TCFD

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

The Board acknowledges the existence of a global climate emergency and recognises the inherent risks and opportunities that climate change presents to the Group's business model and strategic direction.

As climate change is regarded as a principal risk to the Group, we are committed to providing climate-related disclosures that are fully aligned with the latest recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). We remain dedicated to continually enhancing our reporting in accordance with these evolving requirements. During the year, we undertook a comprehensive review of the forthcoming requirements set by the International Sustainability Standards Board ('ISSB') IFRS S2.

Building upon our prior climate risk assessments, we conducted a more detailed transition risk analysis to financially quantify the key material transition risks facing the Group. This approach has deepened our understanding of the potential financial impacts resulting from changes in policies and regulations, fluctuations in greenhouse gas emissions pricing, volatility in raw material costs, energy expenditure, and possible supply constraints. The specialist risk management consultancy Willis Towers Watson ('WTW') provided crucial support with the analysis and modelling of these risks.

In addition, we completed an internal review of the Group's physical climate risks. The outcome indicated no material change to our assessment this year, given the long-term nature of most physical climate impacts. Looking ahead, we intend to revisit and update our physical climate risk assessment in 2026, ensuring our understanding and mitigation measures remain current and robust.

Our commitment to reducing carbon emissions spans both our operations and the entire value chain. We have developed a clear decarbonisation pathway with the ambition to become a net zero carbon business by 2045. To underpin this, we have already established and received approval for science-based targets to be achieved by 2030: a 46% reduction in operational emissions from a 2019 baseline, and a 22% reduction in the carbon intensity of our indirect emissions (including homes in use and goods and services) per square metre of completed floor area, using a 2019 baseline. Furthermore, we aim to ensure our homes in use are zero carbon ready by 2030. Work is ongoing to further define long term reduction targets through to 2045, with the expectation of achieving at least a 90% reduction in emissions. Any remaining emissions will be offset or neutralised using an appropriate mechanism. Achieving this level of carbon reduction will necessitate system-wide change across multiple sectors, with a particular focus on the decarbonisation of the energy grid and fostering collaborative relationships throughout our supply chains.

Our Net Zero Carbon Transition Plan (see pages 31 to 34) sets out our comprehensive strategy for reducing both direct operational emissions and indirect emissions arising from our homes in use and our supply chain. Performance against the key metrics of this plan is detailed on page 68.

1 Governance

Climate change is considered a principal risk for the Group and, as such, it is governed and managed in line with our risk management framework.

» See page 71 for further details

The Board has overall responsibility for the management of risks and opportunities arising from climate change and, on an annual basis, undertakes a Group-wide risk review, which includes consideration of climate risk. In particular, the Board has taken an active role in understanding the impacts of future legislation with a focus on the implementation of the forthcoming Future Homes Standard and monitoring the reduction in carbon emissions aligned with our Net Zero Carbon Transition Plan.

The Sustainability Committee supports the Board's climate responsibility and oversees the Group's climate change strategy to ensure climate issues are being effectively considered and that the business remains on track to meet its science-based reduction commitments Progress updates are provided regularly to the Board, and to the Executive Committee. During 2025, the Sustainability Committee focused on business readiness and planning for the Future Homes Standard, and ensured that operational carbon reduction initiatives remained on track to deliver the Group's net zero and science-based target carbon emissions reduction commitments.

The Group Sustainability Director and Group Strategy & Regulatory Director are responsible for ensuring climate risks within the Group risk register remain relevant, and consult with key Group functions to ensure comprehensive coverage of potential impacts and mitigation plans as required. The Sustainability Committee is made aware of any changes and actions required.

When considering our land investment opportunities, the Managing Directors of each operating business are responsible for ensuring all environmental surveys, including flood risk assessments, are undertaken before acquisition, with final approval going to the Land Committee, which oversees all acquisitions.

All planning applications are reviewed by the Group Planning department before submission, providing additional assurance. Developments are required to produce an energy transition plan to ensure consideration of site needs, appropriate energy solutions, and customer requirements as new energy standards come into force. An internal annual climate risk health check was undertaken again this year.

TCFD continued

2 Strategy

Our strategy sets out our pathway to achieve net zero carbon by 2045, with clear actions to reduce carbon emissions from our operations, our homes in use and our supply chain. We have near-term science-based carbon emissions reduction targets of 46% for Scope 1 and 2 absolute emissions, and 22% per m^2 completed floor area for Scope 3 emissions by 2030, which are approved by the SBTi. We aim to be zero carbon ready for our homes in use by 2030. We have committed to setting long-term reduction targets, and are in the process of establishing these targets through to 2045. We expect to reduce emissions by at least 90%, with the remainder being offset or neutralised.

We have defined four strategic focus areas to achieve our ambitions:

1. Create low-carbon homes

- Reduce energy demand: design homes to be more energy efficient.
- Understand performance and customer experience: gather real-life in-use data and feedback from our low-carbon home trials and customers.
- Innovation: continue to instigate technology trials to be at the forefront of innovation, build strategic relationships with our supply chain and continue to invest in our off-site manufacturing facilities.
- We are currently implementing Part L of the Buildings Regulations 2021, delivering a 31% reduction in carbon emissions, and readiness plans are in place for the Future Homes Standard, which is anticipated to come into force from 2026/2027.

2. Deliver low-carbon site operations

- Reduce our use of fossil fuels across our sites, and switch to low-carbon alternatives when appropriate.
- Introduce new technologies such as electric and hybrid equipment and machinery when available and appropriate.
- Set standards and benchmarks for energy reduction and management on site.

3. Reduce the embodied carbon and whole-life carbon emissions from goods and services

- Identify high-impact materials and services, and establish reduction plans over the longer term.
- Maximise the benefits from our vertical supply chain and opportunities through design.
- Supply chain: work with our supply chain to reduce embodied carbon in materials and whole-life carbon impacts.

4. Ensure climate change resilience

- Climate risk management: assess our strategic land holdings and any major business change for climate resilience and mitigation.
- Design: design in climate risk reduction measures, such as window sizing, orientations and modern methods of construction.
- Nature-based solutions: utilise blue and green infrastructure to mitigate against extreme weather events such as flooding and droughts.

Climate scenario analysis

We have identified climate change-related risks and opportunities over the short, medium and long term that are considered to have a potentially material financial impact on the Group's strategy and business model.

Following best practice and TCFD recommendations, contrasting science-based scenarios have been developed to enable consideration of the Group's exposure to both physical and transition risks. These scenarios have been considered over three different time horizons:

- short term (end 2027), medium term (end 2030), and long term (to 2040+).

These timescales have been chosen as the most relevant to the business, reflecting major future legislative change expected in 2026/2027 with the introduction of the Future Homes Standard and aligning with the Group's near-term and long-term net zero carbon and science-based target commitments.

1.5°C aligned

Assumes climate policies and controls are introduced early and become more stringent over a relatively short timeframe (2030). High transition risk in the short term and very aggressive mitigation measures, but as a result, physical risks are less severe compared to the 2°C scenario. Achieves a managed transition to a low-carbon economy.

~2°C aligned

Maintains similar regulatory requirements in the short term, then requires more aggressive mitigation actions to reduce emissions. As a result, physical risks are less severe compared to the 4°C scenario.

~4°C aligned

Low transition risk in the short and long term as the world fails to transition to a low-carbon economy. Consequently, physical risks become increasingly frequent and severe in the long term, resulting in a serious impact on the global economy, environment and human wellbeing. Adaptation becomes necessary.

In the updated transition risk analysis, the 4-degree scenario has been updated with a 'Business as Usual' ('BAU') which is a market expectations scenario aligning to current policies and the Group's committed targets and investment plans. Temperatures are likely to exceed 2 degrees with no further global climate ambition, and this approach presents the most realistic at the current time. With the Future Homes Standard ('FHS') aligning UK homebuilding to a 1.5-degree pathway, and as the legislation is imminently expected to come into effect, the FHS has been considered as part the BAU scenario.

We are aligned to a 1.5-degree pathway through our climate commitments, but other sectors and businesses may not, therefore limiting our ability to achieve our targets. The transition risk analysis undertaken incorporates our existing strategy and commitments based on what is feasible in each scenario and then assesses our residual risk from external factors. These maybe mitigated by business decisions (e.g. switching suppliers) or market factors (e.g. cost pass through).

Climate scenario analysis outputs

From the scenario analysis that has been undertaken, the residual risks for the business are considered to be low to very low for both transition and physical risk. This is based on current activities and control measures that are in place. The tables on pages 61 and 63 to 66 provide a high-level summary of the types of risks, their potential impact, the time horizons which have been considered and our response.

3 Risk management

Transition risk analysis

The transition risks are anticipated to occur in a relatively short timeframe compared to physical risks, and this is already being seen with increasing legislation on energy efficiency in homes coming into force, with changes to Part L of the Building Regulations and the Future Homes Standard, for example. This will drive changes in technology and customer expectations, and we are already evaluating alternatives, trialling innovative technologies and engaging with suppliers.

	Summary description of transition risks	Potential impact ranking	Timeframe of impact	Business action
Policy and legal drivers				
Pricing of GHG emissions	Carbon pricing could manifest as a range of environmental, planning or sector-wide taxes. Approx £90/tonne in 2030 across all scenarios, diverging by 2040 to £130 BAU and £240 in 2- and 1.5-degree scenarios. By 2050, £165 in BAU, £630 in 2-degree, and £990 in 1.5-degree (source: WTW, NGFS, IEA scenarios). Carbon pricing could impact the business through material costs.	High	Short–medium	Updated
Climate-related regulations impacting products and services	Increasing stringency of building and planning regulations and design requirements to enable the UK Government to meet its 2050 net zero carbon target, including, the Future Homes Standard, National Policy Planning Framework and National Model Design Code. Many local authorities have declared their own climate emergencies, and imposing certain planning conditions on new build homes. This could impact our development and growth plans and increase build costs.	High	Short–medium	Updated
Climate change litigation	Climate-related litigation claims may be brought by investors, insurers, shareholders and public interest organisations. Reasons could include failure to adapt to climate change causing harm or greenwashing.	Low	Medium	Include in future plan
Enhanced reporting obligations	Additional emissions-related reporting requirements likely in the UK by 2030. This could include needing a materials passport in order to increase the circularity of building supply chains and updates to the Streamlined Energy and Carbon Reporting ('SECR') regulations. Scope 3 emissions reporting could also become mandatory.	Low	Short–medium	Include in future plan
Technology shifts				
EV use	To achieve the UK Government's net zero carbon commitment by 2050, there will be an increasing number of electric vehicles. Sufficient charging points and grid capacity will be required, which will have an impact on build costs.	High	Short–medium	In plan
Substitution of technology	Risk of installing technologies at the beginning of a planning process that then become obsolete or outdated. Could affect customer satisfaction and sales. This is especially relevant at the point of the implementation of the Future Homes Standard.	Medium	Short	In plan
Market drivers				
Change in customer demands	There is a risk that if energy prices increase, customers will demand lower-carbon homes and expect greater energy operational efficiency. Inefficient properties could also fall in value, which could impact the market.	High	Short	Updated
Supply chain resilience and increasing cost of raw materials	Sourcing and availability of materials could be impacted by both transition and physical risks. There is a risk of increasing development costs, due to supply constraints, and potential carbon pricing on key materials such as glass, steel, cement, PVC and insulation.	High	Short–medium	Updated
Changing cost of energy	Shifts in energy supply, pricing volatility and regulatory changes driven by the climate transition could impact costs of products and services.	Low	Medium	Updated
Cost of capital	As credit ratings begin to incorporate climate change considerations, there is a risk of downgrading and the cost of capital increasing.	Low	Medium	In plan
Low-carbon technology availability	Rapid uptake of low-carbon technologies such as air source heat pumps could cause market shortages and delay delivery of homes.	High	Short	In plan
Skill shortage impacting ability to install low-carbon technology	In order to reduce emissions to comply with planning requirements, access to different skills such as renewable specialists and heat pump installers will be required. A shortage could lead to delayed delivery and an increase in build costs.	High	Short	In plan
Reputation				
Investment risk	Risk to revenue and investment streams as clients and investors increasingly expect high levels of sustainability performance.	Medium	Medium	In plan
Stakeholder risk	Over the next decade social pressure regarding sustainability and increased public awareness could create a reputational risk if there is failure to reduce both operational and embodied carbon. The impact of this could be seen through delays in the planning process as local authorities enact their own climate action requirements.	Medium–high	Short–medium	In plan
Employee risk	As employees are becoming increasingly concerned with climate change issues, negative publicity around failure to deliver targets could make it difficult to attract and retain talent.	Low–medium	Short–medium	Included in employee survey

TCFD continued

3 **Risk management** continued

Quantification of transition risk

The updated transition risk analysis comprehensively covers all three climate transition scenarios over the period from 2025 to 2040. The assessment provides an annual time series estimate of quantified risk for those elements identified as most material, where adequate data was available to enable financial quantification. The following approach was taken:

1. Pricing of greenhouse gas ('GHG') emissions

The latest available emissions data, alongside Scope 1 and Scope 2 carbon reduction targets, were utilised for this analysis. Estimates of future carbon pricing were incorporated to assess the potential financial impact of emissions-related costs on operations.

2. Climate-related regulations affecting products and services

Alignment with the UK Future Homes Standard will necessitate increased development costs to ensure that all new homes are zero carbon ready in use by 2030. Internal estimates of these uplift costs, together with projections for the number of homes to be built, have been factored into the analysis to measure the regulatory impact on business operations.

3. Capital investments in net zero technologies

Transitioning to low-carbon construction equipment represents a newly identified risk. This shift may result in increased costs; however, the most optimal decarbonisation route – whether Hydrotreated Vegetable Oil ('HVO') or green hydrogen – remains uncertain. As a result, sensitivity analysis has been conducted to account for this uncertainty and its implications.

4. Changing cost of raw materials

Expenditure on raw materials was broken down by key categories, including steel, concrete, timber, bricks, plasterboard, PVC piping, copper wiring, windows/glass, and thermal insulation. Additionally, key components such as Air Source Heat Pumps ('ASHPs') and solar photovoltaic ('PV') systems were analysed. The analysis quantified the cost changes resulting from the transition for each material and component, offering enhanced visibility on areas of concentrated risk within the value chain.

5. Changing cost of energy

Energy costs were separated from those of raw materials and analysed according to fuel type – including electricity, gas, diesel, HVO and others. The assessment considered potential future cost changes arising from the transition, with emissions reduction targets incorporated to evaluate their influence on overall energy expenditure.

6. Changing consumer preferences

There is the possibility of short-term price premiums associated with earlier compliance with the UK Future Homes Standard. However, these premiums are likely to dissipate once all new-builds are required to comply. Due to limited available data, this factor was not financially quantified as it remains challenging to determine the precise drivers of home premiums and the value consumers place on energy efficiency and zero carbon homes.

Detailed raw materials and supply chain impact assessment

A detailed analysis has been carried out to understand the impact of transition risk on raw materials and the supply chain. In the coming years, increases in carbon pricing will be reflected in the cost of procuring carbon-intensive raw materials affected by regulations such as the UK Emissions Trading Scheme ('ETS') and the UK Carbon Border Adjustment Mechanism ('CBAM'). This will particularly affect commodities currently regulated, such as steel and concrete, under the Business-As-Usual ('BAU') scenario.

In transition scenarios, higher carbon prices are expected to incentivise producers to accelerate the decarbonisation of production rather than simply passing through escalating carbon costs, which could render these materials uneconomical. In the short term, such 'green premiums' may increase procurement costs, especially in a more aggressive 1.5°C scenario. However, in the longer term, it is anticipated that decarbonised products will become more cost-effective compared to the BAU scenario, where rising carbon costs are passed on by suppliers who delay decarbonisation. Thus, lower costs are possible in a green transition scenario compared to a BAU context.

Other commodities, such as copper and timber, also experience cost increases in the transition scenario, primarily due to increased demand in 2°C and 1.5°C worlds, while supplies remain constrained, thus pushing up commodity prices. While short-term procurement costs for carbon-intensive materials may rise – either due to carbon pricing passed through or green premiums for decarbonised alternatives – it is expected that, in the long term, the transition will prove beneficial if decarbonised alternatives become widely available at competitive prices. This contrasts with a BAU scenario, in which the business faces escalating carbon costs and delayed supply chain decarbonisation.

Transition risk exposure and mitigation

The UK's regulatory framework for the residential construction sector, particularly the Future Homes Standard, is already closely aligned with national net zero commitments. In response, the Group has committed to ensuring that all new homes constructed will meet these standards once the legislation is enacted. As a result, the business does not anticipate any significant revenue risk arising from transition scenarios, given that compliance with forthcoming regulations is already integrated within its operational strategy.

The primary exposure to transition risk lies in the pricing of greenhouse gas ('GHG') emissions, which affects both direct emissions generated by the business and those embedded within its supply chain. Regulatory mechanisms such as the UK Emissions Trading Scheme ('ETS') and the UK Carbon Border Adjustment Mechanism ('CBAM') have the potential to raise the cost of carbon. This increase would mainly occur through higher prices for raw materials, should suppliers choose to pass on the additional carbon costs. The financial impact may arise from two main sources: the need to pay progressively higher carbon costs across all scenarios, or the requirement to procure lower-carbon raw materials that typically attract a premium – though such materials are expected to become more widely available as the transition accelerates.

Despite these pressures, we expect that the potential increase in raw material costs will ultimately be absorbed into the cost of land, resulting in minimal residual risk exposure for the business.

In terms of energy expenditure, the cost of renewable energy is anticipated to decrease under transition scenarios. Since we purchase 100% of our electricity from REGO-backed renewable energy (for our offices, sites, manufacturing, facilities and supplies to our plots whilst under our ownership) we are positioned to benefit from expected reductions in energy costs as the transition progresses. Nonetheless, the decarbonisation of operations will require increased investment in net zero technologies in the short to medium term. However, these initial investments are projected to be offset over time by lower operating and maintenance costs in the long term, thereby supporting overall cost savings for the Group.

The table below summarises the quantified outputs from the transition risk assessment. In all cases the estimated financial impact is shown against a BAU scenario, which is based on an assumed rate of inflation and forecast business growth. In all climate scenario modelling, assumptions have to be made and forecasting models (such as future global energy prices, future material prices) used.

Risk type	Metric type	Short term (2027)		Medium term (2030)		Long term (2040)		Adaptation/Mitigation options
		< 2°C	1.5°C	< 2°C	1.5°C	< 2°C	1.5°C	
Policy and legal risks								
Pricing of greenhouse gas ('GHG') emissions								
In the short and medium term under both a 1.5°C and 2°C scenarios, pricing of GHG emissions is expected to increase in the same way as BAU, in order to drive market changes required to meet national emissions reductions targets. This could be through higher Climate Change Levy taxes or an additional sector-wide policy such as the UK Emissions Trading Scheme or Carbon Border Adjustment Mechanism. In the long-term transition scenarios, the increase reflects, the predicted increase in carbon prices.	Difference to BAU carbon costs	—	—	—	—	0.87M	0.87M	Detailed Net Zero Carbon Transition Plan in place laying out our carbon reduction actions to 2045. Our vertical integration strategy reduces our exposure to carbon pricing impacts.
Climate-related regulations impacting products and services								
The FHS costs are already factored in as BAU. The negative numbers indicate that compared to a BAU scenario, the FHS uplift would reduce in transition scenarios, as the cost of ASHPs is expected to decline over time. This is seen most significantly in the 1.5 degree scenario.	Difference to BAU (includes FHS cost) uplift cost	-1M	-2M	-12M	-18M	-20M	-27M	Business readiness plan for the FHS implementation is already in place. Whilst the business will experience greater costs to comply with the FHS within a BAU scenario, these will be mitigated in land valuations.
Technology risks/opportunities								
Capital investments in net zero technologies								
The impact of transitioning to low/zero carbon technologies for operations, such as hydrogen fuel has not been quantified as it is not yet commercially available. Transition to low-carbon technologies may increase shorter-term capital costs for Persimmon with potential for longer-term benefits through operational cost savings.	N/A							Detailed Net Zero Carbon Transition plan in place. Engagement with hydrogen-fuelled construction fleet suppliers.
Market risks/opportunities								
Increasing cost of raw materials								
Development costs may increase if suppliers pass on the carbon pricing applied to high-carbon building materials (such as steel, cement, copper, aluminium). Under transition scenarios, the effects of carbon pricing are lower, due to decarbonisation and alternative products being available at scale. Whilst these alternative materials will likely come at a higher initial cost, this increase is expected to be less significant than the cost escalation anticipated under a BAU scenario, where carbon prices continue to rise without substantial decarbonisation. The transition scenarios account for potential cost increases from commodities that face constrained supply and growing demand (timber and copper). The impact of material availability and market dynamics is factored into overall cost projections during the transition to lower-carbon construction practices.	Difference to BAU costs (total spend)	4M	10M	-7M	21M	-45M	-1M	Detailed understanding of raw materials risks – strategic supplier engagement in place to develop cost-effective solutions and material alternatives. Cost impacts will be mitigated through inclusion in land valuations.
Changing cost of energy								
While electricity prices remain more or less flat (in nominal terms) over the long term in the BAU scenario, under the 1.5°C scenario, electricity costs are expected to decline faster than in BAU due to the greater deployment of renewables and energy storage driving down costs. Continued use of diesel will be subject to ever-increasing carbon costs. HVO offers a short-term opportunity, but is supply constrained in the long term.	Difference to BAU costs	-0.8M	-1.1M	-1.1M	-1.7M	-2.0M	-4.6M	Detailed Net Zero Carbon Transition Plan in place. Already purchasing 100% REGO-backed electricity (excluding travel), switched to hybrid diesel generators.
Changing consumer preferences								
The market recognition of the value of low-carbon homes is still evolving, with limited green mortgages to drive change. With the introduction of the FHS expected in force by 2027/2028, highly energy-efficient, zero carbon ready homes in use will become the norm for new-builds. There is limited data to properly quantify the added financial value which will be delivered.	N/A							Delivering high-quality affordable sustainable homes is a key business priority. Customer research and engagement on alternative low-carbon heating solutions.

TCFD continued

3 **Risk management** continued

Physical risk analysis

While physical risks under the scenario modelling manifest over a longer period, there is already an increasing occurrence being observed of more extreme weather events that are attributed to current climate change. These are typically observed as more excessive snowfall, rainfall, unusually high temperatures and unseasonal weather patterns.

The table below ranks the potential impacts, timescale and readiness based on those that will manifest more significantly in the future.

	Summary description of physical risks	Potential impact ranking	Timeframe of impact	Business readiness
Heat stress	Hot summers are expected to become more common with more extreme temperatures. Under the hot house scenario, heatwaves could last 20 days. This will affect comfort for customers and therefore design criteria will need to be applied to avoid overheating. Construction site conditions and working practices will need to ensure worker health, safety and wellbeing. Heat island effects will also become more prevalent in urban and built-up areas.	High	Medium-long	In plan
Drought	Summers will become drier, with the South of the UK predicted to experience 2.5–3.5 months of drought under the hot house scenario. Locally this will impact water suppliers and will become part of planning considerations.	High	Medium-long	In plan
Precipitation	Greater chance of more rainfall in the winter and less in the summer. Seasonal and regional differences. Impact on site construction activities, customer gardens and supply chain.	High	Medium-long	In plan
Flood	High underlying flood risk in the present day. Under the hot house scenario, there is a 21%–56% increase in river peak flow rates and the probability of flooding in a year could increase three to ten times. Already a key requirement in the planning process. Increased number of flood plains in the future may impact build costs and/or land availability.	High	Medium	In plan
Windstorms	Classed as medium to high risk in all scenarios, but with greater severity under the hot house scenario. Predicted to decrease in the South, but increase in the Midlands, the North, Wales and Scotland.	Medium	Medium	In plan
Sea level rise	Expected between 0.2m–0.6m under the net zero scenario and up to 1.1m in the hot house scenario. This will have an impact on coastal locations.	Low	Long	Include in future plan
Subsidence	Medium-level risk of possible ground instability and building foundation issues. Regions around London are most exposed. In the hot house scenario, there is a higher risk and greater area of impact in the South of England.	Medium	Long	Include in future plan
Infrastructure	The stress on water and energy utilities, together with road transportation, will increase. In the hot house scenario, there is the expectation of disruptions to critical services. This could impact supply chains and result in production downtime.	Medium	Long	Include in future plan

Quantification of physical risk

For physical risk, the risk to the Group's portfolio of owned assets was explored in relation to eight physical climate perils: chronic heat stress, chronic drought stress, sea level rise, extratropical cyclone, fire weather, river flood, precipitation/flash floods, and subsidence.

The exposure to these climate perils (hazard exposure) was modelled by taking the regional view of the UK, weighted by the average volume delivery where Persimmon has operated over the past four years. The models assess the climate hazards under a range of GHG emission trajectories (1.5°C–2°C, and 4°C global warming) and the 2030 and 2040+ time horizons. This information was then used to assess the potential consequences to the Group's business and explore with the Group's internal subject matter experts what controls and strategies exist in place to address the possible consequences and how those will flow through the value chain.

	By 2030 assuming 1.5°C–2°C global warming			By 2050 assuming 4°C global warming		
	Hazard exposure	Residual risk	Chronic risks	Hazard exposure	Residual risk	Chronic risks
Heat stress	Very low	Very low	Currently, the UK is exposed to very low heat stress, meaning on average there are fewer than five heatwave days in a year. Changes in regulations and design concerning overheating and energy efficiency are likely for the short term (2025–2030), but the additional costs to the business to implement them would not be significant as those could be factored into the land valuation process. No other impacts or vulnerabilities are foreseen and therefore our residual risk is very low.	Moderate	Very low	Under this scenario, some regions of the UK, mainly London and the South, will be exposed to a higher heat stress, seeing an average of 5–20 heatwave days in a year. Those conditions could be relevant to ~40% of the average homes built by Persimmon, primarily in the South East of England. However, we currently factor conservative temperature and heat stress forecasts into our designs to address overheating. Heat-minimising solutions could be factored into building design and planning. Future regulation could require further adaptation/design measures that are typically considered in any land valuation exercise. More frequent interruptions to construction operations and supply chain are likely in the summer periods.
Drought	Low	Very low	Around 50% of the volume delivery in the regions where Persimmon operates have some level of drought stress potential, in particular the Midlands and the South of the UK. This means, on average, ranging from less than a month to over two months of drought duration per year. The remaining 50% have a lower drought stress potential. We take measures for our current homes to keep water usage lower than average. Any additional development costs are typically recovered through land valuation. There has been no significant financial impact on the business so far, and the residual risk is therefore considered very low.	Moderate	Low	The risk increases. A third of our typical operating regions/homes could face three to four months of drought duration per year, in particular in the South of the UK. There could be further regulations for water (re)use that could put additional costs on developments in the South East. We would consider this issue on a site-by-site basis and currently undertakes water usage calculations for our developments. Any additional costs would be considered in the land valuation process. Operationally, water scarcity could cause delays in construction or supply and cost issues for water-based construction materials.
Sea level rise	Very low	Very low	Some regions of the UK where we operate are exposed to coastal flooding and storm surges. Typically, only a small fraction of plots and volumes could be exposed; however, the robust land investment appraisal process today considers such localised high-risk areas and minimises the possible business impacts.	Very low	Very low	Although the sea level is projected to rise and increase the frequency and severity of storm surges to those coastal regions already exposed, the fraction of land and possible future developments in the regions we operate in is likely not to increase significantly. The risk is minimised through our robust land investment valuation process.
Subsidence	Low	Very low	No significant changes in subsidence conditions today or in the short term. Typically, we operate outside London, where a higher concentration of susceptible clay soils is found. Current design regulations mitigate the risk.	Moderate	Very low	Possible increased risk for future development and some exposure in the South East. More conservative regulations could be introduced for foundation design and groundworks. Any additional costs would typically be mitigated via land procurement.

Risk scale

Very high | High | Moderate | Low | Very low

TCFD continued

3 **Risk management** continued

Quantification of physical risk continued

	By 2030 assuming 1.5°C–2°C global warming			By 2050 assuming 4°C global warming		
	Hazard exposure	Residual risk	Chronic risks	Hazard exposure	Residual risk	Chronic risks
Windstorm	Moderate	Low	All of the UK is in stormy regions, with a 1% annual chance of having severe wind gusts of over 121km/h, and approximately half of the typical regions and homes we deliver could see higher wind gusts of 161–200km/h. We currently comply with all up-to-date wind design regulations for our developments, which mitigates the risk. Operational disruptions in construction, supply chain and utilities are, however, possible. Direct and indirect physical damage from extreme storms could create financial impacts and delays to construction programmes.	Moderate	Low	There is no scientific evidence that extra tropical cyclone intensities and frequencies will increase significantly; therefore, the risk profile could be broadly similar to current conditions. Although the risk is not changing significantly and adaptation is likely not required, we will consider a strict level of wind protection in design and risk management for operations on site.
Fire	Very low	Very low	Currently, 25% of the typical volumes and regions are exposed to low fire weather stress, with 5–20 days of fire weather conditions per year. Other regions have a very low exposure to fire weather conditions, equal to less than five days annually. As a consequence, fire weather is not considered a material risk. There is potential for indirect supply chain risks and issues sourcing timber material from overseas. No financial impacts have been reported at present.	Low	Very low	Under the high-emissions scenario, by 2050, the fire weather conditions increase for some regions we operate in, but risk is still considered relatively low, and as a consequence fire weather is not considered a direct material risk to the business. There is a potential that timber raw materials could be disrupted due to wildfires elsewhere; however, that risk is not projected to increase for key regions upon which we rely, like Scandinavia.
Flooding	Very low	Very low	Some regions of the UK where we operate are exposed to river flooding. However, this is a very localised risk. Typically, only a small fraction (~5%) of plots are in zones with a 1% probability of significant flooding in a year. The robust land selection process in place today, together with extra flood design considerations and loading factors for future changes, minimises key impacts on current and future homes.	Very low	Very low	Although the percentage of plots in flood zones does not increase significantly, projected changes indicate that the frequency of flood events could increase in the UK. We could be impacted by additional flood regulations and higher adaptation/mitigation costs for developments, as well as potentially more frequent interruptions to operations. Restrictions on land supply are also possible. We carry out due diligence before land investment and factors in increased river flows in flood design and planning, minimising impacts. Any additional costs are normally considered in the land investment appraisal process.
Precipitation	Very low	Very low	A small proportion of regions (3%) is exposed to moderate or higher risk of precipitation, meaning two to seven days with more than 30mm of rainfall. We consider rainfall parameters in drainage design, which minimises this risk.	Very low	Very low	There is a small projected increase in heavy rainfall compared to the present day. Current design considerations could be sufficient for future changes, but additional regulations could emerge, creating additional costs.

We benefit from having a wide range of developments across all regions of the UK, which mitigates the range and variety of physical risks that we are exposed to. This also informs where risk may become more predominant, and avoidance and mitigation strategies can be put in place. We have a robust land investment appraisal and planning process where all potential sites are evaluated for climate risk, thereby mitigating potential business impacts.

Risk scale

Very high	High	Moderate	Low	Very low

Resilience of the Group's business strategy and business model

We have in place a number of climate change mitigation strategies and identified opportunities as part of our business model. These have been further informed by the detailed transition risk analysis, which has considered the potential risks and opportunities at a more granular level and assessed potential financial implications.

Detailed insights into material transition risks have been gained, enabling strategies to be put into place to most effectively minimise and mitigate potential risks. Key commodities with carbon pricing effects, and with greater demand in a transition, have been analysed and engagement with our supply chain partners has commenced. Our vertical integration strategy supports the transition to lower carbon and provides resilience.

We, as is standard in the industry, reflect development costs when performing land valuations, and potential climate risks are considered in the same manner. Land values will be reflective of potential mitigation costs; however, there may be challenges in the future where land in certain locations is in scarce supply, or where land values are regionally low and will not support potential additional reductions from climate mitigation costs. Engagement with key suppliers and building strategic partnerships, as well as driving for innovation, is advanced within the business and provides a strong foundation to further mitigate climate-related costs.

A high-level internal annual climate risk health check was performed in 2025 to ensure the controls and mitigation measures identified as part of the climate risk assessment remain in place and are effective, and to identify whether anything had changed within the business to present a new risk or opportunity. As a detailed transition risk assessment was undertaken this year, the focus was more aligned to ensuring physical risk controls remained in place.

From the scenario analysis that has been undertaken, the residual risks for the business are considered to be low to very low for both transition and physical risk.

Transition risk mitigations and opportunities

- We have used core house types across our national network of development sites, which help ensure that any new regulatory requirements can be effectively and consistently applied.
- We deliver increasingly energy-efficient homes, thereby attracting a strong customer base.
- We have developed our low-carbon/zero carbon ready homes strategy. The Future Homes Standard ('FHS'), expected in 2026/2027, will require homes to produce 75%–80% less carbon emissions. This will require a switch to alternative heating systems such as air source heat pumps, higher levels of insulation and air tightness, and additional energy recovery or generation technologies. We are already well placed to deliver this.
- All development sites have an Energy Transition Plan in place, which identifies the site build maturity and regulatory transition periods and identifies appropriate energy heating solutions. The next few years will see a combination of heating solutions as, in some cases, existing planning permissions will be for gas systems.
- We have several pilot projects to assess the most effective method of achieving the FHS. The pilot projects are being used to: trial new technologies; assess the most effective build methods of achieving the improved efficiency required using a 'fabric first' approach; and gain feedback from customers on the 'liveability' of the homes.
- The improved efficiency of new homes is also a significant opportunity for us as we develop homes that are more energy efficient, more appealing to customers and have a lower impact on the environment.
- In designing our developments, particular attention is paid to all issues that surround the policy transition necessary to achieve new, more stringent climate and environmental policy requirements. To deal proactively with local and site-specific interpretation/application, we have developed design and access statement templates aligned with the National Model Design Code.
- Our business model includes vertical integration; we own a timber frame, wall panel and roof cassette manufacturing facility. These modern methods of construction assist in building low-carbon homes, with a reduced build time.
- Strategic discussions with core suppliers have commenced on identified commodities that face carbon pricing impacts and resource constraints.
- Our UK-wide and diverse high-quality land holdings support our strong network of outlets and ensure we are well positioned to invest in land at the right time in the cycle. The strong gross margins embedded in our existing landholdings help to absorb potential volatility caused by increasing building costs.
- Our significant ongoing investment in training ensures that we maintain an appropriate skill base to manage changes to operations and processes required by climate change mitigation requirements.

Physical risk mitigations and opportunities

We already manage a number of potential physical risks, such as flooding, as part of our planning activities, and understand the financial implications.

- We undertake comprehensive environmental and flood risk assessment for each potential land acquisition that we make, and for strategic land considerations.
- Planning requirements principally influence the requirements for any flood mitigation and drainage requirements, and there is increasing consideration for use of blue and green infrastructure. The forthcoming mandatory sustainable urban drainage systems ('SUDS') regulations for England have been assessed, and we have considered the opportunity to support Biodiversity Net Gain requirements.
- The detailed climate risk analysis provides more in-depth understanding of potential physical climate risks and the impact they could have on the business over the medium to long-term horizons. This information has informed the Group Land and Planning team when considering future site locations and land viability costs.
- We have a UK-wide network of sites and therefore have significantly reduced exposure to potential regional climatic risks, and are able to strategically consider potential development locations.

TCFD continued

3 Risk management continued

Resilience of the Group's business strategy and business model continued

As a principal risk for the Group, climate risk is governed and managed in line with our risk management framework; see page 71. The framework requires identification of the risk, evaluation of the potential impact, the consequences, allocation of the risk owner, probability assessment, description of controls and controls owner, and finally an evaluation of any residual risks. Our identification and assessment of risks is managed by the Audit & Risk Committee, with the Board taking ultimate responsibility for risk management.

The climate risks, their potential consequences and their current impact on our business model are identified and reviewed by our Executive team, senior members of the Group Finance team, the Group Sustainability Director and the Group Director of Internal Audit. A wide range of insights and resources are used to ensure climate-related impacts are effectively tracked and considered, including climate insights and trends, emerging legislation and Government policies, consultations, local authorities positions and industry body resources.

The climate risk register is reviewed and updated as required. It is arranged into transition risks and physical risks. As risks are identified, we consider whether the business strategy and business model already manage/mitigate the relevant risk.

If any gaps are identified, then following the risk framework, we establish the appropriate response.

The climate scenario analysis and detailed climate risk analysis and modelling have provided a detailed assessment of transition and physical risks against three time horizons. This has provided a greater depth of understanding and enabled prioritisation of climate-related risks, and we will continue to embed the findings into our climate risk and opportunities management.

4 Metrics

We monitor emissions from our operations, which have been measured following the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition). Detailed GHG emissions information is located on page 39 following the requirements of the Streamlined Energy and Carbon Reporting requirements, and disclosures are for Scope 1 and 2 and an emerging level of information for Scope 3 (supply chain products and services, and homes in use).

We are committed to playing our part in the international effort to reduce greenhouse gas emissions by reducing its emissions across the business operations and also the supply chain and from the homes we sell.

We have set a target to be a net zero carbon business by 2045. This commitment is supported by near-term approved science-based carbon targets to reduce our operational emissions (Scope 1 and 2) by an absolute of 46% (vs 2019 baseline) and our indirect emissions (Scope 3) from our supply chain and homes in use by 22% per m^2 completed floor area by 2030 (vs 2019 baseline). These reductions will be achieved through wider supply chain engagement, product innovation and changes to current operational processes. Long-term net zero carbon targets are being progressed, with the expectation of a reduction in our operations and across our value chain of at least 90%, with the remaining 10% being offset through a suitable mechanism.

The Board believes in the importance of ESG, and the Remuneration Committee implemented an environmental 2023 PSP environmental target linked to reducing Scope 1 and 2 carbon intensity. Subsequent PSP environmental targets for 2024 and 2025 have been set, aligned to absolute carbon reduction measures.

The table opposite shows our climate-related metrics and targets.

Time period	Target	Metrics	Climate risk/ opportunity	2025 status/comments
Short term (2022–2025)	Continue to embed climate risk and opportunity analysis into the business strategy and operations	Qualitative		Group Executive, Regional Chairs receive business-wide bi-monthly diesel use figures Establishment of Future Homes Implementation Group
	Scope 1 and 2 – reduce our operational footprint	Absolute carbon reduction (market based)	Carbon pricing	Reduced by 17% compared to 2024
	Maintain 100% carbon neutral electricity purchased – green/REGO backed	100% REGO-backed electricity purchased	Carbon pricing	100% achieved for our offices, sites, manufacturing facilities and supplies to our plots whilst under our ownership
	Undertake embodied carbon assessments, set reduction targets	Tonnes CO2/m^2 completed floor area	Increasing cost of raw materials	Embodied carbon study undertaken Targets under development
	Supply chain engagement on embodied carbon	Action plans in place to reduce carbon content of top CO2 contributors	Increasing cost of raw materials	Successful trial of c.30% Ground Granulated Blast Furnaced Slag ('GGBS') undertaken. Rollout planned 2026/2027
Medium term	Homes to be zero carbon ready in use by 2030	% homes completed per year with an EPC A or B rating	Changing consumer preferences	99.5% achieved
	Reduce absolute Scope 1 and 2 GHG emissions by 46% by 2030 (2019 baseline)	Tracking against SBT near-term transition pathway – tonnes CO_2e against a 2019 baseline	Carbon pricing	On track » See GHG table on page 39
	Reduce Scope 3 carbon emissions (purchased goods and services, and use of sold products) by 22% per m2 completed floor area by 2030	Tonnes CO_2e/m^2 completed floor area against a 2019 baseline	Climate-related regulations impacting products and services	On track » See GHG Table age 39 Increasing transition to low-carbon energy systems e.g. ASHPs Embodied carbon study undertaken to assess most significant materials
Long term (2040+)	Net zero carbon business by 2045	TBD (expected at least 90% reduction in operational and value chain carbon emissions	Business resilience	Net zero Transition plan developed » See pages 31 to 34

Progress in 2025 and 2026 priorities

Progress against the actions identified for 2025 is shown below:

2025 priority	2025 progress
Climate risk health check: whilst the level of risk is overall quantified as very low to low, this is based on mitigation measures remaining in place, and we will ensure there is no loss of focus and rigour in its approach. An annual 'climate risk health check' will be undertaken as part of our risk management strategy.	A high-level internal annual climate risk health check was undertaken focusing on physical risk controls and confirmed no material changes to current controls and measures, and the potential risks remain the same. The transition risk was updated and undertaken with support from specialist risk management firm, WTW.
Development of science-based target aligned long-term net zero carbon targets.	A commitment to set long-term SBTs has been made, and targets are under development.
Deep dive into flood risk and resilience will be undertaken.	Following a review of business priorities, and timescales associated with climate risk, this objective was changed to undertaking a full update of transition risk and providing financial quantification, and aligning to IFRS 2 Standard.
Mapping of key supply chains will commence.	This has commenced as part of the updating of the transition risk assessment.

Priorities for 2026

- We will conduct an annual climate risk health check to ensure controls remain in place and are effective.
- Embed the findings from the updated transition risk assessment, leading with supply chain strategy and engagement.
- Conduct a review of the physical risk assessment and update as necessary.