




OUR ROUTE TO NET ZERO

We are currently developing a Net Zero Transition Plan in line with the recommendations published by the Transition Plan Taskforce (TPT). We are reviewing the guiding principles and 19 sub-elements in the creation of our plan, which will set out our journey towards being a net zero business.

Key to area of focus

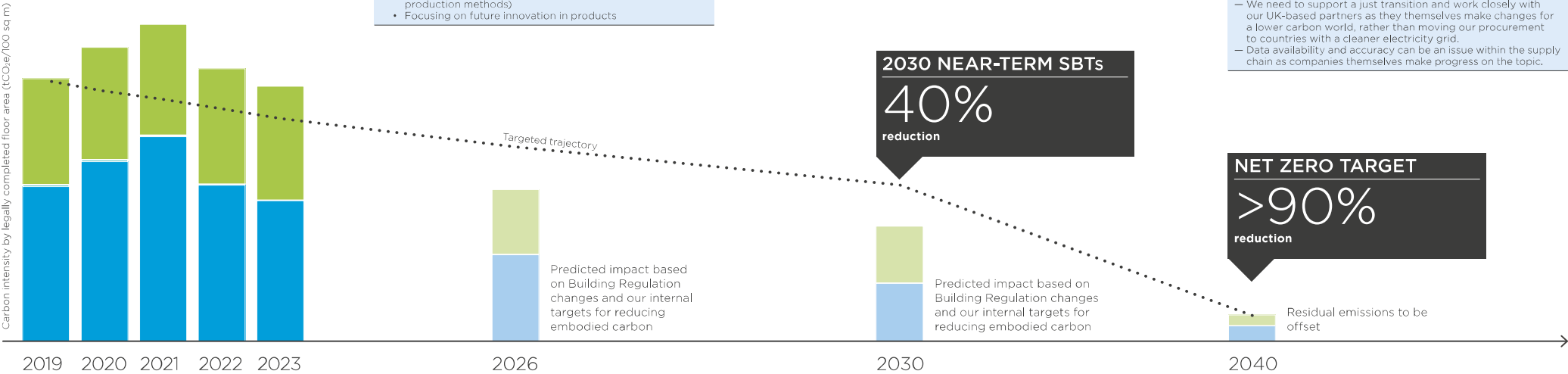
**Low carbon homes**
This is carbon from the use of energy by our customers.

**Low carbon operations**
This is carbon that is related to our own activities from energy used on construction sites, sales suites and in our offices.

**Embodied carbon**
This is carbon relating to the activities of our supply chain. It arises from the energy used within extraction, processing, manufacturing and transportation of construction materials together with the activities of companies who provide a service to us.

Action to date	Next steps (to 2030)	Future steps and considerations	Challenges, uncertainties and interdependencies
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| <ul style="list-style-type: none">Set near-term scope 3 SBT.Improved building fabrics resulting in better air tightness.Used lower carbon technologies in our homes including solar PV, heat pumps and CHP systems.Set minimum Energy Performance Certificate (EPC) rating of B for new homes (excluding refurbishments). <ul style="list-style-type: none">Set and achieved our near-term scopes 1 and 2 SBT.All electricity use in the UK backed by REGOs since May 2017.Set energy efficiency standards for site set up and operation.Significant transition away from diesel towards biodiesel HVO. <ul style="list-style-type: none">Set near-term scope 3 SBT.Completed 23 detailed embodied carbon studies.Launched quantitative targets for projects.Upskilled teams on how to reduce embodied carbon during design and specification.Lifecycle assessments being completed on new developments.Completed study on how a building could achieve the 2030 targets.Engaged with several supply chain partners and manufacturers in key areas such as concrete and steel. | <ul style="list-style-type: none">Comply with the forthcoming Future Homes Standard, which is expected to drive reductions beyond our science-based target.Increase the use of heat pumps and other renewable technologies.Phase out the use of gas boilers in new homes. <ul style="list-style-type: none">Further focus on energy efficiency, particularly out of hours usage.Continue to ensure directly procured diesel is renewable (i.e. biodiesel HVO).Work with our supply chain to move towards zero fossil fuel sites.Set a strategy for decarbonising the company's vehicle fleet. <ul style="list-style-type: none">Extend our data coverage and move towards hybrid reporting alongside our existing spend-based methodology. See page 76 for further details.Broaden the scope of our supply chain engagement to key hot spots (high impact materials) and preferentially partner with companies decarbonising their operations.Undertake an assessment on every site and reduce carbon by:<ul style="list-style-type: none">Avoiding or reducing material useSelecting low carbon materials (e.g. with recycled content)Selecting low carbon suppliers (i.e. those changing their production methods)Focusing on future innovation in products | <ul style="list-style-type: none">Move towards using an Energy Use Intensity (EUI) target as the key metric for low carbon homes, in line with changes in industry best practice.Focus on as-built performance, rather than as-designed performance, acknowledging that there is expected to be a gap between the two measures across the whole industry.Understand and improve energy demand management in homes. <ul style="list-style-type: none">Invest in renewable energy production such as solar panels on our large sites to power construction activity.Increase the use of electric machinery on our sites. <ul style="list-style-type: none">Move away from spend-based reporting of embodied carbon, using detailed project-level data through embodied carbon assessments and Environmental Product Declarations (EPDs) from suppliers.Encourage and support suppliers and contractors to set targets and work in partnership to ensure these are met. | <ul style="list-style-type: none">The move towards all electric homes may inadvertently increase costs for customers as electricity is more expensive than gas.There may be a lack of capacity in the electricity grid to connect our homes.The specifics of the Future Homes Standard have not been published.The performance and maintenance of emerging technologies is not tested.Engage with customers on how to operate non-traditional heating solutions, such as air source heat pumps. <ul style="list-style-type: none">Biodiesel HVO must be carefully procured from certified sources in order to restrict potential negative consequences in other countries, such as deforestation.The fuel market is changing and there is now an uplift in cost for biodiesel HVO.There is limited availability of electric machinery. <ul style="list-style-type: none">The vast majority of our suppliers and contractors do not have SBTs. We need to work with them and encourage action to drive down emissions.We need to support a just transition and work closely with our UK-based partners as they themselves make changes for a lower carbon world, rather than moving our procurement to countries with a cleaner electricity grid.Data availability and accuracy can be an issue within the supply chain as companies themselves make progress on the topic. |
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Engagement with industry

We are proud to be a founding partner of the UKGBC's Advancing Net Zero programme, which is helping to lead and co-ordinate Climate Action across the UK's built environment sector, and to be a sector lead playing an active part of the Net Zero Carbon Building Standard Homes Group. Within the year we also became active participants of the Future Homes Hub, helping us to work with industry to understand and shape the future for new homes.

Governance

Ultimate responsibility for climate action lies with named Executive Sponsors and there are monthly Our Vision 2030 and Sustainability Board meetings to discuss progress. A sustainability team ensures the strategy is implemented. We have a lead for Climate Action in each operating company. Climate Action is also a key action area for other Group Committees, such as the Technical Committee. See page 64 for more details.

Alignment with business model and financial planning

In developing our in-depth transition plan we will show how we will embed our ambitions for climate action within our business model. The plan will highlight how this may affect the homes and developments we build, together with resourcing, operational and capital expenditure, as well as material interdependencies on the environment, workforce and value chain.

Offsetting

Emissions reductions are our priority, with this action currently supplemented by the procurement of certified high quality carbon offsets for the remainder of our scopes 1 and 2 (market-based) emissions to be a carbon neutral business. As we transition towards being a net zero business, we will adopt the definition of net zero set by the Science-Based Targets initiative (SBTi), namely to neutralise residual emissions across scopes 1, 2 and 3.