Phoenix

Position statement on the use of carbon credits

December 2025

Contents

Purpose and scope of this document

This position statement outlines our position on the use of carbon credits and offsetting towards achieving our net zero operational emissions target. In particular, it outlines the key principles underpinning our approach to procuring carbon credits.

This position statement applies to our operational emissions only. We do not use offsetting to achieve our supplier base or investment portfolio decarbonisation targets.

Our approach to using carbon credits

In 2019 we set a target to achieve net zero operational emissions across the Group by 2025, covering our Scope 1, 2 and 3 - Category 6 (business travel) emissions. The target allows for the use of carbon credits to offset any residual emissions, providing that we have first taken steps to reduce our absolute emissions as far as is reasonably practicable in line with a science-based pathway.

Our approach to using carbon credits follows the Oxford Principles for Net Zero Aligned Carbon Offsetting[1]. The following four principles set out how we do this in practice:

Principle 1: We prioritise reducing our direct and indirect emissions to minimise the need for offsetting

Our strategy for achieving net zero operational emissions is outlined in our Net Zero Transition Plan and follows an emissions mitigation hierarchy defined by best practice guidance[2], to:

1. First eliminate
2. Then reduce
3. Substitute where possible
4. Compensate for what is left

We will continue to take action to eliminate, reduce and substitute our operational emissions, and will only use offsetting as part of the final step towards meeting our net zero operational emissions target.

Principle 2: We only purchase high quality and high integrity carbon credits

All carbon credits purchased by the Group will be certified by a standard endorsed by the International Carbon Reduction and Offset Alliance ('ICROA') to ensure a high level of quality and integrity. In practice this means alignment to ICROA's Code of Best Practice[3] to ensure that:

- All credits are additional
- All credits are permanent
- All credits are unique and not double counted
- All projects follow robust Measurement, Reporting, and Verification ('MRV') processes in line with leading standards for MRV such as Verra's Verified Carbon Standard and Gold Standard
- All projects protect against emissions leakage

To ensure that every project supported by the Group meets these criteria, we require all project developers to meet a pre-defined level of due diligence to scrutinise projects' environmental, social and economic credentials and ensure our quality and integrity requirements are upheld.

We also recognise the potential human rights, environmental justice and local community impacts of projects. In recognition of this, we require developers to demonstrate robust engagement with key stakeholders, in particular indigenous peoples and local communities, throughout the lifetime of projects.

[1] Oxford Principles for Net Zero Aligned Carbon Offsetting, 2024

[2] IEMA Greenhouse Gas Management Hierarchy, 2020

[3] ICROA Code of Best Practice, 2025

Principle 3: We prioritise carbon removal credits and aim to maximise co-benefits

We purchase credits from carbon removal projects rather than projects that avoid emissions because, in line with the Oxford Principles, we see this as a more credible way to compensate for our residual emissions.

We currently prioritise nature-based removal projects because of their co-benefits and wider ESG credentials. In particular, we note the role that nature-based projects can play in supporting healthy ecosystems; improving adaptation and resilience to physical climate risk; and supporting the livelihoods of local communities.

We are, however, open to considering technology-based removals in the future alongside nature-based removals due to their potential for greater permanency through long-term storage.

We procure carbon credits generated from both UK-based and international projects. This helps us to address potential delivery risks, manage costs effectively and access a wider scope of potential co-benefits from purchased credits.

We also recognise the role that offsetting via carbon credits can play in developing innovative and integrated approaches to achieving net zero, such as stimulating the development of long-term carbon removal projects.

Principle 4: We are transparent on our use of carbon credits

We will report annually on the use of carbon credits towards meeting our climate targets, alongside the actions taken to further reduce emissions in line with our mitigation hierarchy. We will recalculate our residual emissions annually to determine the quantity of carbon credits to be purchased.

We will also ensure that we continue to align with best practice reporting frameworks and comply with the latest legislation and directives.

Process for review

This position statement will be reviewed every two years and updated in line with industry best practice and standards.

END