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Re: Response to correspondence 'Investor letter setting expectations on climate change and biodiversity ahead of COP26' dated 5 July 2021

Dear Ms Martin,

Thank you for the ShareAction letter dated 5 July 2021 which addresses an investor-wide ask to strengthen banks' and building societies' climate and biodiversity strategies in the run up to the Kunming Conference (CBD COP15) and the UN Climate Talks (COP26) in Glasgow this year. At Nationwide Building Society, we fully align to your collective vision to drive the low-carbon transition and help address the worst consequences of climate change and biodiversity loss in the immediacy.

As a building society, we were founded out of community not commerce, to enable everyday people (the 'industrial classes' as our founders put it) to come together to save for and buy homes of their own. We are owned by our members and run for their benefit, and our core purpose of *building society, nationwide*, compels us to take meaningful action to help members green their homes and lifestyles and cope with the impacts of a more unpredictable climate. To support this ambition, we have set a Mutual Good Commitment to lead the greening of UK homes.

With 15% of the UK's carbon emissions coming from the home¹, and many of the homes being built today not meeting the highest energy efficient standards, achieving the reduction in emissions to deliver net zero will require significant cross-industry collaborative effort, facilitated by government.

We welcome the views contained within the five call outs in your letter – our thoughts on them are as follows:

1. Publish short-term (5-10 years) climate-related targets covering all relevant financial services ahead of your 2022 AGM.

On 30 June 2021, as part of London Climate Action Week, Nationwide signed up to the Net Zero Banking Alliance (NZBA)² and Glasgow Financial Alliance for Net Zero (GFANZ). We join forces with 52 other financial service providers across 27 countries in committing to a net zero future by 2050 at the latest. As part of our commitment, we will be setting intermediate science-based targets for our scope 1, 2 and 3 emissions at 2030, within an 18-month timeframe.

Nationwide's 2020/21 climate-related financial disclosures³ detail the key climate-related metrics we use to measure the impact from, and on, climate change. Our disclosures also detail the emissions resulting from our business operations (scope 1 and 2), and also include the scope 3 emissions resulting from our mortgage portfolio which have been aligned to the Partnership for Accounting Financials'

¹ Office for National Statistics, February 2020

² [Nationwide calls for collective action as it commits to a net zero future](#)

³ [Nationwide's climate-related financial disclosures](#)

(PCAF) guidance on carbon emissions accounting. Our mortgage book makes up the majority of the carbon emissions attributable to Nationwide and will therefore provide the focal point for our scope 3 science-based target setting.

Nationwide has set a Mutual Good Commitment to lead the greening of UK homes, under which we have set two underlying targets, that by 2030:

- a) At least 50% of the homes on our mortgage book will be EPC C or better
- b) Our business operations, supply chain and commuting will be carbon neutral

With approximately 36% of our mortgage book (prime and buy to let) rated EPC C or better and having achieved carbon neutrality of our business operations in April 2020, Nationwide is already making good progress towards these climate-focused commitments. As we set science-based emissions reduction targets, we will align our commitments with a net zero emissions pathway.

2. Integrate the findings of the IEA Net-Zero scenario and/or another 1.5C scenario with low overshoot and minimal reliance on Negative Emission Technologies into your climate strategy.

This year, Nationwide is taking part in the Bank of England's Climate Biennial Exploratory Scenario (CBES) which explores the financial impacts from climate change on Nationwide's balance sheet. Firms are required to model expected financial losses, through both a physical and transition risk lens, across three different 30-year climate scenarios: Early policy action, Late policy action, and No additional policy action. The CBES scenarios use the scenarios from the Network for Greening the Financial System (NGFS) as a basis. Both the Early and Late policy action scenarios reach net zero by 2050. Nationwide plans to share some of its findings from the exercise in its 2021/22 climate-related financial disclosures and will integrate the findings into our strategy.

Nationwide's strategy will also be influenced by our recent net zero commitment. To further meet the requirements of the NZBA, within a year of publishing its science-based targets Nationwide will publish planned actions and milestones to meet them. This transition plan will form part of our climate strategy.

Nationwide's business model means that our strategy does not involve lending to or investing in businesses which have a negative impact on society and the environment, such as those in the fossil fuels industry. We do not have any exposure to corporate lending (except small, closed commercial real estate and private finance initiative portfolios, and lending to registered social landlords (RSL)). Our CBES activity assesses these exposures, along with our mortgage portfolio (prime and buy to let), and unsecured credit, to understand our holistic exposure to climate change.

Nationwide is proud of its climate-related operational targets and initiatives, and its repeated Carbon Trust Triple Standard accreditation for its management of water use, waste, and energy consumption. Nationwide continues to send zero waste to landfill. Since 2018, 100% of the Society's electricity has been supplied from renewable sources, and since April 2020 Nationwide has been carbon neutral for its internal operations. This includes energy use and business miles from its own vehicles, with remaining emissions offset through verified carbon offsetting projects that actively remove carbon from the atmosphere.

3. Phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries at the latest.

As part of Nationwide's mutual model, we do not lend to or invest in businesses which have a negative impact on society and the environment, such as those in the fossil fuels industry. This includes coal. We welcome the approach for banks with such exposures to publish coal policies to help demonstrate the cross-industry commitment to net zero.

4. Ensure your financial statements are drawn up in alignment with a 1.5C-pathway.

Nationwide's Board and Audit Committee are accountable for the approval of the financial statements, including our Annual Report and Accounts and our Climate-related Financial Disclosures. The Board will approve our net zero-aligned science-based targets prior to publication. Nationwide's 2020/21 climate-related financial disclosures align to the recommendations of the Taskforce on Climate-related

Financial Disclosures (TCFD). Our disclosures describe our approach to climate change risk management and detail our climate-related metrics. Climate change is classified as a cause in our Enterprise Risk Management Framework (ERMF) and is integrated across all significant risk categories and risk policies. Climate change has been identified as a top emerging risk.

Climate change risk is also considered as part of the internal capital adequacy assessment process (ICAAP), that assesses the need to hold capital for climate-related risk over a 12-month period. The results of the CBES (both physical and transition risk) will be considered as part of the 2021 ICAAP assessment. The ICAAP is approved by the Board Risk Committee.

5. Commit to protect and restore biodiversity.

Whilst Nationwide does not lend to or invest in businesses that have a negative impact on the environment, for example linked to fossil fuels, deforestation or agriculture, we recognise the need to consider our impact on biodiversity more broadly. We are actively exploring opportunities that encourage and drive biodiversity around our own offices and among our colleagues and third-party suppliers. For colleagues, our Environmental Sustainability Support Guide encourages ways to green travel, homes and personal lives. For suppliers, we are using the shared information platform and sustainability ratings provider, EcoVadis, to collect environmental performance data from key third parties. Their assessment also includes questions on biodiversity.

As part of our commitment to environmental sustainability, Nationwide is lead sponsor of a not-for-profit housing development, Oakfield⁴. Situated on a brownfield site in Swindon, the development aims to build 239 homes to a high environmental standard, with an EPC rating of A. We have worked closely with the local community in the design and planning of the homes, which includes initiatives that encourage wildlife and biodiversity, such as green corridors, planting 300 trees and choosing plants guided by the Royal Horticultural 'Perfect for Pollinators Plant List'. In 2021, the Oakfield development was awarded with a Building with Nature accreditation, an industry leading set of standards supporting developers to create communities in a way that is good for people, as well as wildlife and nature. We are promoting the mutual benefits of Oakfield and hope that it will be a blueprint for others to develop sustainable homes, with the support of local communities.

We are encouraged by the growing activity across the industry to create greater understanding and measurable action to protect and restore nature. Nationwide is keen to use and embed any recommendations made by the Taskforce on Nature-related Financial Disclosures (TNFD) in the consideration of biodiversity-related risks and impacts and the setting of appropriate targets. We will also watch with interest on the conclusions of the CBD COP. Guidance from the COP and TNFD will also prove useful in evolving our thinking and understanding to drive positive impacts and make a difference in this important matter.

The environment will undoubtedly remain the dominant discourse of this century. Governments and businesses across the globe must do all they can to reduce waste, pollution and use of natural resources, restore biodiversity and ecosystems, and return the planet to, at least, net zero carbon. As one of the UK's largest mortgage providers, Nationwide has a role to play in supporting society's transition to a net zero economy, with a particular focus on the home. We have convened a cross-industry Future of Homes⁵ action group to tackle the ongoing housing crisis through four workstreams, one focused on the greening of homes. Through our Mutual Good Commitment to lead the greening of UK homes, Nationwide is ensuring that climate change remains core to our purpose and how our business operates.

Yours sincerely,



Joe Garner
Chief Executive

⁴ [Oakfield Swindon](#)

⁵ [The Future of Home](#)