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13 June 2019

Validation Letter: Bank of England set Science Based GHG emissions target

Carbon Trust Assurance Limited ("**The Company**") has validated and formed an opinion that:

Bank of England ("**You**") has demonstrated that you have committed to a target of reducing Scope 1, 2 and selected Scope 3 emissions to 4,797 tCO_{2e} by 2030, a drop of 63%, compared to a 2015/16 baseline. Your GHG emission target is informed by methodologies approved by the Science Based Targets initiative (SBTi), specifically the Absolute Contraction approach. Greenhouse gas (GHG) emissions reduction targets are considered 'science-based' if they are consistent with keeping global temperature increases well below 2°C compared to pre-industrial temperatures, in line with the goals of the Paris Agreement. In your case, targets have been developed in line with limiting temperature increases to 1.5°C, drawing upon the scientific background to the *Special Report on Global Warming of 1.5°C* as published by the IPCC and its interpretation by the SBTi.

The Company has formed its opinion on the basis of applicable portions of the Science Based Targets Initiative's Criteria and Recommendations Version 4.0 as published in April 2019, as well as our consideration of best practice. By the nature of your activities you would likely have to adhere to the SBTi's Financial Sector guidance in relation to setting science-based targets but as a central bank you have determined that this sector guidance is not likely to be highly relevant to your financial activities. Therefore the Company's opinion does not extend to the Financial Sector guidance nor criteria for Scope 3.

The boundaries of your target are as follows:

- The scope is set at the highest Group level covering all relevant activities in the UK. All operations are included except for Roehampton site which has been excluded from the baseline and target as it is not planned to be part of your property portfolio from 2020.
- Your target includes direct emissions (Scope 1), indirect emissions (Scope 2) and emissions from business travel (Scope 3). Scope 1 emissions include the combustion of natural gas and oil at sites, use of fossil fuels in vehicles and fugitive emissions of refrigerants. Scope 2 emissions derive from use of electricity only and

are calculated using the market-based approach. Scope 3 business travel emissions cover both air and rail travel undertaken by your employees.

- These targeted emissions represent 100% of the Bank's operational Scope 1 and 2 carbon footprint and 76% of the Bank's total measured carbon footprint in the baseline year and 52% in the latest GHG inventory from 2018/19.

The carbon footprint baseline you have used is as follows:

- The baseline year has been set as the 2015/16 reporting year with a target year of 2030/31.
- The baseline GHG emissions are:
 - Scope 1: 3,045 tCO₂e
 - Scope 2: 5,563 tCO₂e
 - Scope 3: 4,368 tCO₂e
- You have calculated targets for 2030 using the Absolute Contraction approach using the 1.5 degree scenario, as developed by the Science Based Targets Initiative, to set an absolute GHG reduction target.
- A reduction of 63% in absolute emissions by 2030/31 from a 2015/16 baseline year has been determined to be in line with this methodological approach.
- This will result in a reduction of absolute emissions by at least 8,179 tCO₂e to a maximum of 4,797 tCO₂e by 2030/31

As a result of the Company's review in preparation of this opinion some observations were made but did not require action:

- Under SBTI criteria, targets submitted for validation require a baseline within 2 years and the Bank of England is not aligned to this SBTI requirement as they have chosen a baseline of 2015/16. Our review has shown that the absolute emissions reduction to be achieved for Scope 1 and 2 emissions by 2030/31 if you were to use a 2018/19 baseline would not be materially different to the agreed targets.
- Your plan to outsource some of your vehicle fleet appears to be consistent with being an anticipated structural shift, which could potentially require target recalculation. Given the size of the relevant fleet emissions in the baseline, we do not consider it a material issue for future action.

The Company has provided a limited assurance validation regarding the above claim following office-based review of documentation, academic references, and analytical results as provided by you and in the public domain. We have found no evidence to suggest this claim is misleading.

Applicable Period of Claims

This validation is valid for a period of 24 months from 13 May 2019 (the 'effective date') until 12 May 2021, subject to the provisions in this Letter.



Communications

You are permitted to communicate our opinion as set out below:

“The Carbon Trust has validated that the Bank of England has set GHG reduction target for its Scope 1, 2 and business travel emissions according to methodologies approved by the Science Based Target initiative (SBTi). The commitment to reduce emissions by 63% by 2030 from a 2015/16 baseline is considered consistent with what is necessary to limit global warming to 1.5°C above pre-industrial levels.”

Any communications, other than those listed above, shall be submitted to the Company for prior approval and may be documented in an Annex of this Letter at the Company’s discretion.

For and on behalf of
Carbon Trust Assurance Limited



Morgan Jones
Associate Director - Assurance

