

# EXECUTIVE SUMMARY



## INTRODUCTION

Since 2021 Telford Homes (TH) have had an internal commitment that their strategy should be aligned with the TCFD recommendations and report in line with all 11 TCFD recommended disclosures. Last year we undertook our inaugural CDP disclosure in 2021, to further align the strategy with sustainable principles.

This summary provides an overview of the work TH has undertaken in alignment with TCFD disclosure. It is supported by internal comprehensive reports concerning scenario analysis and modelling, which quantifies TH's financial risks and opportunities.

## 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. The CEO chairs the Committee, which is made up of senior leaders from across [all business functions](#).

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

The BLL Steering Committee is further assisted by 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.

## STRATEGY

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

Last year we undertook scenario analysis which looked at the material risks and opportunities posed to TH across the short, medium and long term strategy of the company. We have rationalised this analysis within our BLL Principal Risks and Uncertainties register over the past 12 months to evolve and improve our coverage of risks in line with our most recent materiality assessment.

In order to enhance our understanding of potential future climate-related risks, we have undertaken 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 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.

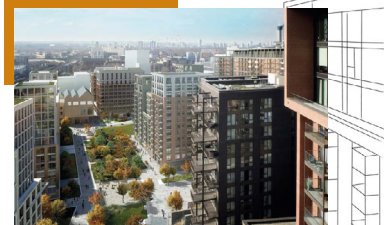
**Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.**

Our BLL Principal Risks and Uncertainties Register (to be updated in 2022) has been informed by the analysis and progress of sustainability related priorities, established through the 2019 materiality review and the updated review that we completed this year. This includes 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 Principal Risk and Uncertainties register identifies 12 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 will continue to aim to create climate ready and future proofed schemes.

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

We have undertaken scenario analysis by looking at our principal risks and opportunities that materially impact our business. 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:

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- **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.

## 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
<b>Physical Risks</b>			
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"> <li>Implementation of a range of innovations and new building techniques at developments.</li> <li>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.</li> </ul>
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"> <li>Homes designed to use an average of 105 litres of water per person per day. This is an improvement on building regulations.</li> <li>Concentrate on installing low flow sanitaryware.</li> </ul>
<b>Transition Risks</b>			
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 of low carbon solutions.	<ul style="list-style-type: none"> <li>Net zero carbon by 2030. Our timeline and goals to achieve this are detailed within 'Our 2030 Journey' report.</li> </ul> <p><b>All new developments will achieve:</b></p> <ul style="list-style-type: none"> <li>EPC B rating or better.</li> <li>40% reduction in embodied carbon.</li> <li>Net zero carbon operational emissions.</li> <li>100% of our new build schemes benefit from low carbon or renewable technologies.</li> </ul>
	Increasing demands for greater energy efficiency.	Increased development costs to meet energy efficiency requirements.	<ul style="list-style-type: none"> <li>All new developments will achieve EPC B rating or better, well above the UK Homes average of a D rating.</li> </ul>
	Expansion of low carbon heat networks.	Increased development cost associated with the connection to heat networks.	<ul style="list-style-type: none"> <li>New developments will be connected with local low carbon heat networks where possible.</li> <li>100% of our new build schemes will benefit from low carbon or renewable technologies.</li> </ul>

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CATEGORY	DESCRIPTION	IMPACTS	COMMENTARY
<b>Transition Risks</b>			
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"> <li>We are investing in low carbon and renewable technologies.</li> <li>Transition away from gas-led infrastructure within our new developments, to decarbonised electrified systems through either air or ground source heat pumps.</li> </ul>
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"> <li>Procurement of construction timber from sustainable sources, with FSC/PEFC accreditation.</li> <li>Designing out waste and selecting reusable materials wherever possible.</li> <li>Zero waste to landfill by 2024.</li> </ul>

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

Our Principal Risk and Uncertainties Register identifies 12 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 will work on enhancing our management of principal risks established through our scenario analysis 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 environment, social, governance (ESG) metrics and key performance indicators (KPIs).

The table below details our verified carbon data covering the last five years, from 2018 to 2021, 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 of Energy and Climate Change (DECC) (UK Government Greenhouse Gas Conversion Factors, 2021).

GREENHOUSE GAS EMISSIONS (TCO2E)	CALENDAR YEAR 2021	CALENDAR YEAR 2020	YEAR ENDED MARCH 2020	YEAR ENDED MARCH 2020	YEAR ENDED MARCH 2018
Scope 1 <sup>1</sup>	802.60	1172.74	1591.03	1655.88	1801.37
Scope 2 <sup>2</sup>	374.58	415.32	519.44	627.68	830.78
Scope 3 <sup>3</sup>	390.65	431.90	756.38	724.32	618.23
<b>Total</b>	<b>1567.83</b>	<b>2019.96</b>	<b>2866.85</b>	<b>3007.88</b>	<b>3250.38</b>
Carbon Intensity (tCO <sub>2</sub> e per FTE)	4.78	6.71	8.69	9.03	11.21

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

<sup>2</sup> 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.

<sup>3</sup> Scope 3 indirect emissions relate to business travel by road and air.

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## METRICS AND TARGETS (cont.)

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.

### Carbon:

- 40% reduction in embodied carbon.
- Net zero carbon developments (operationally).
- Reduce the carbon intensity of our site operations by 3.8% (CO<sub>2</sub>e/100m<sup>2</sup>) per annum.
- Whole life carbon: achieve 80-90% saving.

### Energy:

- Reduce the energy intensity of our site operations by 3.8% (kWh/100m<sup>2</sup>) per annum.
- Ensure 50% of completed units have access to onsite renewables or low carbon infrastructure.

### Energy:

- 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 and Building Standard Hub, and/or equivalent assessments.