Task Force on Climate-Related Financial Disclosures (TCFD)

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures ("TCFD") to improve and increase reporting of climate-related financial information.

Responding to the TCFD requirements, we aim to continually enhance our disclosures in line with its recommendations and market practice. We also disclose climate-related governance, strategy, risk management and metrics as part of the Carbon Disclosure Project ("CDP").

The Company is consistent with paragraph 8(a) of Listing Rule 9.8.6R, which requires that listed companies must include in their annual financial report a statement setting out whether the listed company has included climate-related financial disclosures consistent with the TCFD Recommendations and Recommended Disclosures in that financial report.

Timeline on climate progress

2014

First public disclosure of TCFD. First disclosure of scope 3 emissions. Implemented first trials of air-source heat pumps and 100% of electricity used in show homes, sales offices and site cabins was sourced from zero carbon sources

2021

First included Waste management, Timber policy and Greenhouse gas reporting in the Corporate Social Responsibility section of the annual report

2022

Submitted our letter of commitment to the Science Based Targets initiative. Appointed a Senior Ecologist to further develop our biodiversity and ecology strategies

Appointed Group Sustainability Manager and created a Sustainability Action Team and Climate Action Team. First public disclosure of detailed analysis on Climate Scenarios

2023

Validation of SBTi targets. Future Homes Standard

2024

Obtained assurance over our GHG baseline year. Submitted our near term and net zero targets to the SBTi for validation

2025

SBTi net zero target. Paris agreement and UK target for net zero

2032

SBTi near term target.

SCIENCE BASED TARGETS

2050

Governance

The organisation's governance around climate-related risks and opportunities.

Board

The Board has ultimate responsibility for climate-related risks and opportunities, with day-to-day control over responding to climate-related risks and wider sustainability targets managed by the Executive Directors.

Any amendments to business strategy, or significant changes to day-to-day operations of the business, require approval from the Board. In addition, long-term targets and external commitments require Board approval before announcement and becoming part of the ordinary course of business.

The Board receives information on a regular basis covering business performance, health and safety, customer satisfaction and sustainability. Updates also include any technical specification changes, including changes to house designs to comply with building regulations and/or improve environmental performance.

The Executive Directors, and the Board above certain set limits, has responsibility for the approval of all land purchases. As part of the investment appraisal process, climate-related considerations are presented as part of the approval process and included in the cost plan for the development. These include factors such as land remediation, flood mitigation, biodiversity requirements, landscaping and other environmental impacts.

Governance

The organisation's governance around climate-related risks and opportunities.

Audit Committee	The Audit Committee is responsible for reviewing and approving the content of the annual report including the TCFD, SASB and GHG disclosures. In addition, the Audit Committee reviews and approves the Group's CDP climate submission, which outlines what we are doing as a Company to address climate-related risks and opportunities. The Audit Committee are regularly updated with amendments to disclosure requirements on financial reporting and disclosure considerations in respect of climate change. The Group's sustainability disclosures, including TCFD and SASB, are reviewed as part of the external audit, the results of which are reported to the Audit Committee. Additional assurance over GHG disclosures has been obtained over the 2022 baseline year and our 2024 GHG emissions.
Sustainability Committee	The Sustainability Committee is responsible for assessing the sustainability aspects of the business strategy and ensuring that the Group's sustainability targets align. The Sustainability Committee also makes recommendations to the main Board on strategic developments that address sustainability risks and opportunities in particular those relating to climate change. The Sustainability Committee meets regularly throughout the year to ensure that sustainability risks and opportunities are reviewed regularly, emerging risks and opportunities are identified, and mitigation plans are developed where needed. The Group Sustainability Manager is responsible for maintaining the environmental risk register and reports any updates to the Sustainability Committee as part of the Group's risk management framework. The Sustainability Committee monitors performance against sustainability targets and approves the targets and actions used for measuring performance on an annual basis.
Remuneration Committee	The Remuneration Committee is responsible for determining remuneration policy and targets including how sustainability metrics are taken into consideration when determining incentive decisions. The Committee contribute to setting the targets of the Executive and operational directors throughout the business and, where appropriate, these are linked to performance against sustainability targets. ESG performance indicators are used to measure performance against these targets and subsequently remuneration is awarded in relation to performance against these targets. For more information on how sustainability factors are considered in Executive remuneration, refer to the Annual Report on Remuneration on pages 142 to 153.
Nomination Committee	The Nomination Committee is responsible for ensuring that the Board structure, size and composition (including the skills, knowledge and experience of Board members) is adequate to support the Group in its growth and sustainability ambitions. The Committee considers the risks and opportunities facing the Group, and the skills and expertise that are therefore needed on the Board. There were no new appointments to the Board or changes to Board roles during the financial year to 30 June 2024. For more information on the Board of Directors, refer to pages 112 to 113.

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Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

Climate change has the potential to significantly impact our business strategy through changes in regulation, government policy, stakeholder expectations (transition impacts) and the direct effects of climate change such as more frequent adverse weather events, loss of developable land and the impact on biodiversity and the wider natural environment (physical impacts).

Our commitment to align our carbon reduction targets with the SBTi and a 1.5°C climate scenario is reflected in our review of the resilience of the Company's strategy towards climate-related risks. Included within our carbon reduction modelling, we have considered the reliance on emerging technologies, engagement with supply chain and market expectations whilst balancing the risks of emerging regulations and failure to adapt to a low carbon economy. Despite the transitional challenges associated with committing to a carbon reduction target aligned to a 1.5°C scenario, these are likely to be lesser than the potential impact of the physical effects of climate change in a 4°C scenario.

During the year, we have used the process of scenario planning to aid our assessment of climate-related risks and opportunities and the potential impact on the Group, its strategy and any financial impacts. Details of the scenarios analysed can be found on pages 90 to 91.

Risk definitions

When assessing climate-related risks and opportunities we use the following criteria to ensure that the assessment is reflective of the operating activities of the Group.

Risk term	Impact
Short term: 0–3 years	Low impact: £0.5m
Medium term: 4–10 years	Moderate impact: £1.5m
Long term: 10+ years	High impact: £10m
	Catastrophic: £30m

The risk term is aligned to the majority of climate-related frameworks, in particular the Science Based Targets initiative (SBTi).

The impact is aligned to the risk assessment methodology used by the Group for all principal and emerging risks as set out in Risk Management on pages 38 to 43.

The Board adopts a low appetite to climate-related risks. This means that the Group seeks to maintain a low level of impact on the environment as a result of its operations balanced against the cost of doing so. The Group also invests to ensure there is a robust control framework to maintain a high level of compliance with environmental regulations.

Impact on financial statements

Costs associated with the transition to the latest building regulations including Part L (Conservation of heat and power) have been recorded in the valuation of inventory and subsequently reported within cost of sales. Similarly, the cost of Biodiversity Net Gain is built in to initial site budgets and subsequent valuations. Where a site margin forecast is affected by a change in estimated costs to complete, the impact is recognised across all plots remaining. See note 1 – accounting policy for Inventories on page 179 for further details.

A flood risk assessment is performed on all potential sites that are considered for development. The associated costs to mitigate flood risk, where relevant, are included within the site valuation and costs to complete. This is recognised in the forecast site margin and reported within cost of sales as completions are recorded over the life of the site. As the owned land bank within Gleeson Homes covers a period of four years, we have assessed that it is unlikely that the flood risk of these sites will change in this timeframe and therefore no impairment of owned land has been identified.

Within the Gleeson Land division, the land portfolio is more strategic and therefore flood risk can change over a longer period of time as regional flood models are updated including from the effects of climate change. Each site is individually reviewed at a period end based on its planning prospects and viability. Where these have been adversely impacted by a change in flood risk or any other impact, then a provision is recorded to write down the value of inventory in line with the Group's accounting policy.

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

Going concern and viability statements

In preparing the Annual Report, the Group is required to assess whether there are any material uncertainties over its ability to operate as a going concern (see note 1 – Going concern on page 177 for further details). In addition to this, the Group is required to assess the potential impact on the operations of Group over the longer term for disclosure in its viability statement on page 119. To meet these requirements, the Group has sensitised its financial forecast to incorporate the potential impacts of a severe but plausible downturn over the three years to June 2027.

The costs of transition to meet government policy for Future Homes Standards, Biodiversity Net Gain and cost of known lower carbon technologies as set out in the scenario analysis are all incorporated into the Group's forecast that is used for the going concern and viability assessments. The impact of the climate-related risks identified have been considered, but would not have a material impact over the viability period on the Group's ability to continue in operation.

Risk Management

How the organisation identifies, assesses, and manages climate-related risks.

The Board has overall responsibility for the Group's management and assessment of risks, supported by the Audit Committee. The Group risk register is formally reviewed by the Audit Committee at the majority of its meetings, including consideration of emerging risk areas or changes to existing risks. Climate change and sustainability have been identified as principal risks for the Group. Find out more on page 43.

The Group's risk management framework includes a separate environmental risk register, which includes key climate-related and other environmental risks for the business. The environmental risk register identifies both principal and emerging risks and informs a formal risk assessment process that considers the likelihood and impact of the identified risks together with any mitigating controls that are already in place or planned. This position is reviewed by the Sustainability Committee as part of its review of the environmental risk register.

Any changes to risk scores on the environmental risk register are considered in the context of the Group risk register in respect of the principal risks of climate change and sustainability. Proposed changes are reported to the Audit Committee and Board as part of its monitoring of principal and emerging risks at a Group level.

We determine climate-related risks using our risk management framework outlined on page 38. The risk assessment reflects the estimated impact of a risk or opportunity taking into account both quantitative and qualitative characteristics. Quantitative materiality is set in line with the range set by our external auditors and our internal risk management process. Risks and impact are considered according to the expected timeframe of the risk or opportunity.

Sustainability Committee

The Sustainability Committee met four times in the year and the review of the environmental risk register is a standing agenda item for each meeting.

The Committee members are responsible for reviewing the risks and opportunities identified, along with their inherent risk scores, any mitigating actions and the mitigated risk scores. The Group Sustainability Manager is responsible for the day-to-day maintenance of the environmental risk register, which identifies risks covering key climate-related and other environment risks for the business.

Task Force on Climate-Related Financial Disclosures (TCFD) CONTINUED

Key climate-related risks

Risk	Scenario analysis
Changes to government policies Changes to the specifications of our homes as a result of new building regulations or planning policies can result in higher technical, design and/or build costs.	**Potential impact: £5m – £10m cost of sales over life of developments** The scenario modelled has taken the increase in cost of recent changes in building regulations (including Part F, L, O,S and Z) and extrapolated over forecast unit sales.
Emerging technologies Our long-term carbon reduction strategy relies on the development of new technologies and modern methods of construction. In order for these to be viable for our business model, they must be readily available, affordable and have appropriately skilled resources within the industry.	**Potential impact: £15m – £30m cost of sales over life of developments** The scenario modelled has taken the increase in cost of identified low carbon alternatives to traditional building materials and applied this to forecast unit sales.
Supply chain As we develop our carbon reduction strategy there is a reliance on our supply chain to reduce the embodied carbon of materials and emissions generated from build activities. Failure of our supply chain to decarbonise could potentially result in us not achieving our scope 3 carbon reduction targets. There is also likely to be an increase in cost for using lower carbon alternatives.	**Potential impact: £15m – £25m cost of sales over life of developments** The scenario modelled has taken our current supplier spend split between materials and subcontractors and uplifted this to incorporate the increase in costs for lower carbon materials, fuels and more efficient plant and machinery.
Carbon pricing Government legislation designed to encourage industries to take climate action and reduce their carbon footprint can, directly or indirectly, increase material costs and our cost base.	**Potential impact: £10m – £15m cost of sales over life of developments** The scenario modelled has used a carbon price between £50–100 per tonne and applied this to projected scope 1 & 2 emissions and embodied scope 3 emissions.
Stricter planning requirements Government and local authorities are more stringent in their planning and site infrastructure requirements. This includes requirements around biodiversity net gain, which could impact on land opportunities, in particular brownfield sites which have rewilded, becoming unviable to develop.	**Potential impact: £10m – £15m cost of sales over life of developments** The scenario modelled was performed by reviewing our current pipeline of sites for their estimated biodiversity credit requirements, combined with an average cost per biodiversity credit for forecast site acquisitions.
More frequent adverse weather events Disruption to build activities on our sites as a result of more frequent adverse weather events including heat, cold, rain and storm damage has the potential to become unsafe, cause damage to construction sites and slow our growth plans.	**Potential impact: £15m – £30m cost of sales over life of developments** The scenario modelled assumes adverse weather events to become more frequent, the cost of build disruption to increase as a result of more storm damage and considers the delay in house sales and other associated costs.

Key – Risk rating

L Low M Medium H High

Mitigating actions	Risk rating	Transition risk: Short	Medium	Long
Our Group Technical Director sits on the Home Builders Federation ("HBF") Technical Committee and the Future Homes Hub, and attends NHBC Building for Tomorrow events to ensure that we are informed about potential amendments to regulations as well as providing feedback on the challenges these may pose to the industry.	H **1.5°C – 2°C scenario**	Short – Long term		
We continuously review the materials used in the design of our homes by engaging with our supply chain and attending conferences specific to the housebuilding industry to identify low carbon alternatives. We review our on-site operations to identify high emitting activities and develop action plans that target emission reductions in these areas. We often trial carbon-saving initiatives on our sites to analyse results before rolling these out as "best practice" across the Group.	M **1.5°C – 2°C scenario**		Medium–Long term	
We communicate our carbon reduction plans with our supply chain to identify lower carbon alternatives, fuel conservation methodologies and waste reduction strategies. As part of new supplier onboarding, we request sustainability reports and carbon reduction strategies to be presented so that we can collaborate on sourcing more sustainable solutions. Our partnership with the Supply Chain Sustainability School provides us with additional tools to engage with our supply chain and raise awareness of sustainable practices in the industry.	M **1.5°C – 2°C scenario**		Medium–Long term	
By committing to targets validated by the SBTi and aligned to the 1.5°C scenario we are able to demonstrate our carbon reduction commitments and mitigate the impacts of carbon pricing.	M **1.5°C – 2°C scenario**		Medium–Long term	
The process of acquiring land for development includes thorough due diligence to ensure that sites comply with relevant regulations and government policies as well as meeting our internal rates of return. Financial forecasts include the costs associated with complying with planning requirements such as biodiversity net gain, mitigating flood risk and planning specific requirements such as electric vehicle charging points and lower water usage technologies particularly in areas of high water stress.	H **1.5°C – 2°C scenario**	Short–Long term		
During periods of severe weather, reminders are issued warning of potential risks and to follow company procedures for adverse weather events. Equipment and temporary structures are checked to ensure they are secure and stored to prevent any damage. Where weather is extreme, sites may be closed until the site returns to suitable working conditions. In instances of extreme rainfall, mitigation procedures are followed to ensure compliance with environmental regulation such as water run-off and its impact on the local environment.	M **4°C scenario**		Medium–Long term	

Task Force on Climate-Related Financial Disclosures (TCFD) CONTINUED

Key climate-related opportunities

Opportunity	Category	Timeframe	Actions
Energy-efficient homes Due to the high thermal efficiency of our homes we ensure that the running costs of our homes remain affordable for our customers. The energy performance of our homes also enables customers to qualify for green mortgages, which may offer lower interest rates.	Transition opportunity	Short-term	We communicate with our customers the benefits of buying an energy-efficient new build home. We are able to compare the typical energy usage of our homes based on actual energy consumption data and compare this against the typical usage for existing housing stock to show potential energy savings. We communicate with our customers to explain how their new home can support them living a sustainable lifestyle.
New technologies We regularly review the specification of our homes to ensure that our offering meets the needs of our customers. Where possible, we ensure that the latest technologies are built into our homes so that our customers benefit from living in a stylish, modern home.	Transition opportunity	Short-medium-long term	We continuously review the materials used within the design of our homes by engaging with our supply chain and attending conferences specific to the housebuilding industry to identify new technologies that can support our customers in living a sustainable lifestyle. We review the specification of our homes and optional extras on a regular basis so that customers can tailor their home to their needs.
Supply chain By engaging with our supply chain to align sustainability strategies there is the opportunity to unlock benefits for both us and our supply chain in reducing operational costs as well as carbon emissions.	Transition opportunity	Short–medium–long term	We communicate our carbon reduction plans with our supply chain to identify lower carbon alternatives, fuel conservation methodologies and waste reduction strategies. As part of new supplier onboarding, we request sustainability reports and carbon reduction strategies to be presented so we can collaborate on sourcing more sustainable solutions. Our partnership with the Supply Chain Sustainability School provides us with additional tools to engage with our supply chain and raise awareness of sustainable practices in the industry.
Stakeholder engagement Our commitment to setting carbon reduction targets, supports our relationships and reputation with stakeholders as a responsible housebuilder. There may be an opportunity to benefit from cheaper finance based on our sustainability performance through sustainability linked finance.	Transition opportunity	Short-medium term	As we develop our long-term carbon reduction targets and have these validated by the Science Based Target initiative, it will support our reputation as a sustainable business. This is important to our customers, staff, communities and with government and regulators, suppliers and contractors. There may also be an opportunity to obtain more competitive loans linked to sustainability covenants.

Firbeck Fields,
Worksop, Nottinghamshire

Metrics and targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Climate-related metrics and targets

Our climate related metrics and targets are set out in our Environment report on pages 68 to 80, which includes full disclosure of the relevant scope 1, 2 and 3 emissions under the Greenhouse gas protocol, and additional metrics related to waste, water use, energy performance certificates, biodiversity and land use.

These are the key metrics used to assess the risks related to government policies, emerging technologies, supply chain and carbon pricing. These are monitored alongside new building regulations, including through our participation in the Future Homes Hub and work with the Supply Chain Sustainability School.

Metrics around stricter planning requirements are monitored on a site by site basis, with biodiversity assessments carried out on each site. Whilst we don't monitor specific weather events, build programmes are constantly monitored, and we track data related to water stress, energy performance certificates, flood zones and site design through our SASB reporting as set out on pages 94 to 99.

We set climate related targets, and have submitted near-term and net-zero targets to the SBTi which we will report against in future periods. Progress against our climate related targets are set out on page 84 and targets for the coming year are set out on page 85.