

OSB GROUP PLC

GREENHOUSE GAS REPORTING METHODOLOGY 2025

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INTRODUCTION

This document summarises the reporting methodology for OSB Group PLC's (the Group) consolidated greenhouse gas (GHG) reporting for the below reporting period. This report is prepared in line with requirements outlined in Part 9.3 of the ISO 14064-1:2018 Specification with Guidance at the Organisational Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

The purpose of this GHG report is to demonstrate conformity with ISO 14064-1:2018 and to facilitate GHG inventory assurance/verification.

DESCRIPTION OF THE REPORTING ORGANISATION

OSB Group is a leading specialist mortgage lender, primarily focused on carefully selected sub-segments of the mortgage market such as Buy to Let, Residential, complex commercial and semi-commercial, development finance, bridging and asset finance.

Our operations are solely office based within the UK and a wholly owned subsidiary of OSB Group providing offshore operational service support for operations in India.

PERSONS OR ENTITY RESPONSIBLE FOR THE REPORT

This report has been prepared by the Environmental Sustainability Manager at OSB Group with support from various teams who measure, manage and report the source (activity) data, including Risk, Finance and Property Services teams.

The overall responsibility for preparing this report is the Group's Head of Sustainability.

REPORTING PERIOD COVERED

Reporting Period – 1st January 2025 to 31st December 2025.

GHG INVENTORY VERIFICATION STATUS

- Direct GHG emissions (Scope 1) and Indirect GHG emissions from the generation of purchased electricity, steam, heat or cooling (Scope 2) have been assured under the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)") and the International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements ("ISAE 3410") and reported separately.
- Indirect GHG emissions which are not include in Scope 1 and 2 emissions, i.e. Scope 3 Categories 1,2, 3, 5, 6, 7, 8 and 15 included within this report were verified in accordance with ISO 14064-1:2018 requirements were verified to a limited level of assurance by Interface-NRM, an ISO 14064-1 accredited verification and certification body. The third-party verification was conducted in compliance with ISO 14064-3:2019 standard.

ORGANISATIONAL BOUNDARIES

The Group reports within its Annual Report and Accounts (ARA), supplementary Sustainability reports and corporate website, GHG emissions and underlying energy use using the GHG protocol's operational control approach when defining reporting boundaries. Operational Control is defined as per the GHG protocol as "the organisation or one of its subsidiaries has the full authority to introduce and implement its operating policies at the operation". The emissions within this report are considered within the Group's operational control and therefore reported in Scope 3 within the relevant categories.

Scope 3 category 15 is reported separately using the financial control approach as the Group has no operational control over the homes/buildings in which it provides mortgage loans on. This category has separate emission methodology and reduction targets from the rest of the GHG inventory. (Please see separate supplementary documentation for Scope 3 category 15 investments).

REPORTING BOUNDARIES

The Group did not consider GHG sinks in its GHG inventory calculation because they are not currently relevant to its operations. Therefore, only GHG sources are included in this report.

Below is the GHG report prepared in accordance with this document.

Table 1 provides a summary of GHG sources relevant to this GHG report

ISO 14064-1 Category Label	ISO 14064-1 Description	GHG Protocol Label for Scope 3 emissions	Included/Excluded within this report
Category 1: Direct GHG emissions and removals	1.1 Direct emissions from stationary combustion	Scope 1 emissions are direct greenhouse gas emissions from sources that a company owns or controls.	Excluded
	1.2 Direct emissions from mobile combustion		Excluded
	1.3 Direct process emissions and removals arise from industrial processes		Excluded
	1.4 Direct fugitive emissions arise from the release of greenhouse gases in anthropogenic systems		Excluded
	1.5 Change and Forestry		Excluded
Category 2: Indirect GHG emissions from imported energy	2.1 Indirect emissions from imported electricity	Scope 2 indirect greenhouse gas emissions from the purchase of electricity, steam, heat or cooling by a company.	Excluded
	2.2 Indirect emissions from imported energy		Excluded
Category 3: Indirect GHG emissions from transportation	-	Scope 3 Category 3 Fuel and Energy Related Activities	Included
	3.3 Emissions from Employee commuting includes emissions	Scope 3 Category 7 Employee commuting	Included
	3.5 Emissions from Business travels	Scope 3 Category 6 Business travel	Included

Category 4: Indirect GHG emissions from products used by organisation	4.1 Emissions from Purchased goods	Scope 3 Category 1 Purchased Goods and Services	Included
	4.2 Emissions from Capital goods	Scope 3 Category 2 Capital Goods	Included
	4.3 Emissions from the disposal of solid and liquid waste	Scope 3 Category 5 Waste	Included
	4.4 Emissions from the use of assets	Scope 3 Category 8 Upstream leased assets	Included
Category 5: Indirect GHG emissions associated with the use of products from the organisation	5.4 Emissions from investments	Scope 3 Category 15 Investment*	Included

*An additional supporting document is published for this category providing greater detail.

Direct emissions

Direct GHG emissions are quantified for CO₂, CH₄, N₂O, NF₃, SF₆ and are recorded separately. Direct emissions (Scope 1) and indirect emissions from imported energy (Scope 2) are outside the boundaries of this report. These emissions are published in their combined global warming potential figure, CO₂e within the Annual Report and Account (ARA) document published on the Group's website.

Indirect emissions

The Group undertakes a materiality assessment annually on its Scope 3 emissions sources to determine which of the various categories are deemed materially relevant. Relevance is determined based upon: size (contribution to total emissions); degree of influence the Group has; the risk presented by the emissions; stakeholder interest; whether the service is outsourced; and sector specific guidance. Each scope 3 category is assessed against all these parameters to determine its significance. The Group has decided to include all relevant quantified emission categories in its GHG inventory, even those that are <1% of total emissions, if data is available.

Indirect emissions are reported as a single figure, carbon dioxide equivalent (CO₂e), which represents their combined global warming potential (GWP). The GWP factors used for converting the mass of individual gases to their CO₂ equivalents are shown in the consolidated statement of GHG emissions in table 3. The latest version of these factors is taken annually from the UK Government's Department for Environment Food & Rural Affairs/Department for Business, Energy & Industrial Strategy (DEFRA/BEIS).

EXCLUSIONS

Emissions that have a low representativeness and where it is not feasible to obtain evidence for their quantification are excluded from this inventory.

This report excludes:

- Upstream transportation and distribution category as OSB's procurement spend is primarily on services, therefore it is likely that emissions from transportation of goods between Tier 1 suppliers and OSB are relatively low in comparison to the rest of the Scope 3 footprint.

- Downstream transportation and distribution category is also excluded at this point as it's not feasible to obtain evidence for this category. It is not considered material compared to the total emissions reported by the Group.
- Processing of sold products, Use of sold products, End-of-life of sold products, Downstream leased assets and Franchises categories as they are not relevant to the Group.

QUANTIFIED GHG INVENTORY OF EMISSIONS

BASE YEAR

The base year of 2022 has been chosen by the Group for all Scope 1, 2 and 3 emissions. This base year was selected in line with Science Based Targets initiative (SBTi) guidance on selecting a baseline year which identifies three determining criteria:

- 1) verifiable data on Scope 1 and 2 emissions should exist for the base year
- 2) the base year should be representative of a company's typical GHG profile
- 3) the base year should be chosen such that the target has sufficient forward-looking ambition.

Scope 3 Category 15 base year has been restated in ARA due to improvements made in the calculation methodology and data quality since the baseline was established. The improvements include the use of better-quality property data and adjustment of the calculation methodology to account for clearly erroneous data coming from the open-source EPC register, resulting in a decreased financed emissions intensity for 2022 versus the previously disclosed figure.

Table 2 provides original and restated 2022 category 15 investments emissions

	2022 Original baseline	2022 Updated baseline
Finance missions Intensity	29.88	24.71

GREENHOUSE GASES EMISSIONS INVENTORY

Table 3 shows the consolidated statement of indirect GHG emissions

Emissions	Total (tCO ₂ e)	Carbon dioxide (CO ₂)	Methane (CH ₄)	Nitrous oxide (N ₂ O)	Hydrofluoro- carbons (HFCs)
Category 3: Indirect GHG emissions from transportation					
Fuel- and energy-related activities—transmission and distribution losses	107.93				
Emissions from Employee commuting includes emissions	974.97				
Emissions from Business travels	222.25				

Category 4: Indirect GHG emissions from products used by organisation					
Emissions from Purchased goods	17952.86				
Emissions from Capital goods	8722.95				
Emissions from the disposal of solid and liquid waste	1.00				
Emissions from the use of assets	51.04				
Category 5: Indirect GHG emissions associated with the use of products from the organisation					
Emissions from investments	283,021				
Total Scope 3 emissions	311,054				

Note that the Group are not required to report the associated biogenic CO₂ emissions.

Carbon removals (carbon offsetting credits) are purchased annually and reported with the Group's ARA document but are not included in our Scope 3 GHG emissions shown in this report.

QUANTIFICATION METHODOLOGY

Quantification methodologies are used to convert activity data into emissions estimates. The methodologies are specific to source types (e.g. purchased goods or business travel).

To calculate GHG emissions, the Group uses the source (activity) data and multiplies it by the relevant emission factor:

$$tCO_2e = \text{source data (activity data)} * \text{emission factor}$$

Activity data for the different categories vary in quality, which effects the confidence placed on the calculated emission data. Therefore, a qualitative indicator for the uncertainty associated with each emission source is disclosed in Table 5.

Specific activity data is the preferred option if available. Spend-based data is used when activity data is not available. It is used to calculate emissions sources in 'purchased goods and services' and 'capital goods'.

The Partnership for Carbon Accounting Financials (PCAF) methodology is used to calculate category 15 emissions (investments) as it provides a standardised way for financial institutions to measure GHG emissions associate with the Group's mortgage portfolios.

The total amount of CO₂e (Tonnes) per year that is attributed to the properties within the portfolio weighted by the finance associated to the property:

$$\text{Financed Emissions} = \sum_p (CO_2 \text{ Emissions}_p \times \text{Min}(1, \text{Attribution Factor}_p))$$

Where p = property and Attribution Factor is calculated by:

$$\text{Attribution Factor}_p = \begin{cases} \text{Valuation}_a \geq £50k, & \frac{\text{Weighted Balance}_p}{\text{Weighted Valuation}_p} \\ \text{Valuation}_a < £50k, & \text{Median Attribution Factor}_{\text{accs} \geq £50k} \end{cases}$$

Where $Valuation_a$ is the valuation at account level and $Median Attribution Factor_{accs \geq £50k}$ is the median of the account level attribution factors.

Note: as the weightings applied to both balance and valuation are the same for each account, the calculation is equivalent to calculating attribution factor at account level.

The GHG emission factors used for the calculations are outlined in Table 4.

Table 4 shows the GHG emission factors the Group uses to calculate emissions

Scope 3 category emissions	Emission factor
Categories 1,2	Emission factors based on expenditure were sourced from Defra / BEIS UK Government Conversion Factors categorised by SIC code.
Categories 3,5,6,7,8	Defra / BEIS UK Government Conversion Factors for 2025
Categories 15	Properties Energy rating and score found on the Energy Performance certificate, when that's not possible postcode averages used for CO ₂ emission estimates. Then, if still not possible portfolio averages for floor space and CO ₂ are used for each property missing an EPC.

CHANGES IN QUANTIFICATION METHODOLOGY

There have been no changes in the quantification's methodologies in the last 12 months.

QUANTIFICATION APPROACHES

Table 5 provides a summary of the quantification approach the Group uses to calculate the GHG emissions under each category

Category	Emission sources	Data Source	Quantification approach, including reasons for selection	Level of uncertainty
1 – Purchased good and services	Spend data	Accounting software	Emissions are calculated using a third party “GoZero Calculator”, an online tool developed and managed by BOM Systems, as the model and tool for estimating GHG emissions. It uses annual spend data taken from the Group’s accounting software the run through a verified carbon calculated to automate calculations of emissions	Medium
2 – Capital Goods	Spend data	Accounting software	Emissions are calculated using a third party “GoZero Calculator”, an online tool developed and managed by BOM Systems, as the model and tool for estimating GHG emissions.	Medium

			It uses annual spend data taken from the Group's accounting software the run through a verified carbon calculated to automate calculations of emissions	
3 – Upstream transportation and distribution	Natural gas and purchased electricity	Utility invoices. UK only.	Emissions from well to tank and transmission and distribution emissions from electricity production as well as well to tank emissions associated with natural gas.	Low
5-Waste generated in operations	Waste sent to landfill/energy recovery or sent for recycling	Waste company supplied spreadsheet. UK only.	Emissions from third-part disposal and treatment of waste generated in company's owned or controlled operations, as well as disposal of solid waste.	Low
6-Business travel	Employee travel via car, train, light rail and tram, underground, bus, flight, hotel stays	Expense data from dedicated expense software, company credit cards and accounting software	Emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, included aircraft, trains, trans, buses and passenger cars.	Low
7-Employee homeworking	Employee heating and electricity at home	Average commute data from Office for National Statistics. UK only.	Emissions from the transportation of employees between their homes and their worksites. Emissions from employee commuting may arise from: automobile travel, bus travel, rail travel, air travel, tube travel, walking or cycling.	Low
15-Investments	Current CO ₂ emissions estimate and floor area (m ²)	EPC	Emissions related to the energy use of properties financed. Emissions are attributed to the mortgage provider using a loan-to-value approach	A separate quantitative data quality score is calculated for category 15 in align with PCAF.

GHG inventory uncertainties

GHG inventory uncertainties refers to the consistency between an organisation's actual GHG emissions and quantified GHG emissions or the accuracy of the emissions data. The Group acknowledges that whilst its maturity in implementation of the standard continues to evolve in order to deliver consistent and comparable reporting, no carbon inventory is 100% accurate.

Whilst the Group endeavour to use the most accurate data wherever possible, there are factors that might affect data accuracy. For transparency the Group report data uncertainty qualitatively for Scope 3 categories 1,2,4,5,6,7 & 8, as shown in Table 5 and category 15 is calculated quantitatively as per the requirements of Partnership for Carbon Accounting Financials.

For category 15, PCAF standard provides methodology for quantification of a Data Quality score based on the quality of the available data. The scale ranges from 1 (highest Data Quality) to 5 (lowest Data Quality), with scores of 1 & 2 using actual building emissions, 3 & 4 estimated emissions based on floor area and 5 emissions estimated based on the number of buildings. The Group has three ways of calculating carbon emissions – using address level EPC matching; postcode level estimates; or portfolio level averages, and so each account has been given a rating of 3 or 5, as shown in Table 6.

Table 6 Shows Data Quality scores assigned to the type of data assigned in accordance with PCAF standard

Match Type	DQ Score	Rationale
Address Level	3	Actual EPCs and floor space values used but not based on actual energy consumption. Awarded highest non-actual energy consumption rating of option 2a.
Postcode Level	5	Postcode averages used for CO ₂ emission estimates. As floor space is also unknown (and therefore averages used) these accounts are classified under option 3.
Default Values	5	Portfolio averages for floor space and CO ₂ emissions are used for each property and DQ is rated at the lowest grade of option 3.

RESTATEMENT POLICY

Whilst the Group's methodology is aligned with the GHG Protocol, maturity in implementation of the Protocol continues to evolve in order to deliver consistent and comparable reporting. The Group may therefore further refine its approach in future periods. When this happens, details will be provided in the notes associated with the data to support and explain this.

If there are significant changes to the data, inventory boundary (e.g., investment, divestment, outsourcing, insourcing etc), methods or other relevant factors (i.e., the discovery of errors or change in emission factors), then relevant comparative period information will be updated where available. The Base year will be restated if it is no longer representative of a company's typical GHG profile.