

# TCFD RECOMMENDATIONS 2019 RESPONSE

## OVERVIEW

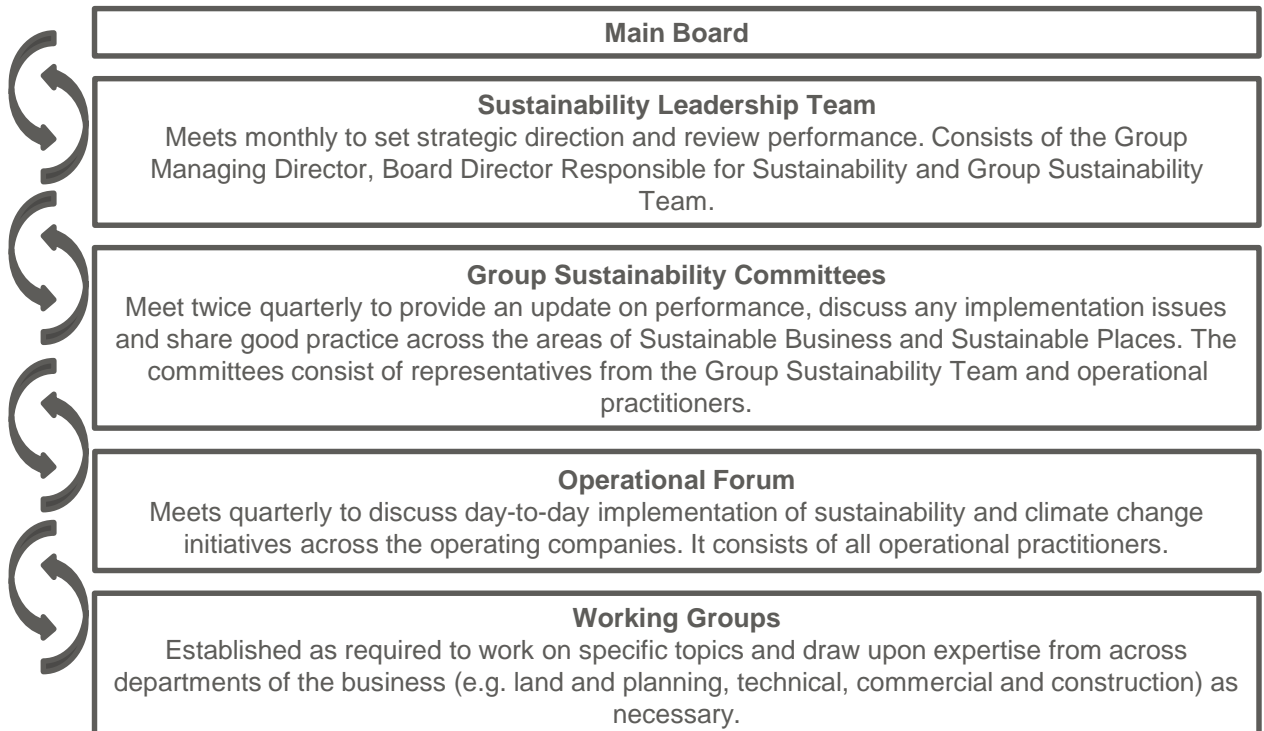
The Berkeley Group welcomes the recommendations of the FSB Task Force on Climate-related Financial Disclosures (TCFD). We continue to report qualitatively on the governance, strategy and risk management components of the recommendations within this stand-alone disclosure. We are taking action to further implement the TCFD recommendations over time through the evolution of our processes and reporting mechanisms. In addition to this report, information on the Berkeley Group's approach to climate change can be found in our response to CDP's Climate Change Programme.

## GOVERNANCE

The Group Managing Director and the Main Board have ultimate responsibility for all sustainability matters, including climate change. Karl Whiteman (Executive Director) has been nominated as the Board Director with direct responsibility for climate change and wider sustainability topics.

To ensure climate change (along with other sustainability) actions are incorporated into our daily activities, there is a Group Sustainability Team focused on identifying strategic risks and opportunities, performance monitoring and reporting. Operational practitioners are in place within the autonomous divisions and operating companies of the Berkeley Group to support the boards and project teams of these in meeting their responsibilities to implement the Berkeley Group strategy, identify climate change risks and opportunities facing their business and to drive continual improvement in performance.

Below the Main Board, key aspects of the Berkeley Group's governance structure are as follows:



## STRATEGY

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TO BE A WORLD-CLASS BUSINESS, DEFINED BY THE QUALITY OF THE PLACES WE CREATE, GENERATING LONG-TERM VALUE AND HAVING A POSITIVE IMPACT ON SOCIETY.

Both climate change mitigation and adaptation are key areas of focus for the Berkeley Group, featuring prominently within the business strategy: Our Vision.

Our Vision was introduced in 2010 to bring together our commitments across a wide range of business topics, including sustainability. To drive improvements in performance, we continually review and develop our strategy to address the key risks and opportunities facing the Group, our industry and other business sectors. Every two years we launch new headline commitments identifying our next set of priority actions. These are determined through an in-depth review of key industry, national and global issues, together with consultation with each of our autonomous operating companies, specialist committees and key external stakeholders. Previous headline commitments are embedded within our business as leading and business-as-usual commitments.

Our approach to climate change was originally set out in 2007 within our Climate Change Policy, with our approach having since developed with climate change featuring as a key commitment theme under Our Vision since its inception in 2010. Climate change is therefore at the forefront of our main business strategy. This is in recognition of our contribution to climate change and the potential impacts of climate change to our operations, those of our supply chain, and on the homes and places that we create.

Key aspects of climate change that have influenced our strategy are the need to adapt our homes and places to be resilient to future climate change risks (e.g. flooding, water shortages and overheating) and the need to take action to reduce the emissions resulting from our direct activities and those resulting from the use of the homes and developments we create. Our 2018-2020 commitments include the mitigation of our contribution to climate change through an emissions reduction target and an aim to offset more than our remaining emissions from our own operations, together with commitments around the homes and places we create. In addition to ensuring that our homes and developments are adapted to be comfortable places to live for decades to come, it is key to create homes and places that enable our customers to reduce their own impact on climate change. We design to not only meet current Building Regulations, but to exceed these where possible to reduce resource use during the lifetime of our homes and places.

We are pleased to report the following performance update on these commitments under our Operations, Homes and Places focus areas:

- **Carbon positive - Implement energy efficiency measures across our activities to reduce operational carbon emissions intensity by 14% and continue to implement and evolve our carbon positive programme.**

We are proud to have become the first housebuilder to have carbon positive operations, by offsetting more than our operational carbon emissions for the first time in 2018 and continuing to do so in 2019 (see our Carbon Positive 2019 Approach [here](#) for more details). The business decision to more than offset our emissions is in recognition that substantial technological and process changes are required to significantly reduce emissions from our direct operations and that we should take action where possible to negate our emissions through the support of external projects.

We have developed an internal carbon price which is applied to our operating companies in relation to their emissions. The collected revenue has been used for offsetting to date, but moving forward is planned to enable a programme of reinvestment into initiatives that enable the company to transition to lower-carbon operations and potential investment in UK-based community energy projects.

- **Net zero carbon - Produce a transition plan for each new development which enables homes to operate at net zero carbon by 2030.**  
Due to the uncertainty around the carbon intensity of gas and electricity within the grid and changing energy policies it is unclear what the right long term energy solution will be for our homes. Over the last year we have produced three transition plans for different sites. These have helped us understand the long-term energy solutions that will enable our customers to live low carbon lifestyles. Through the trials, we have identified key considerations for enabling homes to transition to low carbon, including: energy infrastructure of the site; the available technology; and the cost to our customers. From May 2019 we will begin to produce transition plans for all our new developments.
- **Sustainable transport - Explore future transport trends and encourage a modal shift away from an over-reliance on petrol and diesel cars.**  
This commitment is in response to the rapid change that is expected in future transport. To date there has been some change with the introduction of electric car charging and the development of mobility as a service (including car clubs and ride hailing such as Uber) but there is a major change expected. We have undertaken research to understand these future trends and to identify ways this will impact our developments. We are now looking to understand how we can design for these future trends including electric car charging facilities and cycle storage.
- **Integrated water management - Develop an approach to integrated water management to ensure the sustainable management of water and flood risk on all new sites.**  
Through this commitment we have been engaging with water companies and other organisations to understand how we can improve water efficiency in our homes and develop approaches to better integrate surface water in the landscape design.

As part of our 2018-2020 Our Vision strategy we are also committed to:

- **Water efficiency - Design all new homes to achieve a water use of less than 105 litres per person per day.**
- **Energy efficient lighting - Incorporate 100% LED lighting in all new homes.**

More information on Our Vision can be found on our website [here](#). Progress made on the 2018-2020 commitments can be found within the 2019 Annual Report.

## RISK MANAGEMENT

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The Board takes overall responsibility for risk management and the assessment of risk, which includes climate-related risks. Embedding risk management into the business is a key element of setting and delivering our strategy.

Our approach combines a top-down strategic review and feedback of risks, coupled with a bottom-up review and reporting of risks by each operating business.

The Group Sustainability Team identifies strategic climate change risks and opportunities facing the Group through the regular review of issues and trends. Active collaboration with external experts, and representation at conferences and events help to ensure up-to-date knowledge. Identified risks and opportunities are shared with the Group Managing Director and Board Director Responsible for Sustainability as part of monthly Sustainability Leadership Team meetings, and with operational sustainability practitioners.

A detailed climate change adaptation risk identification exercise was undertaken in 2014 to inform new strategic commitments as part of Our Vision, facilitated by specialist consultants and involving key representatives from across the business. The key risks identified for the homes and places we develop were flooding, overheating and water shortage. These have remained the key risks and areas of focus in terms of the product we build since the risk assessment was first undertaken.

Operational sustainability practitioners identify climate change risks and opportunities facing their business through regular contact with project teams and by keeping up-to-date with issues and trends, both individually and via regular discussions with other practitioners from the business. To ensure risk management is embedded in our day-to-day operations, there is a formalised process whereby each operating business of the company produces quarterly risk and control reports that identify risks at an operating business and individual asset level, their potential impact and the actions being taken to mitigate these.

The strategic risks facing the Group overlay the consolidated operational risk reports in order to complete a company-wide risk review. This is assessed and managed by the Main Board who have substantial experience and a deep-seated knowledge of our operations and industry. The Main Board takes into account the likelihood and impact of risks, whether pre-existing or emerging, which may materialise in the short or long-term.

Key risks to the business are outlined in the Berkeley Group's response to the CDP Climate Change Programme and include changes in temperature and precipitation extremes, along with uncertainty surrounding future regulation. The identification, assessment and management of these risks, along with opportunities, inform climate change related commitments under Our Vision.

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## METRICS AND TARGETS

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The Berkeley Group has reported on those greenhouse gas (GHG) emissions for which we are responsible within our Annual Report (available [here](#), see page 116). The emissions disclosed are calculated in line with the GHG protocol and are aligned to our financial reporting year. An overview of our calculation methodology, along with details of the independent limited assurance completed on the figures presented, can be found [here](#).

To minimise the Group's contribution to climate change, we have short-term operational energy reduction targets under Our Vision that are reviewed every two-years to ensure continual improvement. We are currently working with an external consultant to develop longer-term science based targets for our activities. In addition to operational energy targets, we have broader commitments for our homes and places.

More information on our commitments under Our Vision can be found on our website [here](#).

Key climate-change related achievements in 2019 included:

- Continuing to achieve carbon positive operations, by offsetting more than our remaining emissions (see our Carbon Positive 2019 Approach Overview [here](#)).
- Continuing to be a partner organisation working with Barclays to provide discounted mortgage rates on the purchase of an energy efficient new home.
- 93% of completed homes achieving an Energy Performance Certificate (EPC) rating of at least a B.
- 72% of completed homes to be supplied with energy from low carbon or renewable technologies.

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## NEXT STEPS

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The Berkeley Group will continue to work with external experts to develop science-based targets, climate-related scenario analysis and related disclosures in line with the recommendations of the TCFD.

We are aware of the Government's new Streamlined Energy and Carbon Reporting (SECR) policy and are taking action to meet our obligations in this area in 2020.

We are also aware of the Government's commitment to develop a new housing standard and to half energy use in all new buildings. We will continue to work reduce the impact of our homes.