



Climate Related Financial Disclosures
TCFD Report
in line with TCFD guidelines

September 2022



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Introduction

This is NCC Group's first year reporting against the Task Force on Climate Related Financial Disclosures (TCFD) requirements. In line with listing rule 9.8.6R(8) we have produced TCFD disclosures which are consistent with the TCFD recommendations and recommended disclosures across the Governance, Strategy, Risk Management and Metrics and Targets pillars. In assessing whether the disclosures are consistent, we have referenced section C of the TCFD Annex entitled 'Guidance for All Sectors'.

For Strategy we comply with disclosures (a) and (b) but for (c) we need to map out our net zero journey and review our scenario analysis and assess the resilience of NCC Group against our risks.

This further work is included as a target below and will be published in next year's TCFD report. Furthermore, for each pillar we have included a table which describes our current disclosure, our developments achieved in FY22 and our focus areas for FY23.

Our overall exposure to physical and transitional climate change is considered low due to the nature of the business and can be reduced through the strategy and journey we've outlined over the next few pages. The scenario analysis for physical risks (flooding, earthquakes and storms) does not pose a high risk as there are mitigating controls in place and business interruption would not be significant.

We are working with Planet Mark, a sustainability certification organisation, which has calculated and verified our carbon footprint and helped us to identify reduction targets for the next financial year. Through the course of our new financial year, we will also work with it to map how we will achieve net zero by 2050. It is worth noting that alongside the risks identified we have a significant opportunity as the market develops and industries invest more in climate change. For example, we currently work with customers which specialise in developing technology for electric vehicles, renewable energy (wind and solar), operational technology and other technical application work.

There is an opportunity to increase revenues in these expanding areas as technology develops to support more climate related initiatives.

Governance

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
A. Describe the Board’s oversight of climate related risks and opportunities.	<ul style="list-style-type: none"> The Board takes overall accountability for the management of climate related risks and opportunities and considers them as part of its overall risk review processes The Board gets updates from the Director of Sustainability and Corporate Affairs, who is part of the Executive Committee 	<ul style="list-style-type: none"> The Enterprise Risk Management Committee, which meets quarterly, has reviewed climate related risks and opportunities and this will be cascaded up to the Board as required Decision made to appoint external specialists Planet Mark to assist with our carbon footprint calculation, net zero journey and colleague engagement 	<ul style="list-style-type: none"> Further Enterprise Risk Management (ERM) Committee meetings and recommendations made to the Board as appropriate including progress to map out our net zero journey
B. Describe management’s role in assessing and managing climate related risks and opportunities.	<ul style="list-style-type: none"> The Director of Sustainability and Corporate Affairs advises both the Executive Committee and Board on climate related issues An Enterprise Risk Management Committee was established in 2021 which meets quarterly and covers climate risk 	<ul style="list-style-type: none"> The ERM Committee and a TCFD working group was established to ensure progress was made Engaged with external specialists Planet Mark to give support as we calculate our carbon footprint and determine our net zero journey 	<ul style="list-style-type: none"> To maintain the climate related risk register and ensure actions are followed up To map NCC Group’s net zero journey

The Board takes overall accountability for the management of all risks and opportunities and considers climate related issues when reviewing and guiding strategy, budgets, and business plans as well as when setting performance objectives, monitoring implementation and performance, and overseeing major capital expenditure, acquisitions, and divestitures. Our commitment is published through our Environment Policy available on our website.

Climate related risks and opportunities are managed within our broader sustainability framework and have executive oversight by the Global Director of Sustainability and Corporate Affairs. All key issues are reported up to the Board by the Executive Committee or Enterprise Risk Management Committee as they arise, climate related or otherwise. Now the TCFD risks and opportunities have been identified and we have completed our climate related materiality assessment, this will be incorporated into business as usual and managed as per our risk management approach.

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Since the start of calendar year 2022, climate change risk has been discussed in the quarterly Enterprise Risk Management Committee meetings which includes progress against our climate goals. To date, no climate-related issues have required Board notification. However, going forwards the effect of climate issues on future acquisitions, disposals, and major capital expenditure, as well as an update on NCC Group's net zero journey in particular, will be raised and discussed at all Board meetings.

The Board and Executive Committee have both recently had climate awareness training delivered by Planet Mark, have seen our carbon footprint measurement and reduction targets, and will be actively involved in the net zero journey planning led by our Global Director of Sustainability and Corporate Affairs and the role they play in reducing our impact on climate change.

Strategy

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
A. Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	<ul style="list-style-type: none">• See tables describing risks and opportunities	<ul style="list-style-type: none">• Implemented a TCFD working committee across the business	<ul style="list-style-type: none">• To monitor actions arising from risk register
B. Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.	<ul style="list-style-type: none">• Not considered material to NCC Group; however, there are opportunities arising that should be maximised	<ul style="list-style-type: none">• Reviewed risks and opportunities, mitigations and associated financial impact	<ul style="list-style-type: none">• To map NCC Group's net zero journey
C. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	<ul style="list-style-type: none">• Scenario analysis undertaken; only two office locations at risk of rising sea levels with mitigations in place reducing risk	<ul style="list-style-type: none">• Obtained independent risk report on office locations at risk from flooding and extreme weather conditions	<ul style="list-style-type: none">• To further review sea level analysis and scenario planning and assess if the risk changes

We are taking responsibility for reducing carbon emissions and being able to articulate the impact of climate change – both opportunities and risk – on our financial performance.

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Climate related risks

A new strategic risk has been identified (see page 71 of the Annual Report) in relation to climate change within the Group's principal risks and uncertainties and associated operational risks beneath that. Through our risk management framework (see Risk Management section on page 64 to 72 of the Annual Report), we have identified and assessed climate related risks and categorised into the short (<1 year), medium (1–5 years) and long term (>5 years).

We have also identified the impact that the risks have on the business, client services and supply chain and the corresponding mitigations in place to reduce the risk. All risks identified affect the Group in its entirety except where specific locations have been highlighted. Examples of the types of climate related risks and opportunities faced by NCC Group include the following:

Transition risks

- Greenhouse gas emissions: increased costs associated with more taxes and levies (medium term)
- Move to net zero: increased costs required to lower emissions (long term)
- Margin risk: impact on service charge out rates and associated erosion of profit margin due to increased costs because of climate risk (medium term)
- Reputation: failure to comply with climate change related (medium term)
- Regulations to achieve goals may negatively impact public perception (medium term)
- Supply chain: increased supply costs and delayed deliveries (medium to long term)

Physical risks

- Extreme weather (acute): causing business disruption and loss of service delivery and therefore revenue (short to long term)
- Sea level rises (chronic): increased likelihood of flooding in Delft and Amsterdam offices causing increased insurance premiums (long term)

Opportunities

- Resource efficiency: more efficient modes of transport, recycling, hybrid working and efficient buildings creating less cost and improved colleague engagement and wellbeing by removing unnecessary travel (medium to long term)
- Energy source: use of lower-emission sources of energy, introduction of an electric/hybrid salary sacrifice car scheme for all UK colleagues creating reduced costs, exposure to future fossil fuel price and improves colleague engagement and wellbeing (medium to long term)
- Market: can sell into industries which are significantly changing due to climate change resulting in increased revenues, e.g. oil and gas companies expanding into alternative energy, smart meters, electric vehicles, IOT technology to reduce waste, cloud data centres, etc. (short to medium term)
- Resilience: increased investment opportunity due to responsible, sustainable business model (short to long term)

Scenario analysis

One of the physical risks is our office locations due to two (Amsterdam and Delft) being at risk due to rising sea levels. We have undertaken modelling on different scenarios (see Metrics and Targets section); however, global temperature rises, and extreme weather are not expected to have a fundamental impact on our business model. If sea levels rise above 5m, then the risk increases, but existing flood defences are expected to mitigate any near-term impact and the ability to now work

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remotely has been tested. Furthermore, our leases on these offices expire between 2023 and 2025 so this risk does not impact the useful life of the infrastructure for NCC Group.

Qualitatively, at a 4°C scenario (i.e. business as usual) our physical risks will likely materialise without intervention from local land management / governments. However, as we aim to align to a 2°C world, our transition risks will need to be modelled and assessed on an ongoing basis. Once we have mapped out our net zero journey and timelines in calendar year 2022, we will review our scenario analysis and assess the resilience of NCC Group against our risks but at this time, with the information available, we don't believe there is an impact on our strategy under a 2°C scenario.

Financial planning

Due to the mitigations noted in our full TCFD report, and the nature of our industry, we do not believe the current climate related risks pose a material financial impact to our business; however, we do have significant opportunities that we are working to maximise. For future acquisitions, capital expenditure, research and development or general operating costs and revenues, we will ensure climate related issues are considered within the financial planning process.

Risk management

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
A. Describe the organisation's processes for identifying and assessing climate related risks.	<ul style="list-style-type: none">Climate related risks are managed through our Enterprise Risk Management framework	<ul style="list-style-type: none">Climate related risks identified and categorised over the short, medium and long term	<ul style="list-style-type: none">Monitor actions arising from risk register
B. Describe the organisation's processes for managing climate related risks.	<ul style="list-style-type: none">Climate related risks are documented, mitigating actions considered, a risk rating assigned and associated actions documented and followed up	<ul style="list-style-type: none">Climate related risks identified with associated actions which are being actively followed up	<ul style="list-style-type: none">Monitor actions arising from risk register
C. Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management	<ul style="list-style-type: none">Climate related risks are managed through our Enterprise Risk Management framework	<ul style="list-style-type: none">Climate related risks identified with associated actions which are being actively followed up	<ul style="list-style-type: none">Monitor actions arising from risk register

Climate related risks are managed through our NCC Group Enterprise Risk Management (ERM) framework as published on our website and included in the Risk Management Section in this report. All risks are assessed and scored in terms of likelihood and impact in line with our framework on a consistent basis.

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We adopt both a ‘top-down strategic’ and ‘bottom-up operational’ approach to managing risk in the pursuit of our strategic objectives. The approach is one of collaboration and we believe this is the most efficient and effective way to identify risks.

Having identified and assessed our climate related risks based on short (<1 year), medium (1–5 years) and long-term (>5 years) horizons and categorised them into physical and transition risks (see Strategy section) we have determined that climate change is not currently a significant risk for NCC Group. However, we have included a climate related risk within our Principal Risks section as it is a key reporting area; see 71 of the Annual Report. The ERM Committee has reviewed the risks, their mitigations, controls, and associated actions and will continue to monitor these going forward.

Metrics and targets

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
A. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	<ul style="list-style-type: none"> Greenhouse gas emissions for 2022 vs prior years Net zero plan is in progress Car fleet to be discontinued Physical risks review Climate related performance metrics incorporated into Director’s remuneration 	<ul style="list-style-type: none"> Review of key risks and associated metrics following a modelling exercise Greenhouse gas emissions and carbon footprint independently verified 	<ul style="list-style-type: none"> To map NCC Group’s net zero journey To develop the Scope 3 reporting to include impact of working from home and supply chain
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	<ul style="list-style-type: none"> Greenhouse gas emissions for 2022 vs prior years 	<ul style="list-style-type: none"> Greenhouse gas emissions independently verified 	<ul style="list-style-type: none"> To develop the Scope 3 reporting to include impact of working from home and supply chain
C. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> Set target reductions for carbon footprint and greenhouse gas emissions 	<ul style="list-style-type: none"> NCC Group’s carbon footprint has been independently calculated with the base year of 2022 to set a target for 2023 	<ul style="list-style-type: none"> To define NCC Group’s net zero journey

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Greenhouse gas emissions

Our Scope 1, Scope 2 and Scope 3 emissions were calculated in FY22 by Planet Mark in line with the GHG Protocol Corporate Standard. Planet Mark calculated this from verified third party data and invoices as part of our overall carbon certification. Note, the certification has not been independently audited by KPMG.

The scope 3 emissions for transmission and distribution and travel distances were calculated using the units of energy consumption and travel distances provided respectively multiplied by the relevant BEIS emissions factors. Some conversions were used, for example GJ to Kwh and miles to km. Scope 3 emissions are not the full scope in FY22 but we are working on the data requirements for this with Planet Mark.

Net zero plan

Over the next financial year, we will work with Planet Mark to develop our net zero plan (following the net zero standard define by the Science Based Target initiative: <https://sciencebasedtargets.org/net-zero/>) and associated timelines, including full Scope 3 emission disclosures. This includes verification of our carbon footprint and workshops, energiser sessions and masterclasses for the Board, Executive and broader colleague community.

Our net zero plan will allow us to identify areas of higher carbon intensity and allocate targets to reduce these in line with the Paris Agreement. Meanwhile our carbon footprint measurement calculated for our full financial year ended 31 May 2022 has identified our current usage, 1,253.6 tCO₂e, and targets for our total carbon footprint to reduce by 62.7 tCO₂e, our total carbon reduction to be 5% and our carbon reduction per employee to be 0.03 tCO₂e.

Targets and metrics:

- To reduce our carbon footprint by 5% over the next financial year
- To develop our net zero plan and associated timelines by 31 May 2023
- To improve the scope of our data and analysis working with landlords of shared buildings and our supply chain

Car fleet

We currently have several company car scheme vehicles in the UK and the Netherlands, of which a number are already electric or hybrid. However, in February 2022 it was agreed that in the UK we would move from a company car scheme to a salary sacrifice scheme offering only electric or hybrid vehicles to all colleagues. This will provide all UK colleagues with the opportunity to afford an electric vehicle and will help further reduce our carbon footprint for business drivers as well as reducing the impact on local communities for social and domestic use.

Target and metric: By 2027 the car scheme will be fully electric or hybrid and have moved to a salary sacrifice scheme.

Physical risks

We have a 'Natural Hazards Assessment Network' (NATHAN) report from our insurers Marsh, which is an established natural hazard mapping tool and has mapped our global locations against the risk of earthquake, storm, and flood. The report does not quantify potential losses but identified the relative risk for our locations.

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Within the United States there are four sites at high risk of earthquakes and five at high risk of storms and there are four locations within Europe at high risk of flooding. However, it is important to note there are mitigating controls in place for all these scenarios.

Our main locations at risk of flooding due to rising sea levels are in Delft and Amsterdam. We have reviewed flooding maps under different scenarios between 2m and 6m rises to water levels. However, the Dutch government has a programme for flood prevention 1 and there are safety projects in both Delft and Amsterdam, which are focused on improving and maintaining the current defences in place.

Director's Remuneration

The CEO and CFO are assessed on climate related performance metrics as outlined in the Director's Remuneration Report section of the Annual Report on page 112. A target is set on assessing employee engagement, diversity, and Corporate Social Responsibility.

Greenhouse gas emissions

The greenhouse gas (GHG) reporting period is aligned with our financial reporting year running from 1 June to 31 May.

The reported figures detail annual GHG emissions from activities for which NCC Group is directly responsible. Having considered the production metrics within the business, we have concluded that annual turnover is the most appropriate to achieve a benchmark, which aligns with the carbon reduction policy and methodology we will work towards in FY23.

The overall energy and carbon report was produced and verified by Planet Mark, an independent third party, that analysed the data from our energy suppliers and data from expense systems to calculate overall results.

The methodology used to calculate total energy consumption and carbon emissions has been through the extraction of consumption data from invoices and meter reads for the financial years stated.

Previously we have used estimates if data was not available, but this year, where there was only six months of data available from certain office locations, this has been extrapolated for gas and electricity usage. We have committed to improving the data collection process required from landlords where we have managed offices in FY23.

Reducing our impact

In FY23 we are working with Planet Mark to reduce our carbon footprint, engage our internal stakeholders and map the journey to achieving net zero by 2050.