

HILL TASKFORCE ON CLIMATE RELATED FINANCIAL DISCLOSURE (TCFD) REPORTING 2024

EXECUTIVE SUMMARY

INTRODUCTION

Since coming into effect on 6 April 2022, the UK government enshrined in law, mandatory climate disclosures for the largest companies. This will include traded companies, banks, insurers, or private companies with over 500 employees and £500 million in turnover. Whilst Hill Group (hereafter 'Hill') is not a PLC, it falls into the latter category and as such taskforce on climate related financial disclosure (TCFD) aligned disclosures are a requirement. With the final release of the Transition Plan Taskforce (TPT) framework in October 2023, Hill 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 Hill has undertaken in alignment with TCFD disclosure. It is supported by internal reports concerning scenario analysis and modelling which quantifies Hill's physical and transition risks and opportunities, as well as financial quantification of said 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 are considering, with a shadow cost of carbon report. Additionally, we are currently working towards completion of the SBTi (Science Based Targets initiative) process.



Knights Park, Eddington

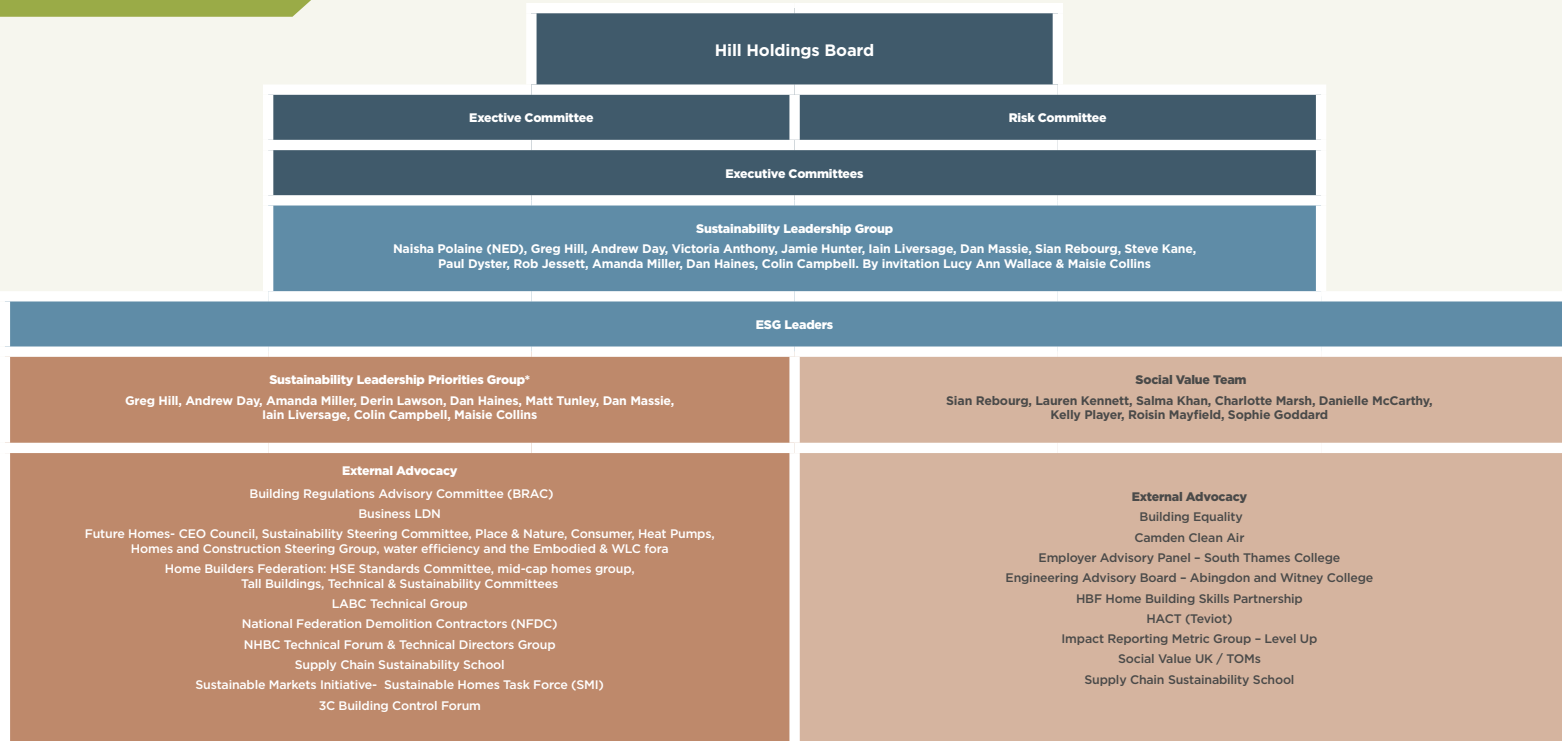
GOVERNANCE

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

Overseen by the Executive Committee, the Sustainability Leadership Group (SLG) meets quarterly to provide high-level sustainability governance to ensure our strategy is being successfully implemented and where/how we can improve. The Deputy CEO chairs the committee, which is made up of senior leaders from across the business.

Additional to the SLG, is the SLG Priorities Group, which meets monthly. This group has been tasked by the SLG to manage identified emerging risks. This group creates practical guidance, which informs current / new procedures & processes, and ultimately helps to proactively manage risk/costs.

Hill's Governance Hierarchy



*During 2023, the below Focus Groups were consolidated into the Sustainability Leadership Priorities group that deals with the objectives and commitments of E1, 2 & 3. The Social Value Team are managing the requirements of S2.
 E1: Creating net zero homes
 E2: Taking care of our natural resources
 E3: Reducing our environmental impacts
 S2: Communities and customers

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

The SLG was established to receive regular feedback from the key theme focus groups and make recommendations for implementation of new approaches to the Board of Directors. The SLG includes two Group Holdings Board Directors (including a non-executive director) and other senior leaders from across the business. The SLG meets every three months and provides leadership, support, and direction to the overall strategic initiative.

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

Hill 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 2020-2030 Roadmap. This cultural drive is overseen by the Executive Committee and SLG 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:

- SLG Committee and associated SLG Priorities Group regularly meeting and informing new procedures / processes Internal newsletters
- ESG Insight presentations delivered to regions and departments, tailored to department staff work in and job role
- Through the ESG communications plan, Hill have started to deliver ESG surgeries and 'lunch and learns' for staff on sustainability related topics
- 7 ESG training modules for all staff, including 'Introduction to climate change and carbon' module.
- Sustainability specific engagement surveys including work conducted in relation to double materiality assessment

STRATEGY

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

In 2023, we undertook scenario analysis which looked at the material climate related risks and opportunities posed to Hill across the short (0-5 years), medium (5-10 years) and long term (10-15 years) strategy of the company. The scenario analysis assessed physical risk and transition risks and opportunities across both a low and high emission scenario with associated high level financial quantification. At present the identified climate related risks and opportunities posed to Hill has the potential to impact revenue and current and future business operations. We rationalised this analysis within our Principal ESG Risks and Uncertainties Register to evolve and improve our coverage of risks in line with our most recent double materiality assessment (2023). 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.

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 Principal ESG Risks and Uncertainties Register has been informed by the analysis and progress of sustainability related priorities, established through TCFD work conducted to date, alongside our most recent double materiality assessment (2023). The Principal ESG Risks and Uncertainties Register identifies priority areas for Hill, of which, responding to the climate emergency, energy & carbon (both embodied and operational), 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 air source heat pumps to reduce operational carbon.

To further enhance our understanding of potential financial impacts of future climate-related risks, we are in the process of undertaking analysis on shadow cost of carbon benchmarking, to consider an internal price of carbon, and the potential effect this may have on our organisation and strategy. This will consider the potential cost of the carbon implications of our business strategy and helps improve our understanding of carbon financial risk.

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 ESG internal governance structure and external advocacy document shows that we periodically engage with external groups in the context of promoting our climate change ambitions. We are partners with the Future Homes Hub and 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 Future Homes Sustainability Steering Committee, the Building Advisory Committee Steering Group, the Business LDN climate change committee, and a range of other sustainability related committees. As described in our Community Engagement Policy document, 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 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 are aligned with 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 and regional 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.

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. The table below summarises our main risks, potential financial impact areas which might impact our organisation and some of our strategies and actions to address the impacts as part of our transition plan. Comprehensive financial modelling is undertaken internally to ensure our risk exposure is mitigated, wherever possible.



Hollymead Square in Newport, Essex

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, such as Passivhaus and equivalent standards, and net zero carbon ready homes, in advance of the Future Homes Standard. Maintaining EPC scores of B, beyond that of MEES requirements.
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 (below 100 in water stressed areas) litres of water per person per day by 2030. This is an improvement on building regulations.
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 business operations by 2030. Our timeline and goals to achieve this are detailed within Hill's indicative 2020-2030 roadmap. <p>All new developments will achieve:</p> <ul style="list-style-type: none"> EPC B rating or better. 40% reduction in embodied carbon. Net zero carbon operational emissions.
	Increasing demands for greater energy efficiency.	Increased development costs to meet energy efficiency requirements.	<ul style="list-style-type: none"> All new developments will achieve EPC B rating or better. Moving towards 100% purchased renewable energy supplies for sites.
	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 feasible. Has existing experience pivoting (from 2021) from gas fired boilers to air source heat pumps (ASHP).
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 (such as ASHP's). Transition away from gas-led infrastructure within our new developments, to decarbonised electrified systems such as ASHPs.
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"> The acquisition of VML and Fusion Steel Framing will enhance the capacity and capability in modern methods of construction and offsite fabrication, reducing waste. Designing out waste and selecting reusable materials wherever possible. Zero waste to landfill by 2025.

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

Scenario analysis has informed our ESG Principal Risks and Uncertainties Register, which identifies priority areas for Hill, 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. All scenarios highlight that climate risks potentially pose a risk to Hill's revenue and business operations, albeit on differing scales. There are opportunities across all three scenarios as result of our proactive approach to sustainability, which, in some cases, is ahead of the strategies of comparable housebuilders.

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 key performance indicators (KPIs).

The table below details our verified carbon data covering the last four years, from 2020 to 2023, as conducted for streamlined energy and carbon reporting (SECR). 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 DEFRA/BEIS (UK Government Greenhouse Gas Conversion Factors, 2021, 2022 & 2023).

	TCO ₂ e				MWh			
Emission Data	Calendar year 2020	Calendar year 2021	Calendar year 2022	Financial year 2023 ⁴	Calendar year 2020	Calendar year 2021	Calendar year 2022	Financial year 2023
Scope 1 ¹	3,464	5,449	3,020	3,045	13,044	20,110	18,443	24,125
Scope 2 ²	666	980	812	1,190	2,837	4,619	4,198	5,746
Scope 3 ³	657	881	1,184	1,202	2,637	3,557	4,779	4,936
Total	4,787	7,310	5,016	5,437	18,518	28,286	27,420	34,807
Intensity ratio (TCO₂e/£ million turnover)	7.9	9.7	7	4.7				

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.
³ Scope 3 indirect emissions relate to business travel.
⁴ To streamline collaboration with our joint venture partners, we have adopted an April to March financial reporting cycle, with an extended 15-month period in 2023 (this year) to facilitate the change. Emissions data for Financial Year 2023 reflects the transitional period of January 1, 2023, to March 31, 2024.



Marleigh, Cambridge

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 indicative 2020-2030 roadmap.

Carbon

- 40% reduction in embodied carbon.
- Net zero carbon developments (operationally).
- Net zero carbon business operations.

Energy

- Maintain B rated EPC.
- All new developments will achieve EPC B rating or better.

Waste & Water

- Zero waste to landfill by 2025.
- Maintain 95% of non-hazardous waste diverted from landfill.
- Design our homes to use an average of 105 litres of water per person per day from 2022 (compared with building regulations of 125 litres).
- Design our homes (in water stressed areas) to use an average of 100 litres of water per person per day from 2026.
- Design our homes (in water stressed areas) to use an average of 90 litres of water per person per day by 2030.
- Water neutrality by 2030.

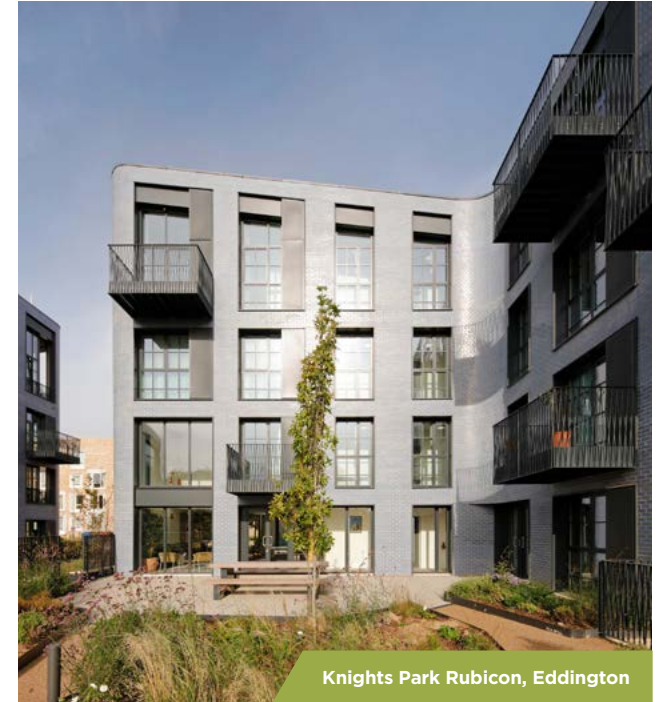
Certifications

- Apply the Building Research Establishment Environmental Assessment Methodology (BREEAM), Future Homes and Building Standard Hub and Building for a Healthy Life, and/or equivalent assessments.

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 Hill 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.



Knights Park Rubicon, Eddington



Eden Green, Finchingfield.