Environmental impact and carbon use disclosures

Non-Financial and Sustainability Information Statement

Reporting period: 1 July 2022 to 30 June 2023

The Group identifies sustainability as fundamental to each aspect of its Business Model and the long-term success of the Group. Throughout the period ended 30 June 2023 the Group has continued to strive toward creating a more socially, environmentally, and economically sustainable business. The Group regularly reviews its sustainability strategy as a responsible house builder.

AVANT homes

Greenhouse Gas (GHG) Emissions

In accordance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, we report on our greenhouse gas ('GHG') emissions as part of this Strategic Report. The methodology used to calculate our emissions is based on the UK Governments Environmental Reporting Guidelines (2013) and emission factors from the 2017 Government GHG Conversion Factors for Company Reporting.

The reported emission sources include those which we are responsible for, with the exception of gas and electricity from part-exchange properties which were excluded from this report due to immateriality and the difficulty in accurately reporting and recording this data.

The Group seeks to look after the communities in which we build, our people, our contractors, and our customers. We are working hard to ensure that all our sites will achieve a Biodiversity Net Gain (BNG) of at least 10% from February 2024 onwards. Creating and enhancing habitats will be achieved through the implementation of landscaping and green infrastructure. This includes woodland meadows, swales, protected wildflower meadows and corridors. We work with third parties to achieve tangible local nature recovery, delivering BNG benefits as part of our wider strategy.

We are determined to reduce the carbon emissions of our new homes by 75-80% from 2025, when compared to homes that are built under the current Building Regulations (2019). Our new homes are aligned with the Government's ambitious carbon reduction targets enshrined within the Future Homes Standard. This aims to ensure that all new homes contribute to the UK's carbon emissions target to achieve net zero by 2050.

A number of initiatives are included in our homes such as photovoltaic (PV) panels, electric vehicle (EV) chargers, and boilers with an A energy rating. In our offices and on-site, along with safety and efficiency, attention is paid to the use of natural resources and reducing our carbon footprint. To this end, recycling, resource saving, and waste reducing opportunities are provided. Our standard house types reduce waste generation from components such as plasterboards. This has helped us to ensure that 98% of construction waste is recycled and diverted away from landfill.

We also dispose and recycle our electronic equipment sustainably, partnering with a Waste Electrical and Electronic Equipment (WEEE) recycling and disposal company. We have introduced a new fleet vehicle policy requiring all new cars to have CO2 emissions of 120g/km or below. All our regional offices also have electric vehicle chargers that are available for employees to use.

Greenhouse gas emissions

	51-week Period ended 30 June 2023		72-week Period ended 7 July 2022*	
	Tonnes CO^2e	KwH	Tonnes CO^2e	KwH
Scope 1 (Direct) GHG emissions	5,219	21,607,015	6,531	27,531,910
Scope 2 (Energy indirect) emissions	772	3,730,458	1,198	5,640,419
Scope 3 (Other indirect) emissions	367	1,591,477	452	1,933,633
Total emissions	6,358	26,928,950	8,181	35,105,962

Emissions intensity

	51-week Period ended 30 June 2023		72-week Period ended 7 July 2022*	
	Tonnes CO^2e	KwH	Tonnes CO^2e	KwH
tCO2 per Avant home built	3.6	15,249	2.8	11,912
tCO2 per 100 sqm of built homes	3.6	15,254	2.8	11,872
tCO2 per Avant employee	9.6	40,556	11.7	50,151

* Period ended 7 July 2022 has been restated following an improvement in the quality and quantity of data available. The information was previously based on a series of assumptions where no data was available, these assumptions have been refreshed in line with the availability of a larger and more detailed set of data.

Climate-related Financial Disclosures (CFD)

The Financial Conduct Authority (FCA) introduced new requirements with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 for large private UK companies to report in alignment with the UK CFD framework for periods beginning on or after 6th April 2022. The UK CFD disclosures are based on the framework created by the Task Force on Climate-related Financial Disclosures (TCFD), which is a globally recognised framework for reporting on climate-related risks and opportunities. The disclosures have been prepared to meet the UK CFD requirements but are also aligned to the pillars included in the TCFD framework.

There are four themes that support the framework – governance, risk management, strategy, and metrics and targets. These themes are reflected in the eleven recommended disclosures for reporting the financial impact of climate change upon the business.

Our reporting is consistent with current guidance and will continue to be refined in future years.

As we work to improve our reporting in this area, we will further develop both the risk management processes described below and our wider approach to climate-related issues. Our approach will evolve in future years, with our experienced management team and strong relationships with stakeholders enabling us to manage risks and opportunities in the interim period while we work to enhance our approach.

Governance

Board

The Group board of directors holds overall responsibility for ensuring that climate-related risks and opportunities are appropriately considered across the business. This is achieved via an annual review of the risks facing the business (including those relating to the climate) led by the Chief Financial Officer, together with other measures described below.

Group Head of Business Processes

The board have designated our Group Head of Business Processes to oversee our response on climate-related risks and opportunities. This role is integrated into all key areas of the business and is therefore well-placed for this responsibility.

Their responsibilities will include:

- updating the climate-related risks within the risk register annually;
- liaising with regional management across the Group to ensure climate related risks and opportunities are understood and the related impact assessed;
- developing, overseeing and communicating the business' Environmental, Social and Governance (ESG) strategy; including reviewing stakeholder engagement to ensure that the supply chain remains aligned with our ESG strategy;
- ensuring that CFD and Energy Savings Opportunity Scheme ("ESOS") reporting are compliant with all relevant regulatory requirements;
- briefing the board on annual basis with any updates on the Group's progress, including progress on any climate-related goals and targets.

Regional

At a regional level, managing directors are responsible for implementing all local climate-related requirements. This includes ensuring that all environmental risks and opportunities are given due consideration prior to the acquisition of land which will be used for future developments.

Risk management

An overall risk register will be maintained and updated at least once each year, with the Head of Business Processes ensuring that any climate-related risks are included as part of this process. They liaise with representatives from the various departments and regions across the business to ensure that all appropriate risks have been assessed. The board have ultimate responsibility for the register and will subject it to an annual review. This process ensures that all relevant information fully integrated at all levels in the Group.

Climate-related risks are an important element of this register, with climate change being considered as a principal risk by the business. We recognise the emerging impacts of both the transition to a low carbon economy and changes to the climate on the way we conduct business.

For each risk, we identify:

- the nature of the risk;
- its potential impact;
- mitigation strategies;
- the expected time period over which the impact will occur;
- a probability assessment;
- the risk owner;
- any controls currently in place and who owns them;
- an evaluation of any residual risks.

When selecting the time periods over which to consider each risk and opportunity we took the following approach:

Timeframe	Number of years	Explanation
Short term	< 2 years (to 2025)	This period reflects the introduction of the "Future Homes Standard", a significant piece of climate related industry-wide legislation.
Medium term	2 - 8 years (to 2030)	This is a key window of time, as many governments and organisations have set 2030 as a target date for some of their climate-related goals. We also expect that the more impactful effects of climate change will begin to materialise[1] and further industry-wide legislation will be implemented as a result.
Long term	> 8 years (beyond 2030)	We expect to see the most significant changes to the climate beyond 2030[1] and the legislative approach taken by governments will adapt to reflect the progress seen up to that point.

[1] Based on current projections, including the latest UK Climate Projections (UKCP) data published by the Met Office.

In addition to the steps above, to ensure the accuracy and completeness of the register, we also regularly review the latest climate-related information and consider how this may impact our approach. This information includes:

- climate insights and trends;
- emerging legislation and government policies;
- local authority announcements;
- resources from industry bodies;
- information from internal experts.

In assessing the risks, the board will assess the materiality of each risk in order to prioritise the response to each risk. Factors considered include regulatory requirements, compliance with planning laws, impact on business strategy, including the impact on build progress, impact on the environment and any response to customer demand.

Scenario analysis

We are still developing our capability to assess the resilience of the Group's strategy under different climate-related scenarios and hope to continually develop this process. Currently, we are taking a qualitative approach, based on the standard scenarios assessed in previous reporting within the construction industry.

At this stage, we consider the following three scenarios to be the most likely to occur: an orderly transition to a low carbon economy; a disorderly transition; or a climate breakdown. The scenarios represent differing levels of regulatory change and actions by businesses, with differing increases in global temperatures (as compared to pre-industrial levels) as a result. See the table below for details.

Scenario	Impact of regulatory changes	Impact of temperature changes
Orderly transition	Significant short term regulatory changes. Greater impact on the business as we proactively adapt our operations to ensure compliance.	Relatively lower increase in temperatures as compared to pre-industrial levels. Lower impact on the business as both acute (storms, floods etc.) and chronic (heat and cold waves, droughts etc.) weather events do not become much more extreme and frequent in nature.
Disorderly transition	Moderate short term regulatory changes. Some impact on the business as we gradually adapt our operations to ensure compliance.	Moderate increase in temperatures as compared to pre-industrial levels. Some impact on the business as both acute (storms, floods etc.) and chronic (heat and cold waves, droughts etc.) weather events become more extreme and frequent in nature.
Climate breakdown	No short-term regulatory changes. No impact on the business as minimal adaptation to operations is required.	Significant increase in temperatures as compared to pre-industrial levels. Higher impact on the business as both acute (storms, floods etc.) and chronic (heat and cold waves, droughts etc.) weather events become significantly more extreme and frequent in nature.

We have considered the scenarios outlined above and determined that a disorderly transition is currently the most likely to occur. This decision was based on the impact that the business has experienced to date and management's understanding of current predictions. We have based our impact evaluation of each risk and opportunity in the tables below on this scenario – we aim to evaluate multiple scenarios in future periods.

Impact on financial statements

Balance sheet, statement of comprehensive income and cash flow

The estimated costs to complete for each development across the Group are regularly reviewed and updated during the regional valuation meetings. These reviews include changes to regulations that may impact these costs, including those aimed at tackling climate-change. The resulting change in estimated costs to complete has an impact on the forecast margin for that development and will therefore be recognised across all plots completed in the current and future years.

Where cashflow forecasts have been prepared for use in valuing intangible assets that require an annual impairment assessment, the impact of climate change has been considered and not deemed to have a material impact.

Going concern and future planning

The risks presented by climate change are considered during the going concern assessment, as part of a wider consideration of the Group's principal risks. The relevant period for our going concern assessment is twelve months from the signing date of the statement of financial position, therefore climate change does not have a material impact on this assessment, as many of the risks that it poses are more long term in nature.

In the Group's longer-term forecasts, we have performed sensitivity analysis on a number of variables that may be impacted as a result of climate change, such as ensuring that the ongoing availability of viable land is considered.

Risks and opportunities

Details of the specific risks and opportunities identified during the latest review of the climate-related risk register are outlined below.

Table of risks and opportunities:

Type: Transition	**Category: Market**	**Subcategory: Consumer demand**
Risk	**Time Frame**	**Business readiness and actions**
Increased demand for energy efficient homes, if we are unable to meet this then it may impact our brand reputation and decrease consumer satisfaction.	Short to long term	Site and customer service teams are regularly trained in any new solutions and technologies, allowing them to implement improvements and manage customer expectations where necessary.
Opportunity	**Time Frame**	**Business readiness and actions**
Marketing opportunity to differentiate from the second-hand market, maximising sales prices, and demand. Research suggests that buyers may be willing to pay up to a 10.5% premium for low carbon homes, with Gen Z future buyers paying up to a 20% premium. 62% of UK households see investment in energy efficient homes as attractive.	Short to long term	Marketing activities promote the energy efficiency of our homes and benefits of green mortgages to our customers, to educate them to the benefits of new build homes compared to the second-hand market.
The energy efficiency of our homes allows potential customers to access green mortgages. This is a growing sector and potentially meets the demand for more affordable mortgages.	Short to long term	All our homes are built in accordance with the latest regulations, increasing their energy efficiency. The specification of our homes has also been simplified, enabling us to adapt to changing customer preferences. The business is focused on mainly constructing smaller properties and also works with both Private Rented Sector (PRS) investors and affordable housing partners, all of which support affordability.

Type: Transition	Category: Market	Subcategory: Financing
Risk	**Time Frame**	**Business readiness and actions**
Without an appropriate Environmental, Social and Corporate Governance (ESG) strategy, incorporating climate-related considerations, there is an increasing risk of this impacting our access to and cost of capital.	Short to medium term	We are starting to conduct an in-depth review of our ESG strategy to mitigate this risk and utilise the opportunities available. Discussions have already taken place with Relationship Banks and Shareholders to align our evolving ESG strategy with their requirements, ensuring access to available and low-cost capital.
Opportunity	**Time Frame**	**Business readiness and actions**
A sufficient ESG strategy could enhance access to capital and reduce its cost by meeting investor expectations in this area.	Short to medium term	We are starting to conduct an in-depth review of our ESG strategy to mitigate this risk and utilise the opportunities available. Discussions have already taken place with Relationship Banks and Shareholders to align our evolving ESG strategy with their requirements, ensuring access to available and low-cost capital.
Type: Transition	**Category: Reputation**	**Subcategory: Stakeholders**
Risk	**Time Frame**	**Business readiness and actions**
Talent attraction and retention may prove increasingly challenging if we do not seriously consider our ESG responsibilities, as future generations become more attracted to organisations that are considered environmentally responsible.	Short to medium term	Exit interviews are conduct by the Human Resources department to understand employee motivations for leaving the company and inform ongoing talent strategy. Electric vehicle charging points have already been installed at our regional offices, encouraging climate-conscious potential employees to join our teams. The offices are also conveniently located for employees, being close to major motorway networks.
Revenue and investment streams may be threatened if we fail to meet and exceed consumer and investor expectations regarding climate-related initiatives.	Short to medium term	Market research is conducted regularly with the support of reports produced by third parties, such as the House Building Federation, panel brokers and Rightmove, to understand evolving consumer requirements.

Type: Transition	Category: Technology	Subcategory: Improvements to technology
Risk	**Time Frame**	**Business readiness and actions**
Sales volumes may decrease if we commit to new technologies during planning which then become obsolete or outdated during site construction. A lack of understanding of the benefits of new technologies and how to use them properly may reduce customer satisfaction. For example, solutions that have been marketed to customers may not reach their potential optimum performance, resulting in complaints.	Medium to long term	Group technical experts carry out balanced assessments of new technologies, to ensure that exposure to untested technologies is minimised. Detailed marketing exercises are regularly undertaken to promote the benefits of new homes compared to the second-hand market. Site teams ensure that customers are informed of the solutions within their new property during reservation and handover meetings, to help align expectations and assist with usability.
Rapid adoption of new solutions and increased use of certain materials may delay the delivery of homes, due to market shortages and increased costs requiring higher capital investment.	Medium to long term	The acquisition of a timber frame factory during 2022 ensures security of supply for up-to-date and modern methods of construction. The factory currently supplies the Scotland region but has the ability to expand into England and supply insulated roof panel systems in addition to timber kits. Ongoing material and supply chain reviews will also be conducted.
To meet planning requirements and remain up to date with evolving construction techniques, upskilling of the existing workforce and new specialist skills will be required. This could also potentially increase overall build costs.	Medium to long term	Regular training and seminars ensure that all relevant staff are aware of the latest building regulations.
Opportunity	**Time Frame**	**Business readiness and actions**
New solutions and efficiency improvements may incur cost savings for the customer when compared to second hand homes.	Medium to long term	All new homes are built to the latest building regulations which increase efficiency and reduce ongoing costs for customers.

Type: Transition	Category: Policy	Subcategory: Building and planning regulations
Risk	**Time Frame**	**Business readiness and actions**
Required changes to homes and sites may increase build costs and impact land values. Increased use of electric vehicles will require increased charging facilities and grid capacity at offices, sites and customer homes. Risk of financial penalties from non-compliance	Medium to long term	All house types are adapted in advance of new regulations coming into force, to ensure that the standards continue to be met. Reviews of changing regulations will continue to be undertaken and recruitment of internal expertise remains ongoing. House types have also been standardised and simplified from a build perspective, so that they can be more easily adapted to new regulations and cope with increasing climate-related risks.
Changes to planning regulations could result in potential delays in achieving planning permissions. This may also reduce land viability due to increased build costs.	Medium to long term	We work closely with local authorities to ensure that their requirements continue to be met.
Opportunity	**Time Frame**	**Business readiness and actions**
Opportunity to enhance the appearance of sites for consumers and appease their increasing desires for environmentally friendly initiatives. Meeting requirements and local authority preferences could ensure that we are more competitive in land acquisitions.	Medium to long term	We work closely with local authorities to ensure that their requirements continue to be met.
Type: Physical	**Category: Flooding and precipitation**	**Subcategory: Acute**
Risk	**Time Frame**	**Business readiness and actions**
Increased flood risk concerns may impact our current land bank and future land supplies. This may drive an increase in land value, increase site costs due to customers service issues like waterlogged gardens and require infrastructure such as flood barriers. The carrying value of land may need to be written down as a result.	Medium to long term	Flood risk is already considered as part of the planning requirements and forms part of our consideration when selecting sites to purchase, as flood risk assessments form a vital part of land appraisals. The Environment Agency's flood mapping tools are also utilised to review external intelligence, and features such as Sustainable Drainage Systems are integrated into site schemes.
Opportunity	**Time Frame**	**Business readiness and actions**
Increased attractiveness of sites for consumers following the integration of additional landscaping features to mitigate flooding.	Medium to long term	Flood risk is already considered as part of the planning requirements and forms part of our consideration when selecting sites to purchase, as flood risk assessments form a vital part of land appraisals. The Environment Agency's flood mapping tools are also utilised to review external intelligence, and features such as Sustainable Drainage Systems are integrated into site schemes.

Type: Physical	Category: Heats and droughts	Subcategory: Acute
Risk	**Time Frame**	**Business readiness and actions**
Potential delays on sites if the impact is sufficient to disrupt construction and supply chains.	Medium to long term	Our acquisition of a timber frame factory during 2022 reduces the likelihood of disruption, by securing supply and allowing parts of the construction process to occur off-site.
Health and safety and wellbeing may become more critical, as construction teams will be working on site in warmer conditions on a more regular basis.	Medium to long term	Health and safety reviews will take place regularly to ensure that measures remain appropriate in changing conditions.
Type: Physical	**Category: Heats and droughts**	**Subcategory: Chronic**
Risk	**Time Frame**	**Business readiness and actions**
Regular heatwaves and generally warmer temperatures will impact housing designs, to avoid overheating and ensure that customers remain comfortable.	Medium to long term	House type designs have already been adapted to ensure successful adoption of uplifted Part O requirements, mitigating overheating via The Simplified Method or the Dynamic Thermal Modelling Method.
Opportunity	**Time Frame**	**Business readiness and actions**
More frequent periods of dry weather may enable increased construction output.	Medium to long term	Build schedules are regularly reviewed to ensure that work takes place at appropriate times and therefore take advantage of dry weather.
If solar panels become a more productive source of energy, the inclusion of these on our homes will make them more attractive to potential customers.	Medium to long term	Our acquisition of a timber frame factory during 2022 increases our capacity to apply solar panels to our homes.
Type: Physical	**Category: Sea level rises**	**Subcategory: Chronic**
Risk	**Time Frame**	**Business readiness and actions**
Rises in sea level could limit land availability in coastal areas.	Long term	The regions that the business currently operates within have a limited exposure to coastal flood risk. Future land purchases and potential expansions of the business will take this factor into account.

Targets and metrics

As this is the first year of implementation, we will continue to formalise our response to climate-related risks and the Board will expand upon the list of targets below and add relevant metrics in future periods.

Currently, we are committed to the following target:

- To ensure that our new homes will be 'zero carbon ready' by 2025, in line with the Future Homes Standard established by the UK Government to achieve their 2050 Net Zero target, already lowering emissions by adopting the amendments to Parts F, L, S and O.