NCC Group

TCFD Report 2024

(Redacted version from our Annual Report and Accounts
for the period ending 30 September 2024)

Task Force on Climate-related Financial Disclosures (TCFD)

TCFD reporting helps organisations like ours disclose climate-related financial risks and opportunities in a structured way.

In alignment with the UK Listing Rules – which mandates climate-related disclosure for all UK listed companies – we have produced a comprehensive TCFD Report. Our report covers the four pillars recommended by TCFD: governance, strategy, risk management and metrics/targets, and the 11 disclosures recommended by TCFD except as noted below.

To ensure consistency across our report, we adhered to section C of the TCFD Annex, titled "Guidance for All Sectors".

As a result the following are documented as partially consistent, with further detail available within this report:

- **Strategy B and C –** these disclosures have not been fully met because our priority this period has been to manage a change in year end financial reporting and we did not have the bandwidth to do financial implications of climate scenarios in our financial planning. Our aim is to begin, this in FY25 as part of developing our net zero journey and set credible science-based targets.
- **Metrics and targets B –** for FY24 we are reporting full Scope 3 emissions for our business, incorporating for the first time employee commuting and purchased goods and services. There are caveats on this as some of our business travel is a challenge to report against due to limitations of the expense system we had in place. We have invested in a new system to improve not only reporting but also the health, safety and wellbeing of our colleagues. With this improved data collection, we aim to be consistent in our FY25 report.

Our assessment indicates a low risk of exposure to physical and transitional climate changes, thanks to our business model. However, we acknowledge the high importance of mitigating greenhouse gas emissions, which emerged as a priority from stakeholder feedback as part of our 'ongoing assessment' of double materiality in accordance with ESRS.

In FY24 Planet Mark, a leading sustainability certification organisation, calculated and verified our GHG emissions. We have appointed a new partner – Positive Planet – for FY25 as we prepare to map our net zero journey and set credible science-based targets.

We recognise the considerable opportunities presented by the growing climate-focused market. Our collaborations with clients in industries such as electric vehicles, renewable energy, operational technology and other climate-friendly technologies underscore our readiness to seize these opportunities for sustainable growth.

Governance

TCFD recommended disclosure	Consistency	NCC Group disclosure	Focus area for FY25
Governance			
A. Describe the Board's oversight of climate-related risks and opportunities	Consistent	• The Board's Head of the Audit Committee is the lead Non-Executive Director responsible for sustainability. Monthly updates are provided via the CFO report to the Board as well as directly from regular (at least twice per period) discussions with the Director of Investor Relations and Sustainability with the full Board, including an update on progress against the Group's goals and targets where appropriate • 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	• Meet at least quarterly with the nominated NED responsible for sustainability to reflect, discuss and ensure actions are being taken • Continue to develop NCC Group's net zero journey and broader sustainability strategy with oversight and input from the Board
B. Describe the management's role in assessing and managing climate-related risks and opportunities	Consistent	• The Director of Investor Relations and Sustainability reports to the Chief Financial Officer, providing advice and updates to the Executive Committee on climate-related issues as and when relevant • An Executive Risk Management (ERM) Committee, established in 2021, which meets quarterly addresses climate risk as part of that process where appropriate	• Assess the volume of client requests for different reporting platforms and ensure the cost of participation is incorporated into the cost of sale • Develop a carbon literacy education programme for colleagues relevant to their role, to help drive our commitment to net zero before 2050 • Continue to embed climate action into key business decisions • Understand the steps we need to take to progress the commitment to net zero, and set an annual review of targets aligned with internal and external factors

TCFD continued

Governance continued

Lynn Fordham, the lead Non-Executive Director for Sustainability, was appointed by the NCC Group Board Chair. In addition to her position as the Head of the Audit Committee, Lynn's role is to oversee the Company's sustainability strategy, ensure its integration with the overall business strategy and provide regular sustainability updates to the Board.

While there is no specific Board committee for environmental issues, an Executive Risk Management (ERM) Committee chaired by the Director of Global Governance addresses these issues. The ERM meets bi-monthly and is attended by our CEO and CFO. It discusses, among other risks, sustainability and environmental challenges where relevant, which are then reported to the Board.

The results from our ongoing double-materiality assessment continues to inform our sustainability framework and guide our priority areas for the next two years. We have undertaken a gap analysis on this against CSRD reporting requirements too, which impact our European business operations, and to ensure we can bid competitively for work we will begin reporting voluntarily against the current known standards in FY25.

As NCC Group's business strategy evolves, the sustainability framework will be integrated into our strategic planning. An engagement programme is being developed to ensure that our internal stakeholders, including the Board, are informed and engaged on not just climate change but all priority sustainability topics. This programme will feature training sessions, workshops and continued awareness-building initiatives. It will be developed as part of our journey to net zero commitments.

The Board is committed to communicating its dedication to addressing climate change. This is demonstrated through our annual Sustainability Report and reinforced through other appropriate internal and external communication channels throughout the financial year.

Strategy

TCFD recommended disclosure	Consistency	NCC Group disclosure	Focus area for FY25
Strategy			
A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	Consistent	• See tables on pages 23 and 24 describing risks and opportunities, which were selected based on the location of our existing business and known climate change risks affecting the broader region we operate in	• Monitor actions arising from the risk register
B. Describe the impact of climate-related risks and opportunities on the organisation's business strategy and financial planning	Partially consistent	• Climate-related taxes, or fines for non-compliance, could impact the business if we fail to take action • Our ability to raise capital to invest in growth may be restricted if we fail to make progress on climate-related action, if this is a requirement of any future sustainable lending requirements	• Assess financial implications of climate scenarios in our financial planning
C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Partially consistent	• We have conducted an initial quantitative analysis against two scenarios of 1.5°C and 4°C	• Develop the initial scenario analysis and integrate, aligned to NCC Group's strategy development, into future financial and strategic planning activities as our net zero journey matures

Our focus is not limited to risk mitigation but extends to exploring opportunities where we can make a positive impact. This includes improving the energy efficiency of our operations, collaborating with our landlords and requesting renewable energy sources, and identifying ways our technology solutions can contribute to our clients' sustainability efforts. As we continue our climate change journey, we are committed to regularly reporting our progress against these objectives, showing transparency in our endeavours, and constantly seeking ways to better our efforts.

Climate-related risks continued

Risk	Risk impact	Short/medium/ long term	Regions impacted	Mitigating activities
Transition risks continued				
Reputation risk	Increased stakeholder concern and changing client behaviours.	Medium term	Global	• Ongoing dialogue with investors • Benchmarking and independent reviews undertaken through a double-materiality assessment • ESG information publicly available
Supply chain risk	Substitution of existing products and services with lower emission options.	Medium to long term	Global	• Building in climate change reporting and activity into supplier onboarding • Business Continuity Plans • Continuing to review our estate provision and taking steps to move out of leases where there is no client or business benefit to being there • Implementation of new estates policy, which incorporates environment considerations alongside health, safety and security of colleagues

Continuous improvement to reduce NCC Group's impact on the environment

Resource efficiency: By embracing more efficient modes of transport, promoting recycling, encouraging hybrid working models and operating within efficient buildings, we can lessen our environmental footprint, improve colleague satisfaction and reduce operational costs. For instance, removing unnecessary travel not only reduces our carbon emissions but also empowers colleagues with more control over their work-life balance, contributing to improved morale and productivity (anticipated medium to long-term benefits).

Energy source: Our transition to lower emission energy sources, underpinned by the introduction of an electric/hybrid car scheme for all UK colleagues, demonstrates our commitment to sustainable practices. By giving colleagues access to green car options, we are mitigating our exposure to future fossil fuel price fluctuations and regulations. It also addresses our colleagues' material concerns, fostering a culture of environmental responsibility and enhancing overall job satisfaction (medium to long-term impact).

Market: As industries evolve in response to climate change, we're strategically positioned to leverage these transformations. For example, by partnering with companies transitioning to alternative energy sources or working on projects involving smart meters, electric vehicles, IoT technology for waste reduction and cloud data centres, we anticipate strengthening our market position and enhancing our reputation as a sustainable and innovative enterprise (short to medium-term outlook).

Resilience: Our sustainable business model increases our resilience to climate-related risks, demonstrating our commitment to being a responsible and ethical supply chain partner. This commitment to sustainability not only aligns us with an increasingly eco-aware market but also empowers us to lead in the space, fostering a culture of innovation and responsible business practices (short to long-term perspective).

Scenario analysis

To understand the risks and opportunities our business faces considering climate change, we have conducted a quantitative scenario analysis using two distinct scenarios: a "<2°C" scenario ("Scenario 1"), where global warming is limited to less than 2°C with net zero achieved by 2050, and a "4°C" scenario ("Scenario 2"), where the goal of net zero by 2050 is not reached. A summary of the scenarios selected is provided below.

These scenarios are chosen to reflect the diverse spectrum of possibilities that could unfold due to different levels of global effort to curb climate change. In the context of these scenarios, "transition risks" refer to the challenges associated with the shift towards a lower carbon economy, while "physical risks" denote the potential damage caused by climate change itself.

In terms of the risks selected, these were based on physical locations and the nature of our business in key locations of North America, the UK, Europe and Asia Pacific. We are in the process of flowing this into our financial planning and will continue to do so as we mature our climate action planning and reporting.

Under Scenario 1, we anticipate higher transition risks due to rapid shifts in regulatory and market conditions, but the physical risks would be significantly reduced due to the effective global action on climate change. Conversely, Scenario 2 predicts lower transition risks but considerably higher physical risks due to the lack of substantial progress towards climate goals.

We've further broken down these risks by timeline, classifying them as short term (less than one year), medium term (one to five years) and long term (more than five years). The table on page 25 offers a comprehensive overview of NCC Group's potential exposure to both transition and physical risks under each scenario.

While our current analysis is qualitative, we are working towards quantifying these risks and opportunities as we progress towards our net zero targets and continually improve our data collection across Scope 1, 2 and 3 emissions. At this point, we don't foresee a significant impact on our Financial Statement disclosures based on our materiality assessment results (see page 26 of the Annual Report) and known near to mid-term regulatory developments. However, we will continuously monitor both transition and physical risks, adjusting our mitigation strategy as necessary.

Risk type	Risk	Risk impact	Scenario	Short-term risk (<1 year 2024)	Medium-term risk (1–5 years 2025 to 2030)	Long-term risk (>5 years >2030)
Physical risk	Rising sea levels	Risk to NCC Group offices located in high risk areas, as well as colleagues' homes and clients' business premises resulting in business disruption	1	Low	Low	High
			2	Low	High	High
Transition risk	Increase in taxes and levies	Disruption and increased costs to ensure compliance with new legislation	1	Low	Medium	High
			2	Low	Low	Low
	Margin risk	Impact on results due to extra costs incurred to lower emissions	1	Low	Medium	High
			2	Low	Low	Low
	Reputation risk	Increased stakeholder concern and changing client behaviours	1	Low	Medium	High
			2	Low	High	High
	Supply chain risk	Substitution of existing products and services with lower emission options	1	Low	Medium	High
			2	Low	Low	High

Financial planning

We recognise the potential implications of climate-related risks and opportunities on our financial planning. We anticipate shifts in our future business model and strategy in response to evolving market conditions due to climate change. We foresee potential changes in client preferences towards more sustainable products and services, along with possible disruptions in our supply chain due to extreme weather events. These factors are thoroughly considered in our business strategy development.

Our business strategy has been designed to be resilient to future economic and climate-related scenarios. And by running regular scenarios we can test that resilience and ensure it's considered in future business strategy development, enabling us to adapt accordingly, without disrupting or negatively impacting current operations.

The scenarios are based on industry insights, which were used in the expert input into our materiality assessment. We will look to assess the potential financial implications of various climate scenarios and factor these into our revenue forecasts, expenditure plans and asset valuations from FY25 onwards. This will include a detailed analysis of potential climate-related liabilities and their impact on our financial stability.

Our future aspiration is to incorporate climate considerations to influence future investment decisions by the Group, always reducing our carbon footprint, and gradually divesting areas that carry high climate-related risks. For now though, we are actively working to improve our operational efficiency and addressing things we can directly influence to reduce our impact on the environment and realise cost savings.

For example, our new travel policy, launched during FY24, encourages the use of rail travel, by offering first class travel for all journeys over three hours. This improves health and wellbeing for colleagues and reduces driving related risks for long journeys. Domestic flights in Europe and the UK are by exception only where it makes sense from a welfare and commercial perspective. The known benefit of this is hard to determine because we don't yet have the travel tool that enables us to do that analysis – but the processes and policy are in place and in the next reporting period we will have that benchmark data. Further analysis will then need to be done to assess this increased financial cost versus the reduced emissions and incorporate that into the financial planning process, for example.

In summary, our organisation is committed to integrating climate considerations into our financial planning process. We will continue to refine our approach as we gain more data and insights into the evolving climate scenarios.

Risk management

TCFD recommended disclosure	Consistency	NCC Group disclosure	Focus area for FY25
Risk management			
A. Describe the organisation's processes for identifying and assessing climate-related risks	Consistent	• Climate-related risks are managed through our Enterprise Risk Management framework	• Monitor actions arising from the risk register
B. Describe the organisation's processes for managing climate-related risks	Partially consistent	• Climate-related risks are documented, mitigating actions are considered, a risk rating is assigned and associated actions are documented and followed up	• Monitor actions arising from the risk register
C. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	Partially consistent	• Climate-related risks are managed through our Enterprise Risk Management framework	• Monitor actions arising from the risk register

As part of our robust materiality assessment, we conducted in-depth, topic-based and industry research to identify our most material sustainability issues.

Through a detailed materiality matrix, we also identified opportunities to enhance our sustainability performance by focusing on reducing GHG emissions, monitoring product design and lifecycle management, and mitigating biodiversity loss. Our approach is to address these opportunities through targeted initiatives in cleantech, increasing sustainability awareness and capability, and climate adaptation.

Addressing these issues will involve closer collaboration with our supply chain, particularly our global landlords and our top suppliers. A key initiative in this regard is our Data Centre Management Strategy, aimed at reducing our energy consumption.

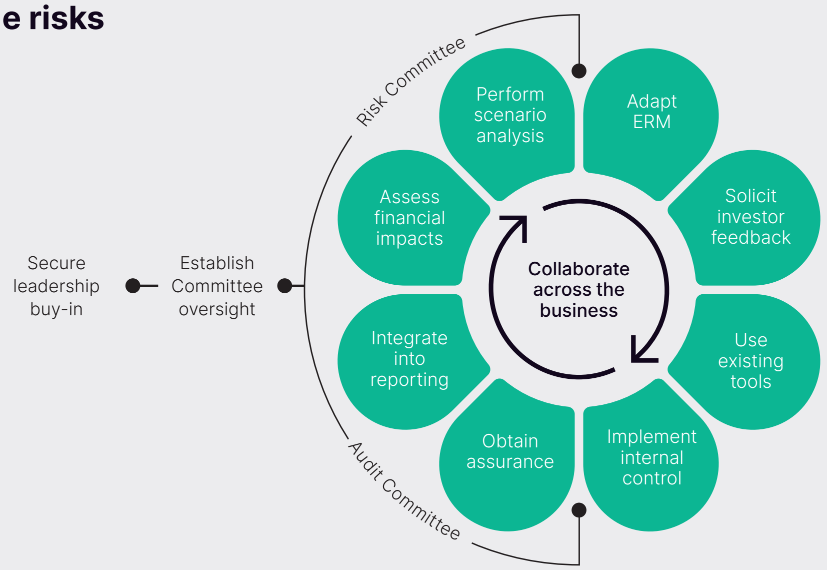
Climate-related risks are managed through our NCC Group Enterprise Risk Management (ERM) framework. This framework, which is detailed in the Risk Management section of the Annual Report on page 30, uses a sophisticated risk model to assess and score each risk based on likelihood and impact. Risks are re-evaluated consistently to ensure we're responsive to evolving circumstances.

Our risk management approach combines "top-down strategic" and "bottom-up operational" perspectives, fostering collaboration and promoting efficient risk identification. With respect to climate-related risks, we have outlined our strategies and targets for GHG emissions reduction and biodiversity preservation.

These climate-related risks are integrated into our Principal Risks section (pages 29 to 38). The Executive Risk Management Committee plays an active role in the ongoing review of these risks, and their mitigations, controls and associated actions. This Committee meets on a regular basis and follows a stringent process for identifying, assessing, responding to and escalating serious concerns related to these risks.

We firmly believe that this integrated and transparent approach will ensure effective risk management aligned with the principles of TCFD, while driving our strategic objectives for sustainability.

How we manage risks



Metrics and targets

The metrics and targets have changed as a result of new best practice advised by our partner, Planet Mark. Reduction initiatives and measurement are for Scope 1 and 2 only, not Scope 3.

Setting metrics and targets is very challenging when reporting scope is continuing to change. Previously reduction initiatives were across all three scopes, however our current partner, Planet Mark has changed that guidance to be Scope 1 and 2 only. This on top of a year end change, the addition of full Scope 3 reporting relevant to our business operations and significant changes in our footprint as we continue to grow the business has made any previous reduction targets impossible to measure.

We made a decision to appoint a new partner – Positive Planet and taking the opportunity to reset a baseline now we have full Scope 1, 2 and 3 reporting in place. Working with Positive Planet, we have begun mapping our net zero journey, and will set credible science-based targets, from which to measure our performance against in future.

NCC Group's sustainability strategy 2024 is complementary to this TCFD Report.

TCFD recommended disclosure	Consistency	NCC Group disclosure	Focus area for FY25
Metrics and targets			
A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Partially consistent	• Reporting of Scope 1, Scope 2 and Scope 3 greenhouse gas emissions for FY24 compared to prior years • Scope 1 and 2 emissions increased by 41%, against the new reporting period and acknowledges improvements in data quality	• Map our net zero journey and set credible science-based targets
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks	Partially consistent	• Publication of Scope 1 and 2 GHG emissions for FY24 vs FY23 adjusted for the new reporting period • Full Scope 3 emissions relevant to our business operations	• Using insights from new travel tool, continue to improve disclosures of business related travel
C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against target	Consistent	• 5% year-on-year overall reduction of Scope 1 and Scope 2 GHG emissions	• Map our net zero journey and set credible science-based targets