Our progress on implementing the recommendations of Task Force on Climate-related Financial Disclosures (TCFD)

April 2022

Introduction:

Climate change presents financial risk to the global economy. Financial markets require clear, comprehensive, high-quality information on the impacts of climate change. This includes the risks and opportunities presented by extreme weather events, rising temperatures, climate-related policy, and emerging technologies in our changing world. The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information.

The reporting recommendations from the TCFD have now become mandatory in the UK for companies of our size and therefore we present our first disclosure against this framework.

We are pleased to present our summary of our responses to each of the recommended disclosures below. We appreciate that this is part of our sustainability journey, and during this first phase of TCFD reporting, we have identified areas for further development. These are detailed below and will be built out during our next phase of strategy development in line with TCFD recommendations.

TCFD Disclosures	*Response as of April 2022*
Governance a) Describe the Board's oversight of climate-related risks and opportunities	- The Board has oversight of climate-related risks and opportunities. The Group Pre-Construction Director sits on the Board and has responsibility for presenting climate-related updates and proposals to the Board. - The Board meets 3 times each year.
b) Describe management's role in assessing and managing climate-related risks and opportunities	- Management level responsibility for Sustainability sits with the Group Pre-Construction Director and Head of Sustainability. The Group Pre-Construction Director reports into the Board. There is also management level responsibility from the Group Head of Safety, Health, Environment and Quality (SHEQ). Climate-related risks and opportunities management is then devolved to the different Regional Managing Directors, responsible for each Business Unit. - Risks are assessed and managed through site-based risk assessments.
Strategy a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	- Climate risks and opportunities have been defined over short, medium and long term time horizons: Short term = 0-1 years

	Medium term = 1-3 years Long term = up to 23 years (in line with overall Net Zero ambitions) Risks identified: - Regulation including TCFD, ESOS, SECR, PPN06-21, building safety regulations, embodied carbon regulations, fuel use, material use and waste regulations. - Acute physical risk including flood damage, high winds impacting construction operations. - Chronic physical risk of increased temperatures requiring more comfort cooling in building design. - Market risk including the increase in demand of sustainability measures. - Technology risks including increase in costs of new technologies, fuel and energy. Opportunities identified: - Resource efficiencies - driving down cost and carbon emissions through efficiencies in design and construction. - Energy sources – cleaner energy, driving down carbon emissions and onsite pollution. - Products and Services – reducing embodied carbon of buildings. - Markets – serving more clients with specific sustainability requirements. - Resilience – mitigating risks in supply chain and producing more resilient buildings and workforce. The process for identifying the risks and opportunities was through a series of workshops with key internal stakeholders at Board level and management level within the organisation. Going forwards the process for keeping climate risks and opportunities updated, will be further developed by incorporating into business wide risk management procedures and reported up to the Board on a regular basis.
b) Describe the impact of climate risks and opportunities on the organisation's businesses strategy and planning	Identified risks and opportunities are raised with the Board and can impact business planning. - For example, the regulatory risk in the form of the red diesel fuel ban coming into force in April 2022 was identified and in response to this the use of cleaner fuel sources was investigated. The opportunity to move over to HVO (Hydrogenated Vegetable Oil) for use as a fuel at construction sites was put forward as a proposal to the Board and accepted. The move to this fuel mitigates the risk and will reduce scope 1 emissions as well as on-site pollution. Further development of climate-related risk and opportunities management and incorporation into business strategy and planning has been identified and will be an important part in the next phase of strategy development in line with TCFD recommendations.

c) Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2ºC or lower scenario	Climate related scenario analysis is not yet being used to determine resilience. This is due to be covered in the next phase of strategy development in line with the TCFD recommendations.
Risk management a) Describe the organisation's processes for identifying and assessing climate-related risks	- The processes are being reviewed and currently climate-related risks such as weather events are factored into site specific risk assessments. - Other climate-related risks are identified and assessed by the Group Pre Construction Director, Head of Sustainability and Group Head of Safety, Health, Environment and Quality (SHEQ). - More holistic climate-risk identification and assessing processes are being developed to ensure that climate-risk is included within the wider risk management process and assessed in terms of relative significance of climate-related risk in relation to other risks.
b) Describe the organisation's processes for managing climate-related risks	- Risk is priced into projects from the start and during the project completion, the risks factored in are measured against actual progress through a monthly monitoring tool. This includes the risk of cranes being out of action due to high winds, and flood risk impacting delivery for example. This risk management is currently carried out at a site level, with risk registers per site. - For overarching climate-related risk, for example, related to market, regulation and technology risk, these are managed across the group by the Group Pre Construction Director, Head of Sustainability and Group Head of Safety, Health, Environment and Quality (SHEQ). - More holistic climate-risk management processes are being developed to ensure that climate-risk is included within the wider risk management process.
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	- Short term climate-related risks are integrated via the site level risk registers and reporting, as mentioned. However, integrating medium- and long-term climate-related risks into overall risk management processes is a point for development and targeted for the next phase of our TCFD reporting.
Metrics and targets a) Disclose the metrics used by the organisation to assess climate-related risk and opportunities in line with its strategy and risk management process	Currently, Scope 1, 2, and 3 emissions are being used as metrics as well as embodied carbon baselines. However, there are more metrics and targets that are due to be covered in the next phase of strategy development in line with the TCFD recommendations.
b) Disclose scope 1, scope 2 and, if appropriate, scope 3 greenhouse gas emissions and the related risks	Scopes 1 and 2 are now in their second year of reporting as well as Scope 3 for waste associated emissions and business travel. For employee commuting and upstream transportation and distribution this is the first year of reporting the figures. We anticipate with a

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<td>more robust reporting processes regarding the first year aspects, that these could increase in 2022.

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<tr><th>Base year 2021</th><th>tCo2e</th></tr>
<tr><td>Scope 1:</td><td>1,698.0</td></tr>
<tr><td>Scope 2</td><td>415.6</td></tr>
<tr><td>Scope 3
(Including upstream transportation and distribution, waste generated, business travel, employee commuting, downstream transport and distribution.):</td><td>2,376.8</td></tr>
<tr><td>Total Emissions</td><td>4,409.4</td></tr>
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Please note: Emissions have been reported and recorded in accordance with the published reporting standard for Carbon Reduction Plans and the GHG Reporting Protocol corporate standard, using the appropriate UK Government emission conversion factors for greenhouse gas company reporting.

Scope 1 and Scope 2 emissions have been reported in accordance with SECR requirements, and the required subset of Scope 3 emissions have been reported in accordance with the published reporting standard for Carbon Reduction Plans and the Corporate Value Chain (Scope 3) Standard.</td>
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<td>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</td>
<td>McLaren Construction Group is committed to achieving Net Zero Carbon for its Scope 1 and 2 carbon emissions by 2025 and 2045 for our Scope 3 emissions.

There are additional targets that are being explored and will be presented for the next phase of reporting in line with the TCFD recommendations.</td>
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