

EXECUTIVE SUMMARY



INTRODUCTION

Telford Homes (TH) have had an internal commitment since 2021 that our strategy should be aligned with the Taskforce for Climate-related Financial Disclosure (TCFD) recommendations and report in line with all 11 TCFD recommended disclosures. We have successfully disclosed through the Carbon Disclosure Project (CDP) for two years having improved our score to a B-, further aligning the strategy with broader sustainable principles. With the final release of the Transition Plan Taskforce (TPT) framework in October 2023, TH recognises that TPT-compliant transition plans will have an important role in climate-related financial disclosures. Therefore, we are in the process of developing our strategy in line with TPT framework alongside our current TCFD disclosures.

This summary provides an overview of the work TH has undertaken aligning with TCFD and begin implementation of TPT-compliant transition plan disclosures. It is supported by internal comprehensive reports concerning scenario analysis and modelling which quantifies TH's financial risks and opportunities.

As an organisation we will continue to refine our approach to climate change risks and financial impacts. Our focus for 2024 is to continue to complete our site-specific climate risk assessments for current and future development sites with a view to maximising our resilience and strategy towards climate change. The cost of carbon to our business is something we have considered in our shadow cost of carbon in 2021-22 and we will continue to explore the potential financial cost of climate resilience and adaptation. We have also agreed over 100 cross departmental sustainability Key Performance Indicators (KPIs) for 2024 and intend to conduct a mapping exercise against the TCFD principles.

GOVERNANCE

Describe the Board's oversight of climate-related risks and opportunities.

Overseen by the Executive Committee, the 'Building a Living Legacy' (BLL) Steering Committee meets quarterly to provide high-level sustainability governance to ensure our strategy is being successfully implemented and where/how we can improve. The CEO chairs the committee, which is made up of senior leaders from across the business.

Describe management's role in assessing and managing climate-related risks and opportunities.

The BLL Steering Committee is further assisted by BLL departmental champions who support various separate forums. Those departmental champions and various expert external organisations attend the Steering Committee to share knowledge and thought leadership. We reciprocate with attendance at peer and leadership workshops and industry conferences. Sustainability issues are included in executive and staff personal objectives and in our training programmes.

Describe how the organisation is building a culture that supports implementation of a transition plan.

TH promotes a culture of climate change thinking across all parts of the organisation which ensures that employees have appropriate skills, competencies, and knowledge to support delivery of our 2030 Journey. This cultural drive is overseen by the Executive Committee and BLL Steering Committee who ensure our Environmental, Social and Governance (ESG) strategy is embedded at all levels of the organisation. Our strategy to promote a culture of climate change includes a range of internal communications and initiatives such as:

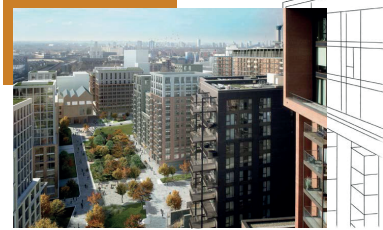
- Internal newsletters, blogs and intranet updates on sustainability and climate change.
- 'Telford Talks' led by the CEO which regularly features sustainability and climate change.
- Sustainability specific engagement surveys including questions on TCFD and Science Based Targets.
- External speakers, such as those from NextGeneration, PRD Social Value and the Future Homes Hub, are invited to the organisation to speak about climate change.
- Internal E-learning modules which includes training on climate change.
- Cross departmental KPIs and targets linked to climate change which impact annual remuneration for employees.

STRATEGY

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.

In 2021 we undertook our first scenario analysis assessment which looked at the material risks and opportunities posed to TH across our short-, medium- and long-term strategy. We rationalised this analysis within our BLL Risks and Uncertainties register to evolve and improve our coverage of risks in line with our most recent materiality assessment (2022). The most material risks to the company are detailed in the risk section of this disclosure and how we are addressing the risk to an acceptable level.

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Physical risks, both acute and chronic, arising from a future changing climate have been analysed and the effects these may have on the business's physical assets and operation together have been considered. Physical risks refer to the tangible effects on the organisation and its assets arising from the expected changes in severity and likelihood of extreme weather events (e.g. flooding and storms) and changing average weather patterns (e.g. changes to annual precipitation and temperature levels). Transition risks and opportunities are those posed to the organisation due to economic, social and policy/regulatory changes, brought about as a response to climate-change related issues, e.g. policy requirements, carbon prices, new technology, changes in market demand, customer and investor expectations. These in combination have informed our short-, medium- and long-term strategy concerning strategic risks and opportunities.

Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.

Our BLL Risks and Uncertainties Register has been informed by the analysis and progress of sustainability related priorities, established through the 2019 materiality review and updated in our 2022 double materiality review. This included a more diverse stakeholder group to provide a more holistic view of relevant sustainability topics. We have used our time to further reflect upon our previous United Nations Sustainable Development Goals (UN-SDG) reporting, which have been aligned against our Objectives and Targets, and Risks & Opportunities Register. The BLL Principal Risk and Uncertainties register identifies 10 priority areas for TH, of which, responding to the climate emergency and Energy & Carbon have a material consideration on our strategy now and in the future. We will continue to aim to create climate ready and future proofed schemes through actions including working with our supply chain to increasingly use low carbon construction materials to achieve embodied carbon reduction targets and use of low carbon and fossil fuel-free systems such as ground or air source heat pumps to reduce operational carbon.

To enhance our understanding of potential financial impacts future climate-related risks, we undertook analysis on the shadow cost of carbon to consider an internal price of carbon and the potential effect this may have on our organisation and strategy. This considers the potential cost of the carbon implications of our business strategy and helps improve our understanding of carbon financial risk. The analysis undertaken considered our carbon reduction targets and current performance in line with our 2030 Net Zero Journey. Industry projections for potential future scenarios regarding the cost of carbon and the opportunities for offsetting our residual emissions were reviewed.

Describe the organisation's engagement strategy with its value chain, industry, government, public sector and civil society that supports implementation of a transition plan.

Our BLL advocacy structure shows that we periodically engage with external groups in the context of promoting our climate change ambitions. We are partners with the Supply Chain Sustainability School and have encouraged our supply chain to become members so they may use and participate in the school's learning resources. We engage industry through a range of committees, forums and groups including the UKGBC Future Leadership Forum and Advisory Board, the BusinessLDN climate change committee and the Considerate Constructor Scheme Partners Forum. As described in our Community Engagement Strategy, we also engage with government such as Local Planning Authorities and infrastructure bodies and regularly plan engagement and collaboration activities with local community interest groups, businesses, residents, charity organisations and civic trusts.

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

We used scenario analysis by looking at our principal risks and opportunities that materially impact our business concerning climate change. We have considered both physical and transition risks and are mapping these within our existing risk management structure to ensure the climate related risks and opportunities continue to evolve at the heart of our strategy.

Physical risks have been considered for two scenarios: Low emission (2°C by 2100 aligned) and high emission (4°C by 2100 aligned) pathways informed by UK Climate Projections 18 (UKCP18) London climate probabilistic UK-specific climatic projections. When considering transition risks and opportunities we have used the UK's Sixth Carbon Budget's Building Sector recommendations and modelled three pathways to contextualise our exposure:

- **Balanced pathway** – this scenario sits between the following two scenarios, with regards to the timescales and magnitude of transition to zero carbon buildings.
- **Headwinds** – this scenario sees some degree of behaviour change and innovation, however there are no immediate and widespread behavioural shifts or significant policy/market changes.
- **Tailwinds** – this scenario sees significant consumer behavioural changes, widespread implementation of energy efficiency measures, and an early and rapid rate of decarbonisation.

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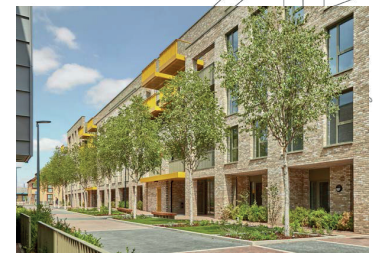
RISK MANAGEMENT

Describe the organisation's processes for identifying, assessing and managing climate-related risks

We have undertaken scenario analysis concentrating on our principal risks and opportunities relating to both physical and transition issues. In addition, we utilise asset level climate change risk assessments to identify targeted risks and opportunities across our existing and future development portfolio. Throughout this reporting year, we have further developed our approach to risk identification based on the outcomes of our scenario analysis, by enhancing our consideration of the financial impacts of risks and opportunities. The table below summarises our main risks and potential financial impact areas which might impact our organisation. Comprehensive financial modelling is undertaken internally to ensure our risk exposure is mitigated wherever possible.

CATEGORY	DESCRIPTION	IMPACTS	COMMENTARY
Physical Risks			
Extreme weather events	There is an increased probability of the occurrence of extreme weather events (including high temperatures, drought, flooding and storms).	Increased development costs as further mitigation measures are incorporated within building design.	<ul style="list-style-type: none"> Implementation of a range of innovations and new building techniques at developments. Innovations include mechanical systems and cladding systems, optimised apartment layouts, and prefabricated elements. Site specific flood risk assessments to improve our resilience to extreme weather events. To improve customer comfort and mitigate overheating risks, we design in accordance with the Chartered Institute of Building Services Engineers (CIBSE) Technical Guidance TM59 and TM52. Our future net zero homes will actively undertake a climate risk appraisal of sites using climate modelling software to build risk profiles.
Water efficiency and availability	Increasing occurrence of drought resulting in risk of freshwater scarcity.	Increasing development costs from the incorporation of water efficiency solutions and increasing freshwater costs.	<ul style="list-style-type: none"> Homes designed to use an average of 105 litres of water per person per day. This is an improvement on building regulations with a short-term ambition to get below 100 litres. Concentrate on installing low flow sanitaryware.
Flooding	Increased risk and frequency of flooding events (coastal, groundwater, pluvial, fluvial).	Increased occurrence of flood events and planning constraints.	<ul style="list-style-type: none"> We utilise site specific climate risk assessments and complete comprehensive flood risk assessments on all sites. We incorporate appropriate sustainable urban drainage systems (SuDS), where feasible to reduce the risk of flooding to an acceptable level.

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CATEGORY	DESCRIPTION	IMPACTS	COMMENTARY
Transition Risks			
Energy and carbon - move towards net zero carbon housing	Increasing market demand and expectation for low carbon real estate.	Increased development costs due to the incorporation low carbon solutions.	<ul style="list-style-type: none"> Net zero carbon by 2030. Our timeline and goals to achieve this are detailed within 'Our 2030 Journey' report. Implementing the Future Homes Standards by 2026 will help drive significant reductions in operational carbon required to meet our net zero ambitions. Our current schemes being designed and progressed through planning are achieving operational carbon reductions between 50-60% above 2013 Building Regulations. We have reached out to concrete manufacturers to get greater clarity on recent market disruption by greener concrete options. All new developments will achieve: <ul style="list-style-type: none"> EPC B rating or better. 40% reduction in embodied carbon. Net zero carbon operational emissions. 100% of our new build schemes benefit from low carbon or renewable technologies.
	Increasing demands for greater energy efficiency.	Increased development costs to meet energy efficiency requirements.	<ul style="list-style-type: none"> We are looking to reduce energy consumption to 35 kWh/m²/year in line with the London Energy Transformation Initiative (LETI) Climate Emergency Design Guide. Continue to adjust to the updated Building Regulations in England – Approved Documents F2, L1, L2 and O and S, which introduce higher standards of energy efficiency as an interim step towards the Future Homes Standard. All new developments will achieve EPC B rating or better, well above the industry average of a D rating. We have commissioned research to understand how we can optimise the energy performance in our buildings, including how we will progress to an A-rated EPC and reduce emissions in line
	Expansion of low carbon heat networks.	Increased development cost associated with the connection to heat networks.	<ul style="list-style-type: none"> New developments will be connected with local low carbon heat networks where possible. Whole Life Carbon assessments on all future schemes. 100% of our new build schemes will benefit from low carbon or renewable technologies. All of our units are fitted with smart meters to allow asset owners to review the real time performance of our heat networks.

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CATEGORY	DESCRIPTION	IMPACTS	COMMENTARY
Transition Risks			
Abatement of existing fossil fuel infrastructure	Decarbonisation of grid electricity and phase out of gas fired boilers.	Investment in low carbon heating technologies.	<ul style="list-style-type: none"> We are investing in low carbon and renewable technologies. Transition away from gas-led infrastructure within our new developments, to decarbonised electrified systems through either air or ground source heat pumps. Triple glazing likely to become a solution driven by the Future Homes Standard to better attenuate solar heat gain.
Waste and resource management	Impact on global to local supply chains affecting the cost and availability of materials.	Increased cost of construction materials as global supply chains are disrupted.	<ul style="list-style-type: none"> Procurement of construction timber from sustainable sources, with FSC/PEFC accreditation. Designing out waste and selecting reusable materials wherever possible. Zero waste to landfill by 2024. Maintain EMS, sustainable procurement policies across all sites. Actively appraising the Ground Granulated Blast-furnace Slag (GGBS) concrete content in our schemes to reduce our carbon intensity. We have reached out to concrete manufacturers to get greater clarity on recent market disruption by greener concrete options.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Our Risk and Uncertainties Register identifies 10 priority areas for TH, of which, responding to the climate emergency and tackling Net Zero Carbon has a material consideration on our strategy now and in the future. We have undertaken scenario analysis (as described above, within the Strategy section) to better understand how our strategy relates to such climate-related impacts and how these may differ between scenarios and timescales. The balanced and headwinds scenarios see the greatest potential financial impact in the long-term, whilst the tailwinds scenario sees the greatest impact in the medium-term. This difference results from the risk of failure to meet new policy obligations and occupier expectations – the tailwinds scenario sees faster changes to policy which impact in the medium term, whilst the balanced and headwinds scenarios see greater risk in the long term due to reduced immediate behavioural and policy demands. Opportunities across all three scenarios result from our proactive approach to sustainability, which, in many cases, is ahead of the strategies of comparable property investment and development companies.

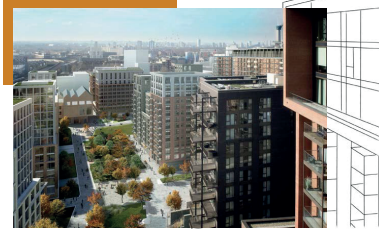
We have worked on enhancing our management of principal risks established through our scenario analysis and double materiality assessment to ensure our strategy is robust and accounts for the potential impact of climate change on our business.

METRICS AND TARGETS

Throughout the year we monitor and review our performance relating to numerous ESG metrics and KPIs.

The table below details our verified carbon data covering the last five years, from 2019 to 2023, as included within the directors' carbon report. Greenhouse gas (GHG) emissions are reported in line with the UK Government's 'Environmental Reporting Guidelines' and has used the relevant GHG emissions factors outlined by the Department for Energy Security and Net Zero (DESNZ) UK Government Greenhouse gas reporting conversion factors (2023).

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Greenhouse Gas Emissions (tCO ₂ e)	Calendar Year 2023	Calendar Year 2022	Calendar Year 2021	Calendar Year 2020	Year Ended March 2020
Scope 1 ¹		199.46	802.60	1,172.74	1,591.03
Scope 2 ²		370.94	374.58	415.32	519.44
Scope 3 ³		391.995	390.65	431.90	756.38
Total		962.34	1,567.83	2,019.96	2,866.85
Carbon Intensity (tCO ₂ e per FTE)		2.89	4.78	6.71	8.69

¹ Scope 1 direct emissions relate to offices, sales, development site activities and travel diesel combustion on out sites, and business travel from leased vehicles.

² Scope 2 indirect emissions relate to purchased electricity and heat for all sites and offices. Head office in Waltham Cross switched to a green tariff supply from November 2018.

³ Scope 3 indirect emissions relate to business travel by road and air.

Below we have summarised the key climate related metrics and targets we use when reporting across Carbon, Energy, Waste, Water and Certification, as detailed within our 2030 Journey. Performance against our 2030 roadmap can be viewed in our latest interactive sustainability report.

Carbon

- 40% reduction in embodied carbon.
- Net zero carbon developments (operationally).
- Reduce the carbon intensity of our site operations by 3.8% (CO₂e/100m²) per annum.
- Whole life carbon: achieve 80-90% saving.

Energy

- Reduce the energy intensity of our site operations by 3.8% (kWh/100m²) per annum.
- Ensure 50% of completed units have access to onsite renewables or low carbon infrastructure.

Waste & Water

- Zero waste to landfill by 2024.
- Design our homes to use an average of 105 litres of water per person per day.

Certifications

- Maintain an average EPC B rating.
- Apply the Building Research Establishment BREEAM, Home Quality Mark (HQM), the emerging Future Homes Hub, and/or equivalent assessments.

Whilst we have a clear emissions trajectory outlined in our 2030 roadmap, the use of carbon offsets still forms an important part of the net zero hierarchy of solutions as evident by 100% of our schemes having paid carbon offsets before handover. We have also used our shadow cost of carbon work to identify international Offset Certification schemes and two reputable UK focused schemes for future consideration.

NEXT STEPS

The TCFD and TPT frameworks have overlapping elements such as describing our governance structure, strategy and metrics and targets in relation to climate change. As TH have published TCFD aligned disclosures, we have the building blocks in place to publish a TPT-compliant transition plan. To continue our climate-related financial disclosures and progress our implementation of the TPT framework, we will undertake the following next steps:

- Produce a standalone TPT-compliant transition plan with defined strategic ambitions and informed by our governance structure, strategies and metrics and targets.
- Continue publishing TCFD disclosures in our annual reporting.
- Once our TPT-compliant transition plan has been published, we will provide annual updates within our TCFD disclosures on our progress towards achieving the strategic ambitions.