

Task Force On Climate-related Financial Disclosures

Cairn Homes plc 2021

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) INDEX

| Area | Recommended Disclosures | Performance and Disclosures |
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| GOVERNANCE | | |
| <p>Disclose the organisation's governance around climate-related risks and opportunities.</p> | <p>a) Describe the board's oversight of climate-related risks and opportunities.</p> | <p>The Board comprises 10 members, of which two (the Chief Executive, Michael Stanley and the Chief Financial Officer, Shane Doherty) are executive members. The Board is led by the Non-Executive Chairman, John Reynolds. Reporting to the Board, the Executive Directors maintains full strategic and operational oversight of the Company's sustainability agenda, which incorporates our response to the transition risks associated with the shift to a lower-carbon economy, and the physical risks it faces in respect of climate change.</p> <p>The Board is informed of and has oversight of climate-related issues through two channels:</p> <p>Strategy channel</p> <p>At each Board meeting (of which there are approximately eight each year), the Executive Directors present a comprehensive overview of progress towards our strategic objectives, together with factors that are affecting or may affect those objectives, and factors that may influence future strategy. Climate-related issues are identified as a key lever in our strategic focus areas and, consequently, form an integral part not only of the strategic reporting cycle, but also the annual strategic review.</p> <p>Risk management channel</p> <p>The Audit & Risk Committee of the Board monitors and reviews the effectiveness of the Company's risk management system, and advises the Board on principal risks and uncertainties, as well as the risk aspects of its strategy, specifically climate-related risk as a principal risk, and core element of strategy. As part of this activity, the Audit & Risk Committee maintains oversight of the risk register and monitors our response to risk.</p> <p>We have identified that a failure to anticipate and address the strategic, market, regulatory and operational impacts of climate change as a principal risk. The appetite for this risk reflects that identifying and proactively responding to the challenges of climate change is core to our purpose and strategy. Consequently, the risk management framework supports and promotes the identification and management of climate-related issues on a business wide basis, managed through our embedded risk management process.</p> <p>The Board actively considers both strategic climate-related influences and risks (as identified through the channels described above) when guiding the Company's strategy, considering its response to risk, and overseeing the development, implementation and outcome of associated goals, objectives and budgets. This culminated in the inclusion of sustainability within our LTIP, which in turn is underpinned by sustainability metrics incorporated into our remuneration frameworks (approved by Board), ensuring that targets and objectives of employees, including Executive Directors, and the business, are aligned.</p> |
| | <p>b) Describe management's role in assessing and managing climate related risks and opportunities.</p> | <p>The Executive Directors and Senior Leadership Team, supported by Cairn's ESG Reporting and Research Team and ESG Innovation Forum, direct the management of climate-related issues, in the context of their impact on the Company's strategic intent, as well as the risks posed to the business (including as identified by the Company's risk management framework). Where necessary, these teams are advised by third party experts, ensuring advice is objective and current.</p> <p>The Chief Executive Officer retains responsibility for defining the strategic direction of the business and Cairn's climate-related performance and does so with the benefit of guidance from specialist teams within the business including the Technical and ESG Research and Reporting Team. Separately, the Chief Financial Officer is responsible for ensuring the financial impacts of climate-related issues are fully understood and reflected in company budgets.</p> <p>All employees in Cairn, regardless of seniority, are responsible for supporting the delivery of goals and objectives, identifying and managing risks, and generally promoting company values. Through our People Strategy, the Chief People Officer ensures that climate-related issues, and our response to them, is both communicated and incorporated into employees' annual objectives and associated incentives. The Chief People Officer is also responsible for ensuring the Company's resources and capabilities match its climate-related responses.</p> |

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| STRATEGY | | |
| <p>Disclose 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.</p> | <p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> | <p>Our risk management framework, which identifies climate-related issues as a principal risk and uncertainty, considers all risks on the basis of three horizons:</p> <ul style="list-style-type: none"> • “Here and now”, being risks to the immediate term (one year or less) goals and objectives of the business; • “medium-term”, being risks with a horizon of between 1 year and 3 years; and • “long-term”, being risks with a horizon of more than 3 years. <p>These horizons have been adopted bearing in mind the development cycle, as well as overall strategic timeframes, and have been reviewed by the Audit & Risk Committee of the Board.</p> <p>The risk management framework supports the assessment of climate-related risks and opportunities, requiring engagement at all levels of the business to ensure comprehensive identification and evaluation. The Senior Leadership Team actively engages in this process and regularly meets throughout the year to review risks and opportunities identified by functional management, augment those with risks identified by the Senior Leadership Team, and ensure new and emerging risks and opportunities are identified and managed.</p> <p>The assessment of risks requires that we consider the likelihood of the risk occurring, and then the impact of the risk should it occur (having regard to controls we have already effectively implemented). This assessment supports decisions on how we apply Cairn’s risk appetite to each risk and informs the materiality of the risk (or associated opportunity).</p> <p>Here and now</p> <p>Cairn is actively addressing current transition risks and physical risks. In the context of development planning, we are already responding to greater planning constraints and associated conditions that reflect both a policy shift toward developments that have a lower carbon impact, and a need to respond to the physical impacts of climate change. These conditions can have an impact on the fundamental design of developments, the specification of individual units, and the density of housing that can be provided. Equally, the conditions can impact on the construction methodologies adopted, as well as the timeframe for development. All of these factors impact both the underlying cost of developments, and the development capacity of the Company.</p> <p>During the construction phase of developments, the adverse impact of climate driven events such as prolonged periods of intense rainfall, an increase in the severity of winter storms, or extremes of temperature, are factors that are monitored, evaluated and managed by the Company.</p> <p>Our Technical, Construction and Environmental teams develop responses and remediations on a development-by-development basis with a view to mitigating the financial and other impacts.</p> <p>Medium to long-term</p> <p>Whilst also a “here and now” climate-related issue, the carbon-intensity associated with our construction activities has a medium and long-term horizon. The failure of Cairn to address this could adversely impact our ability to develop sites that meet climate-led demands or conditions, or which are affordable to our target market.</p> <p>We have also identified climate-related issues as being generally a risk and an opportunity for our business. This means ensuring our environmental, climate change and sustainability responses meet the needs of our home buyers, whilst also following rapidly changing national housing and climate strategies.</p> |

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| STRATEGY CONTINUED | | |
| | <p>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> | <p>Cairn recognises that climate change represents a principal risk and uncertainty to its strategic intent. As a consequence, our process for identifying and reviewing that strategic intent incorporates a comprehensive analysis and understanding of the climate-related risks and opportunities presented by Our Purpose and Our Vision.</p> <p>This understanding, defined by our risk appetite in this respect, then informs our strategy, its underlying goals and objectives, and the outcomes we plan.</p> <p>This creates a positive feedback process in which climate-related risks and opportunities play a fundamental role in defining strategy, with associated goals and objectives to mitigate or capitalise on opportunities having budgeted cost and margin impacts.</p> |
| | <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.</p> | <p>Both our Sustainability and Climate Action policies outline our intentions with regards to business strategy and climate change. The business is aware that our changing climate is exceedingly putting pressure on current business models. The risks associated with the changes that will be incurred over time are incorporated into our sustainability strategy.</p> <p>Our science based target setting is underway and with this process we have decided to model various reduction targets on current and future developments. This allows us to understand the potential changes that will be required operationally from the business and the outcomes they will cause. The next step in our strategy workstream is to incorporate climate scenario analysis into our planning. This will be completed in 2022 and will result in the alignment of possible action plans to each scenario.</p> |

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| RISK MANAGEMENT | | |
| <p>Disclose how the organisation identifies, assesses, and manages climate-related risks.</p> | <p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> | <p>Identification</p> <p>The identification and assessment of climate-related risks and opportunities is supported by Cairn's risk management process (as described in the Risk Report in the Annual Report). Risk management is an important business driver and its value as a process means we take a business-wide approach, allowing us to consider the potential impact and opportunity presented by all types of risk affecting our business, including climate-related risks.</p> <p>When considering climate-related risks, the Company seeks to identify and consider all material existing and emerging factors relevant to our core activities:</p> <ul style="list-style-type: none"> • policy risks (how Government policy in respect of climate may impact on our business model, for example through planning policies or economic policies); • brand risks (how our brand is impacted by our response to climate-related risk, for example because our developments do not meet customer requirements); • economic risks (how climate-led factors impact economic conditions, such as increases in supply chain costs); • development risks (how climate-related issues impact on our ability to deliver developments, including through local development plans); and • compliance risks (such as how the Company complies with regulatory constraints on what and how we build). <p>Within our risk register, specific climate-related risks include the risk that the cost of appropriately dealing with extracted waste exceeds expectations, that environmental demands require development design or other changes and risks to the resilience of our supply chain.</p> |
| | <p>b) Describe the organisation's processes for managing climate-related risks.</p> | <p>Managing climate-related risk</p> <p>Identifying and proactively responding to the challenges of climate change is core to our purpose and strategy. This means that all risks (other than "low" risks), are managed and mitigated unless they are accepted by the business, with high risks being tolerable only with the approval of the Board, and extreme risks not being tolerated in any circumstances.</p> <p>In line with our risk management framework, decisions on how risks are to be managed are determined on a case-by-case basis, informed by a range of factors that are considered in the context of the specific risk and its wider business impact. These decisions are reviewed by functional management and the Senior Leadership Team, and is subject to oversight by the Audit & Risk Committee. This ensures that risk responses align with and inform our strategy and purpose and that appropriate materiality assessments have been made.</p> |
| | <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p> | <p>Integration</p> <p>The risk management process has been designed to:</p> <ul style="list-style-type: none"> • help define strategies, including controls, to mitigate risks, or capitalise on the opportunities they may present; • establish a process to consider risks and opportunities in the context of Cairn's risk appetite; and • ensure risks, mitigating controls and responsibilities for managing risk and opportunities are recorded and monitored. <p>Our approach to the assessment of risk is consistently applied by reference to the probability of the risk arising, and the consequences of the risk (which includes a materiality assessment based on a range of financial and non-financial factors). Our response to the risk is then dependent on:</p> <ul style="list-style-type: none"> • the overall risk rating (low, medium, high, or extreme); and • the Company's appetite for the risk. <p>In respect of climate-related risk, identifying and proactively responding to the challenges of climate change is core to our purpose and strategy. This means that as part of our overall risk management process, we proactively identify and manage risks associated with climate change in a way that ensures we can continue to deliver on our vision.</p> |

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| METRICS AND TARGETS | | |
| <p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p> | <p>a) Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.</p> | <p>For the 2021 reporting period we will be disclosing the following metrics to assess and manage climate related risks and opportunities as set out within the “Disclosures and Performance” section.</p> <ul style="list-style-type: none"> • Building Energy Intensity Ratio; • Gross direct (Scope 1) GHG emissions; • Gross location and market-based energy indirect (Scope 2) GHG emissions; • GHG emissions (S1&S2) intensity ratio for the organisation (per home built); • Total energy consumption within the organisation; and • Total weight of general waste generated, including breakdown by disposal route. <p>In 2022, we are taking our commitments further by incorporating sustainability into our remuneration frameworks. This demonstrates the importance we place on accountability for our sustainability commitments. We are:</p> <ul style="list-style-type: none"> • Incorporating environmental metrics on biodiversity net gain into our long-term incentive plan; and • Incorporating social metrics, including our customer and people framework with a health and safety underpin, into our short-term incentive plan. <p>All metrics and targets are reported in line with appropriate standards including SASB, GRI, EPRA and DEFRA.</p> |
| | <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p> | <p>Our Scope 1 and 2 emissions are reported under GRI-405-1 and GRI-405-2. We are in the process of measuring our Scope 3 baseline and expect to disclose that information over the coming year. These will be measured in line with the GHG protocol.</p> <p>As a homebuilder, we operate in an energy intensive industry. Emissions are the key driver of global temperature rise and result in many of the regulatory changes we are now faced with. Measuring our carbon emissions allows us to gain a full and thorough understanding of the emissions we produce directly and indirectly. This allows us to inform the choices we make in our activities and procurement processes. A business-as-usual trajectory could impose the following non-exhaustive sample of risks to our stakeholders:</p> <p>Customer: A home that is not efficient or resilient to potential climate scenarios. Shareholder: An investment that would not be adaptable in the face of climate change and lose value. Operations: A method of construction that is outdated, energy and carbon intensive and behind the curve within the industry.</p> |
| | <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p> | <p>As a homebuilder operating in an energy intensive industry, we have a responsibility to ensure we set meaningful targets to abate and mitigate GHG emissions.</p> <p>In response to this we have:</p> <ul style="list-style-type: none"> • Committed to setting science-based targets with the SBTi for scope 1, 2, and 3. We expect to make that submission within the next 12 months; • Committed to ensuring 40% of our unit commencements are on verified biodiversity net gain developments by 2024; • We are signatories of Business in the Community Ireland’s Low Carbon Pledge. |