Taskforce on Nature-related Financial Disclosures

This is our third disclosure against the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD). We aim to develop our understanding of our value chain nature-related dependencies, impacts, risks and opportunities, focusing on the drivers of nature change identified in the TNFD LEAP methodology and those impacts identified through our materiality process.

Environmental issues such as climate change, nature loss, pollution and natural resources, cannot be tackled in isolation. We aim to find solutions that support progress across our priorities of climate, nature and waste. For detail on our approach to climate change, see our Net Zero Transition Plan and the TCFD disclosure in our Annual Report and Accounts at www.taylorwimpey.co.uk/corporate.

Governance

Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.

Our Board of Directors is responsible for oversight of environmental, social and governance (ESG) initiatives, including nature-related risks and opportunities. The Board receives an ESG update at every meeting, and a quarterly ESG scorecard with key performance indicators. The Board reviewed and approved our nature strategy and targets (part of our Sustainability Framework). Our Chief Executive has ultimate responsibility for achieving our nature targets. The Group Management Team (GMT) receives a monthly update from the Group Communities Director on sustainability, including nature. Our Environment Policy covers biodiversity and is approved by our Chief Executive.

Our Environmental Governance Group, chaired by a member of our GMT, is responsible for reviewing nature strategy, risks and opportunities; it meets four times a year and includes heads or senior leaders of key functions and regional businesses. The Director of Sustainability is responsible for monitoring nature-related issues, updating our Sustainability Risk and Opportunity Register and overseeing our reporting and disclosures on nature. He reports to the Group Communities Director, who reports to our Chief Executive. Our Planning Director leads our policy response to some nature-related issues. The Managing Director in each regional business has responsibility for achieving nature targets at the local level.

We engage with central and local government organisations on nature-related issues such as Biodiversity Net Gain (BNG) and nutrient neutrality. See page 53 for recent examples.

Strategy

Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.

Nature is a key part of our Environment Strategy and we have set targets to integrate nature enhancement measures into our developments and to reduce water use and waste. We have not published a nature transition plan, although some relevant aspects are covered in our Net Zero Transition Plan.

Land is the critical raw material for homebuilding, and nature-related constraints can impact the supply of land and/or the viability of developing land. During the construction process we transform land from its previous state (either greenfield or brownfield), which impacts biodiversity, soils, drainage, landform and other aspects. Construction is a large user of raw materials, such as wood, stone, sand, clay and gypsum. There are significant dependencies on the ability of our supply chain to continue to provide products made from these materials at the quality and volume needed. There are potential positive impacts from implementing Biodiversity Net Gain and nature interventions on our sites, remediating land and engaging our customers on nature.

We have identified several physical and transition risks and opportunities and will be doing further work to deepen our understanding. Examples of risks and opportunities we have identified include:

- Policy – Risks for our business relating to the impact of nutrient and water neutrality and BNG regulation and planning policy
- Physical chronic – Risk of price rises for raw materials, such as timber, as a result of nature degradation/loss and climate change in the supply chain
- Reputational capital – Positive reputational benefits gained from our work to integrate nature on our sites.

Some short term risks and opportunities, such as BNG requirements and nutrient neutrality planning constraints, already impact our business strategy and financial planning. We engage with stakeholders to develop our approach to these issues. Some nature impacts, dependencies, risks and opportunities are localised to particular regions and sites. We are exploring how best to identify and disclose priority locations and we expect these to include development sites affected by nutrient neutrality and water neutrality requirements, those located in areas of water stress and those adjacent to or containing areas of high biodiversity value. Priority locations in our supply chain may include higher-risk timber sourcing countries.

Taskforce on Nature-related Financial Disclosures continued

Risk and impact management

Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.

The Board has overall responsibility for risk management. It holds formal risk reviews at least half-yearly and routinely considers risk at each Board meeting as appropriate. The assessment, mitigation and monitoring of nature-related risks is included as part of our overall risk management process. The individual nature-related risks are considered through functional and regional business risk registers, and our Sustainability Risk and Opportunity Register. Management considers the impact they may have on the Group's strategy, looking at short, medium and longer term emerging risks which may arise as the area continues to evolve.

The Group's Principal Risk 'Natural resources and climate change', recognises the increasing significance of factors such as nature loss and water scarcity for our business. It is monitored by the Audit Committee and senior management, assessing its impact on the Group's strategic objectives and ensuring appropriate mitigations are in place. Some nature-related risks are relevant within other Principal Risks, such as 'Government policies, regulations and planning', 'Land availability', 'Availability and costs of materials and subcontractors', and 'Health, safety and environment (HSE)'.

We use a digital platform called LEADR (Land and Environment Assessment of Development Risk) for assessing and managing sustainability risks associated with land during acquisition and construction. This includes nature risks such as proximity to sites of particular importance for biodiversity or protected areas. For each site, we assess biodiversity risks through Ecological Impact Assessments which identify protected species or habitats. Assessments are carried out by ecologists, and mitigation measures are embedded into the Site Specific Environmental Action Plan. Nature risks during construction are managed through our environmental management system. We use our procurement systems to identify nature-related risks in our supply chain. We have internal working groups and engage with others in our sector and regulators on key nature-related risks such as nutrient neutrality and BNG requirements.

Metrics and targets

Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.

We aim to align our nature metrics with the TNFD core global disclosure indicators and metrics over time. We collect metrics at site level but we report them on an aggregated basis for our UK operations. Our current metrics are reported on pages 21, 42, 60, and 63 - 66. They include:

- Homes built on brownfield and greenfield land (%)
- Nature enhancements installed (number)
- Sites granted outline planning - average BNG (%)
- Sites granted outline planning with BNG of 10% (monitored but not currently disclosed)
- Sites granted outline planning with BNG of more than 10% (monitored but not currently disclosed)
- Biodiversity units delivered (number of units) (monitored but not currently disclosed)
- GHG emissions (scopes 1, 2 and 3)
- Construction waste generated and diverted from landfill (tonnes)
- Construction hazardous waste generated (tonnes)
- Water use (m^3)
- Completions located in areas of water stress (%)
- Timber sourced with PEFC/FSC certification (%)
- Sites in areas affected by nutrient neutrality requirements (%) (monitored but not currently disclosed)
- Sites located in local planning authorities which require BNG greater than 10% (number) (monitored but not currently disclosed)
- Environmental fines and prosecutions (£ and number)

We also monitor metrics relating to how we enable customers to reduce nature impacts from travel and waste, see page 55.

We report progress against our nature and climate targets on pages 56-59.