsidiary (Oxbury Earth Ltd) covering the period since 1 January 2024. The natural capital element of the report focuses on our lending book but excludes liabilities as well as asset finance, as 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 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[12]. 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 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

The food and farming sector, despite having risks, presents several 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[13] outlined by the National Farmers Union (NFU) namely:

- **Pillar 1:** Boosting productivity and/or reducing emissions
- **Pillar 2:** Farmland carbon storage
- **Pillar 3:** Renewable and Bio-energy
- **Other climate** related opportunities not covered in pillars 1, 2 and 3.

Oxbury assesses and classifies term loans for categorisation in terms of these pillars based on:

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

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

- 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

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.

Industry partnerships

Since inception we have collaborated in various industry groups and contributed to these sector reports:

- Green Finance Institute. 2023: Financing a Farming Transition: Key enablers and recommendations[14]
- Bankers for NetZero. 2023. Fertile Ground: Accelerating the Transition to Net Zero[15]
- Transition Plan Taskforce Food & Agriculture Working Group. 2024. Food & Beverage Sector Guidance[16]
- Soil Association Exchange. 2024. Banking for Change: Addressing Financial Risk as a Barrier to Farm Transition[17]
- Green Finance Institute: 2024. UK Example TNFD reports[18]

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

At the time of publication, Oxbury had made Climate-related financial disclosures consistent with the TCFD recommendations in the 2024 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 as described on page 42. For metrics and targets disclosure (c), the development of targets is in progress as described in this report on pages 38, 42, and 44.

[14] https://hive.greenfinanceinstitute.com/gfihive/farming-finance/

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

[16] https://www.ifrs.org/content/dam/ifrs/knowledge-hub/resources/tpt/food-beverage-sector-guidance-apr-2024.pdf

[17] https://www.soilassociationexchange.com/_files/ugd/21f3ea_722f091a025243b89089e1f5290913e7.pdf

[18] https://hive.greenfinanceinstitute.com/wp-content/uploads/2024/10/UK-Example-TNFD-Reports.pdf

Pillar	Required disclosures	Page	Section reference
Governance Disclose the organisation's governance around Climate-related risks and opportunities	(a) Describe the Board's oversight of climate related risks and opportunities.	18	Role of Oxbury Board and sub-committees regarding Responsible Impact
	(b) Describe management's role in assessing and managing Climate-related risks and opportunities.	20	Role of Executive Management and sub-committees in terms of Responsible Impact
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.	26 30	Context Evaluation of natural capital risks, impacts and dependencies of the dairy sector
	(b) Describe the impact of Climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	8 29	Chairman's statement Oxbury Transition Facility development
	(c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario	35 34 46	Financed emissions Scenario planning and stress testing Risks and opportunities
Risk Management Disclose how the organisation identifies, assesses and manages Climate-related risks	(a) Describe the organisation's processes for identifying and assessing Climate-related risks	16 26 30	How we govern responsible impact Context Evaluation of natural capital risks, impacts and dependencies of the dairy sector
	(b) Describe the organisation's processes for managing Climate-related risks	16 26 30	How we govern responsible impact Context Evaluation of natural capital risks, impacts and dependencies of the dairy sector
	(c) Describe how processes for identifying, assessing and managing Climate-related risks are integrated into the organisation's overall risk management	16	How we govern responsible impact
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	35 46	Financed emissions Greenhouse gas emissions from Oxbury's operations
	(b) Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas emissions and the related risks	35 46	Financed emissions Greenhouse gas emissions from Oxbury's operations
	(c) Describe the targets used by the organisation to manage Climate-related risks and opportunities and performance against targets	35	Financed emissions

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

At the time of publication, Oxbury made voluntary Nature-related financial disclosures consistent with the TNFD recommendations in the 2024 Responsible Impact Report against:

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

For governance disclosures (c), the development of a human rights policy is being undertaken. 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 as described in various sections in this report.

Pillar	Required disclosures	Page	Section reference
General	Approach to materiality	58	Our approach to materiality
	Scope of disclosures	59	Information on methodologies applied
	Location	46	Oxbury and Responsible Impact
	Integration with other sustainability-related disclosures	59	Information on methodologies applied
	Time horizons considered	59	Information on methodologies applied
	Engagement with Indigenous Peoples, Local Communities and affected stakeholders	12	Our approach to Responsible Impact
Governance 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	18	Role of Oxbury Board and sub-committees regarding Responsible Impact
	B. Describe management's role in assessing and managing Nature-related dependencies, impacts, risks and opportunities	20	Role of Executive Management and sub-committees in terms of Responsible Impact
	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		In progress
Strategy Disclose the actual and potential impacts of Nature-related dependencies, impacts, risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	A. Describe the Nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short-, medium- and long-term	26 30	Context Evaluation of natural capital risks, impacts and dependencies of the dairy sector
	B. Describe the effect Nature-related risk and opportunities have had and may have on the organisation's businesses, strategy, and financial planning	8 29	Chairman's statement Oxbury Transition Facility development
	C. Describe the resilience of the organisation's strategy to Nature-related risk and opportunities taking into consideration different scenarios	34	Scenario planning and stress testing
	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	30 46	Evaluation of natural capital risks, impacts and dependencies of the dairy sector Risks and opportunities

Pillar	Required disclosures	Page	Section reference
Risk and impact management 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	16 26 30	How we govern responsible impact Context Evaluation of natural capital risks, impacts and dependencies of the dairy sector
	B. (il) Describe the organisation's processes for identifying and assessing Nature-related dependencies, impacts, risks and opportunities in its upstream and downstream value chain(s) and financed activities and assets.	16 26 30	How we govern responsible impact Context Evaluation of natural capital risks, impacts and dependencies of the dairy sector
	C. Describe the organisation's processes for managing Nature-related dependencies, impacts, risks and opportunities and actions taken in the light of these processes.	16	How we govern responsible impact
	D. Describe how processes for identifying, assessing and managing Nature-related risks are integrated into the organisation's overall risk management.	16	How we govern responsible impact
Metrics and targets 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 and opportunities in line with its strategy and risk management processes	35 46	Financed emissions Greenhouse gas emissions from Oxbury's operations
	B. Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature	35 46	Financed emissions Greenhouse gas emissions from Oxbury's operations
	C. Describe the targets and goals used by the organisation to manage to Nature-related dependencies, impacts, risks and opportunities and its performance against these		In development

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