

Funding Circle ESG Framework (“ESG Framework”)

Policy Governance Framework	
Owner	Chief Legal Officer and Company Secretary
Approvers	Funding Circle Holdings plc, Board of Directors
Approval Date	10 December 2020
Effective Date for Compliance	10 December 2020
Version	4.0

Version Control					
Version number	Purpose / Changes	Author	Approved By	Approval Date	Effective Date for Compliance
1.0	Initial version	Tom Parachini		10/12/2020	10/12/2020
2.0	Review and updates to align with evolving understanding and approach, and to simplify framework and goals.	Tom Parachini	<i>FCH Board</i>	05/07/2023	05/07/2023
3.0	Minor updates and addition of 2024 annual objectives	Reem Akl	Global Leadership Team	19/03/2024	19/03/2024
4.0	Minor updates and addition of 2025 annual objectives	Reem Akl	Executive Committee	02/06/2025	02/06/2025

ESG Framework Purpose and Governance

This document outlines Funding Circle Holdings plc's ("**Funding Circle**" or the "**Company**") approach to Environmental, Social and Governance ("**ESG**") practices in its day-to-day operations. Funding Circle sits in a unique position between SMEs who are at the core of our communities, and investors who are increasingly driving changes to standards of how companies manage these issues, how companies conduct themselves in their communities and how companies engage with their various stakeholders. We acknowledge the need for urgency in addressing ESG-related issues in society. We are also conscious of the inherent complexity of some of these issues and the challenges of putting in place robust practices to deliver positive outcomes. We will continue to pursue such outcomes through our ESG Framework, while reviewing our goals and performance on an annual basis. We have not to date set specific metrics or targets related to ESG specific objectives in respect of our borrowers or loan products; and while we continue to assess borrower-related and product opportunities, data limitations, operational challenges to acquiring more useful data, and lack of real commercial incentives remain a primary challenge.

The Funding Circle Board ("**Board**") provides oversight and strategic leadership in respect of ESG matters and is responsible for corporate governance, the "G" in ESG. The Board has delegated oversight of certain matters to two Committees, as included in the Committees' Terms of Reference: (i) climate-related (and broader ESG) risk management to the Audit and Risk Committee ("**ARC**"), and (ii) matters related to ESG commercial strategy, voluntary commitments and stakeholder engagement to the ESG Committee ("**ESG Committee**"). Senior management responsibility and accountability for ESG matters are led by (i) the Management Risk Committee with respect to risk management (led by the Chief Risk Officer), and (ii) the Chief Executive Officer with respect to commercial strategy. Day-to-day management responsibility sits with the Chief Legal Officer and Company Secretary to coordinate strategy, policies and implementation, with employees, working groups or project teams to manage these initiatives.

The ESG Framework may be changed or modified from time to time to ensure it is updated accordingly when there are material changes to the Company's business strategy, or to its broader regulatory, legal, or operating environment. The ESG Framework shall be reviewed

annually and approved by the Executive Committee; it shall be reviewed by the ESG Committee and recommended to the Board for approval in the event of any material changes, as and when these arise.

Strategy & Vision

ESG pillar	Stakeholder	Driver	Ambition and commitment
Climate & Environment	Society	Brand Moral	To support initiatives that help drive progress towards net zero, and contribute meaningfully to climate, nature and biodiversity outcomes for healthier communities.
Social Impact	SMEs	Impact Employee Engagement	To back a diverse and thriving SME customer base – creating jobs, fostering financial inclusion and having a positive impact on UK SMEs, entrepreneurs and their wider communities.
Diversity, Equity & Inclusion (DEI)	Employees	Moral	To be best in class and live by our DEI statement to build an inclusive and diverse culture.
Governance & Risk Management	Investors & Shareholders	Regulatory Obligation Market Expectation	To meet shareholder and investor expectations and be viewed positively in the market.

Climate and Environment

We are committed to fostering a resilient and sustainable business model that contributes to the broader global effort of mitigating climate change and protecting the environment. Our approach to environmental responsibility is being proportionately embedded in our operational strategies, recognising the growing importance of climate-related risks and opportunities for the wider UK economy, but limited idiosyncratic risks to Funding Circle’s business model. Recognising the need for all businesses to proactively support the transition to a low carbon economy, we have an ambition to reach net zero by 2050 (in line with the UK government’s current commitment) across all emission scopes. Our short, medium and long-term metrics and targets related to managing climate-related risks and opportunities, as outlined below, reflect a deepening of our transition planning efforts. Performance against these targets is reported annually.

Target	Scopes	Target date
Net zero	All	2050 ¹
Interim (2025) partial net zero (market based)	1, 2 and 3	2025

¹ Funding Circle’s target is to reach net zero in line with the UK government’s target. This is currently 2050.

	business travel	
Enhance data accuracy and consider real-world actions – including modelling potential reduction levers, and investigating top supplier-level emissions data	3 – all categories excluding business travel	2025
Maintain proportion of balances outstanding subject to high exposure to physical risks within agreed Climate Risk Management Framework (“CRMF”) thresholds ²	n/a	Annual
Maintain proportion of balances outstanding to carbon intensive sectors within agreed CRMF thresholds ³	3 – financed emissions	Annual
<i>Retired: 2030 net zero stretch target for our operational emissions</i>	<i>Scope 1, 2, 3 waste, business travel, supplier, employee commuting</i>	<i>2030 (2021 baseline for Scope 1,2 and 3 waste and business travel)</i>

We continue to progress our carbon strategy, with support from climate and industry experts who are helping us to understand and manage our full carbon footprint. We are at an early stage of understanding our largest sources of emissions arising from our financed emissions (GHG Protocol Category 15), which we include in our Annual Report. We recognise this is a challenging task, and that the standards, capabilities and expectations in this area are evolving. We will seek to follow best practice to reach this goal in a way that is proportionate to our business and the urgency that climate action requires. We will avoid greenwashing and will look to deliver accurate and transparent information on our impacts and our progress towards our transition plan and net zero ambitions.

Social Impact

In line with our mission, we aim to support impactful initiatives that deliver positive social outcomes for SMEs and communities. Funding Circle values financial inclusion, the job creating power of small businesses and potential multiplying effect that SME engagement can have on wider communities. Our SME borrowers sit at the heart of many communities and are widely distributed across a broad geographic and socio-economic range. We continue to capture and communicate these outcomes in our Annual Report.

² Physical risks rated in the National Risk Register with a likelihood $\geq 5\%$ and impact of significant or higher which is currently “Low temperature and Snow”.

³ Defined as a subset of TCFD “carbon-related” sectors: Agriculture, Electricity and Utilities, and Mining and Quarrying.

Diversity, Equity and Inclusion (“DEI”)

We’re here to build the incredible at Funding Circle. We know we can only achieve this through an inclusive and diverse culture where Circlers of all backgrounds feel confident in bringing their whole selves to work, where they can contribute their ideas, have opportunities to be successful, and their talents nurtured. Through empowering our people we are not only building something incredible for our customers, but an incredible place to work too. We live by our company values and cherish our diversity; be that culture, gender, race or ethnicity, sexual orientation, gender identity and expression, disability, marital status, age, nationality, religion, of thought, belief, experience or expression. We Stand Together, as one.

Governance

We recognise the importance of a strong and resilient corporate governance foundation that ensures Funding Circle is a successful, sustainable business that benefits all our stakeholders over the long term. Our reputation, our sustainability and our impact depend on a robust system of oversight and controls across all areas of risk, compliance, regulation, financial controls, people and environment.

Further detail on these matters can be found in the relevant Funding Circle policies and practices (including but not limited to: Corporate Governance Code, financial crime, data privacy and information security, human rights, Code of Conduct, anti-corruption and bribery, procurement), which are provided on the Funding Circle website (Sustainability page). Any related material matters will be shared in our Annual Report.

Risk Management

Our goal is to be a trusted and responsible business. Our Enterprise Risk Management Framework (“ERMF”) describes our risk management approach and supports clear accountability for managing risk across the Company. A core principle of our ERMF is that all Circlers are accountable for identifying, escalating and managing the risks we face. Our Climate Risk Management Framework sets safeguard thresholds for climate risk appetite and for physical and transition risks. Currently, climate-related risks are incorporated in our ERMF as a strategic risk, owned by the CEO, and adhere to the “evaluate, respond and monitor” format. Broader ESG risks are identified within our existing principal risk areas, primarily related to funding, strategy,

reputation, and credit risk across the short, medium and long-term. We are committed to integrating ESG risk management principles into our business and to providing clarity and transparency around how we approach ESG risks in the origination and servicing of our products. For example, our underwriting policies detail certain normative exclusions, which cover common restricted investment factors related to human rights, corruption, or prohibited industries based on moral standards (such as adult entertainment and prostitution), or policy based standards (such as manufacture or sale of weapons and war materials). We seek to follow industry best practices in respect of collections and recoveries, including in particular with respect to vulnerable customers, while also balancing this with our obligations to our loan investors. Our approach to ESG and climate-related risk management is reviewed on an annual basis, as part of our ERMF Risks and Controls Self Assessment.

Voluntary Commitments, Accreditations and Ratings

UN Global Compact: Funding Circle is committed to supporting the Ten Principles of the UN Global Compact with respect to human rights, labour, environment and anti-corruption.

Partnership for Carbon Accounting Financials (“PCAF”): As a member of PCAF we actively engage in the UK chapter, and assess and disclose the GHG emissions of our lending.

HM Treasury Women in Finance Charter: Funding Circle is a signatory to the government’s Women in Finance Charter, and is committed to supporting the progression of women into senior roles in the financial services sector. Our DEI strategy outlines our goals and targets in this area.

The Investing in Women Code: Funding Circle is a signatory of HM Treasury’s Investing in Women Code, and is committed to a culture of inclusion and to advancing access to capital for female entrepreneurs.

* **Gender Pay Gap reporting**

* **Modern Slavery:** We have zero tolerance to modern slavery and human trafficking, and we are committed to ensuring that our business operates in a socially responsible way. We publish our annual Modern Slavery Statement outlining our policies and processes in this area.

ESG Ratings: We engage with the main ESG rating agencies (ISS, Moody’s, FTSE Russell, Sustainalytics, MSCI) and will continue to work to improve the form and substance of our disclosures to ensure that their scoring accurately reflects Funding Circle’s performance, and to address any key flags where appropriate.

* *Regulatory obligation rather than voluntary*

Partners

Hatch Enterprise: Hatch Enterprise supports underrepresented entrepreneurs in the UK to develop the knowledge, confidence, and skills needed to launch and grow a business.

Abatable: Abatable is a marketplace and carbon procurement platform for the purchase of high quality carbon offsets, helping organisations to meet their climate goals.

Earthwatch Europe: Earthwatch Europe supports communities and organisations to build knowledge, create connections and motivate action to protect nature – from fighting for healthy freshwater, bringing green spaces to cities or putting nature back into farming. Their Tiny Forest programme plants small, dense native woodlands in ecologically deprived areas across the UK, to reconnect people and communities with nature and enhance wellbeing.

Thrive Mental Wellbeing (Thrive): Thrive is a mental health and wellbeing digital app, trusted by the NHS, which provides mental health support to businesses and their employees. Through this partnership all UK SMEs can have free or discounted access to the app.