Task Force on Climate-related Financial Disclosures

Keller has considered the risks and opportunities posed to the business by climate change, and the impacts it may face over several time horizons. The following statement discloses Keller's climate-related financial information and actions the business is taking to respond to climate change. It is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in compliance with Listing Rule 9.8.6R, with areas where disclosures are only partially consistent included at the end of the statement on page 58.

Governance

Board oversight of climate-related risks and opportunities

The Board is ultimately responsible for the oversight of climate-related risks and responsibilities, and for ensuring that the Group's approach to sustainability is implemented across the business. The Group's governance framework is structured to provide regular and relevant updates to the Board in order to support informed decisions on climate-related matters. The governance framework is outlined in full on page 36, and the organisational and reporting structure for climate governance is depicted on page 49.

ESG, including the management of climate-related issues, was a listed topic on the agenda at four Board meetings in the last year, corresponding to the ESG Board Report which is delivered to the Board on a quarterly basis. The report is coordinated by the Group Company Secretary and Legal Advisor's team, and ensures a clear reporting line on all ESG matters, including climate risk, to the Board and the Group Chairman, who is the designated Director for ESG and sustainability matters. Additional discussions on sustainability-related matters also take place as required.

The Sustainability Committee, a Main Board Committee, has oversight of the Board's responsibilities in relation to environmental matters, including climate-related matters. In line with its terms of reference, this committee convenes a minimum of three times a year and is comprised of the CEO, the Group Chairman and the independent Non-executive Directors (NEDs). Its report for 2023 can be found on page 105. The Sustainability Committee was formed in May 2023 following the merger of the Environment and the Social and Community Committees. It is chaired by Juan G. Hernández Abrams, an independent NED on the Board.

The Sustainability Steering Committee, the Main Management Committee responsible for climate-related and environmental matters alongside other ESG topics, is composed of representatives from each division – North America, Europe, and AMEA – and the Group's relevant functions, as listed on the organisational and reporting structure for climate governance on page 49. The Committee convenes quarterly and reports to the Sustainability Committee and to the Executive Committee, which is also Main Management Committee. As part of the risk management process for climate risks, the Sustainability Steering Committee is responsible for identifying climate-related risks and reporting these to the Audit and Risk Committee, a Main Board Committee, which in turn reports to the Board. The Sustainability Steering Committee is chaired by the Engineering and Operations Director, who is head of sustainability and responsible for having oversight on sustainability matters. More detail on the risk management process for climate-related risks is given in the Risk Management section of this statement and in the Principal Risks and Uncertainties section (page 36).

As part of the risk management process for climate risks, the Sustainability Steering Committee is responsible for identifying climate-related risks and reporting these to the Audit and Risk Committee, a Main Board Committee, which in turn reports to the Board. The Sustainability Steering Committee is chaired by the Engineering and Operations Director, who is head of sustainability and responsible for having oversight on sustainability matters. More detail on the risk management process is given in the Risk management section of this statement and in the Principal risks and uncertainties section (page 36).

ESG matters, including climate-related issues, are taken into account in core strategic decisions by the Board and management via a formal Project Review process. This process incorporates assessment of the viability of projects on the grounds of safety and legal compliance. The Group is continuing to develop a stage of this process which would also incorporate assessment of project viability on the grounds of climate-related impact. Currently, we incorporate an assessment of projects based on the financial impact that would be had as a consequence of an adverse reputational event.

As a result of this process of incorporating climate-related issues into core strategic decisions, during 2023 we adapted our rig procurement and development strategy to protect our equipment from future transition risks. We set aside a £100,000 budget to help business units trial biofuels, including hydrotreated vegetable oil (HVO), so that these fuels can be offered to clients with sustainability requirements. As part of this strategy, we also invested in our first large electric rig as part of our rolling rig development programme. Electric rigs are safeguarded against future air quality legislation, meaning they can continue to be used without risk of becoming stranded assets.

The Board monitors and oversees progress against goals and targets for addressing climate-related issues principally through the Sustainability Committee, and also through the Remuneration Committee where there is an impact on executive remuneration. More detail on ESG-linked remuneration can be found on page 120.

Governance

Management's role in assessing and managing climate-related risks and opportunities

The Sustainability Steering Committee allows divisions and functions to raise sustainability challenges, including on climate-related topics, to the Executive Committee and to the Board and its committees. It also acts as a forum for different areas of the business to convene and discuss sustainability strategy, and for sharing sustainability best practice between divisions. The Committee is responsible for integrating sustainability targets and measures into the Group business plan, in order to successfully drive changes important to the company.

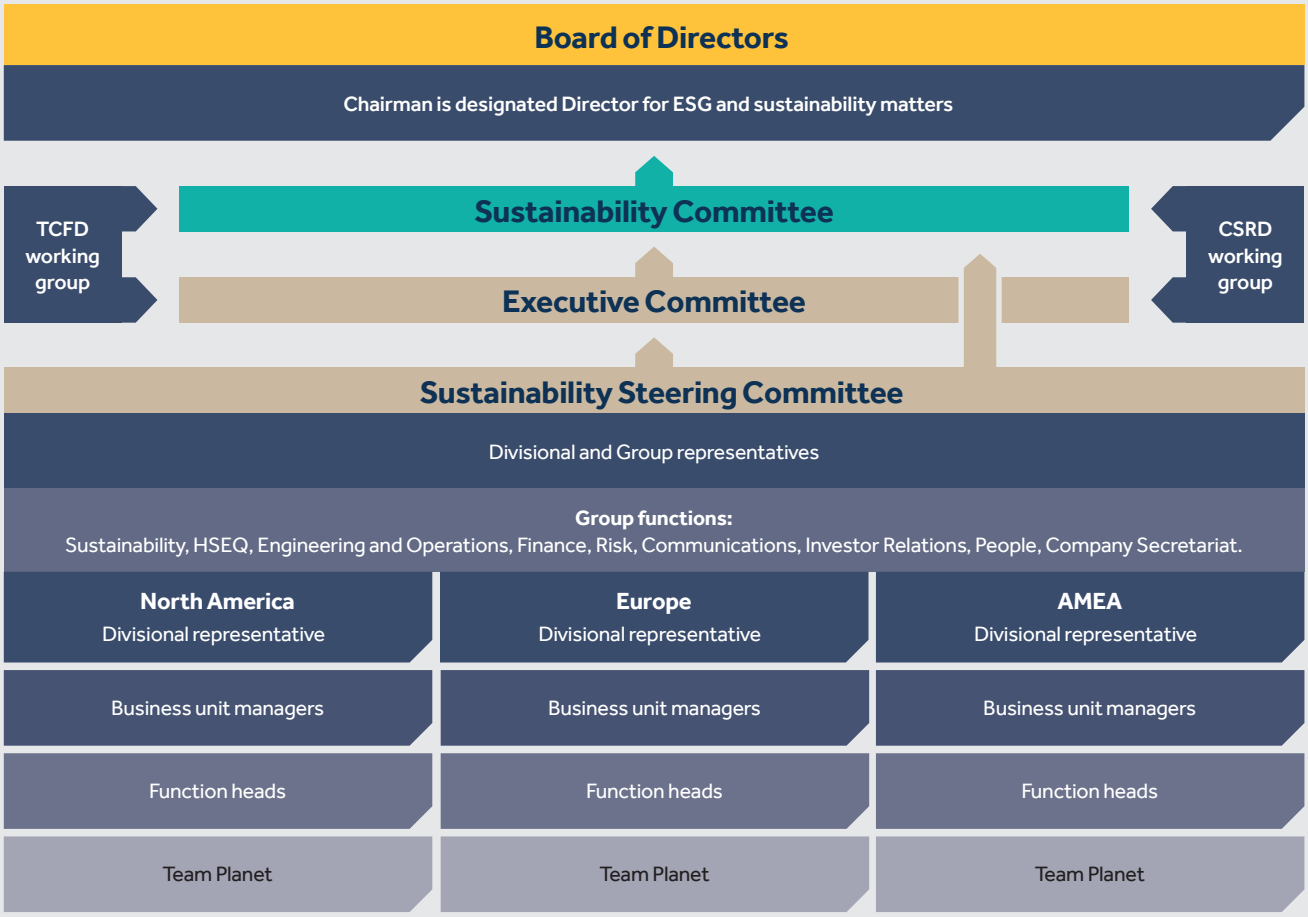
Each division of the business has a 'Team Planet', a group responsible for climate-related issues. These teams are composed of multiple representatives from diverse roles across each division, from design and procurement through to operations, and each includes at least one representative from each business unit.

Each Team Planet works alongside the Group's HSEQ teams and those responsible for local climate risk registers to help bring climate-related risks and opportunities (CRROs) and associated issues to the attention of management so that they can be acted on. For example, Team Planet are critical in grounding our climate scenario modelling in the actual contractual and practical landscape of our projects. We used multiple Team Planet North America members to both create and then sense-check the days' delay from various extreme weather events in our scenario analysis.

Organisational and reporting structure for climate governance

The Sustainability Committee provides oversight of TCFD activities on behalf of the Board. The committee is supported by the TCFD working group on TCFD matters.

The Sustainability Steering Committee has a wider remit than the TCFD working group and feeds through sustainability matters to the Executive Committee, the Sustainability Committee and the Board.



Strategy

The long-term success of the Group's business depends on actively assessing, analysing and managing the potential impacts of climate-related risks, and adapting our operations to take advantage of opportunities, in order to create a strong position in the transition to a low-carbon economy.

As a business which provides a wide variety of services across multiple geographies, Keller is exposed to a variety of impacts from climate change across the short, medium and long term. Across different potential climate scenarios, different areas of the business face more pronounced physical risks as a consequence of global temperature rise and extreme weather events, increased transition risks from regulation, and transition opportunities afforded by the requirement for lower-carbon solutions and climate adaptation.

To navigate our CRROs, and to ensure that business units are best equipped to lead and deliver appropriate climate mitigation, we have developed an internal climate-related risk register owned at the business unit level. CRROs are evaluated at the business unit level and fed back to the Group, where a consolidated view on their relative severity is produced. Details on each of these CRROs and Keller's management of them is provided in detail in the table on pages 54 to 56. In 2023, we expanded the scope and depth of our quantitative climate scenario analysis, which produced more advanced insights into the impacts of climate change on our business. Details on how we conducted scenario analysis are provided overleaf.

Based on the outputs of our climate-related risk register, and from scenario analysis, even the climate-related risks which are judged to pose the greatest risk are not deemed material to the business. However, taken together, climate-related risks are judged to represent a significant risk, and climate change is therefore considered a principal risk to the business. In order to reflect this in our financial planning, climate-related risk is built into the viability statement sensitivity analysis, which looks out over a three-year period. The full viability statement can be found on page 39.

Time horizons for the impacts of CRROs have been defined as follows:

- Short term: 1 year
- Medium term: 2–5 years
- Long term: 6–30 years

These divisions take into consideration both business cycles and the long-term time horizons relevant to physical climate risk. The short-term risk is defined as one year in recognition of the short-term nature of the majority of our projects, which are typically bid for, won and executed within one year. The medium term aligns with the business planning horizons used for the viability statement. The long term aligns to publicly available climate projections, which extend to 2050, and which provided the time range for our scenario analysis. These timeframes are also recognised by CDP as consistent with current best practices for TCFD disclosures.

Scenario analysis

In 2023, we advanced our quantitative scenario analysis in order to better evaluate the Group's CRROs. We built on our analysis from 2022, and included new CRROs, a wider geographical scope, and more sophisticated modelling of our risks.

As the impact on the Group from CRROs varies greatly across our different geographies, we have focused analysis on areas where the relevant risks were most severe, as determined by our qualitative assessment. Physical risk was modelled for our North America (NA) and Australian divisions, and transition risk was modelled for our Europe Division.

As we currently face more impacts from weather events in NA and Australia than we do in Europe, we chose to focus our physical analysis initially on these regions. Conversely, since regulations on carbon and emissions are currently at a more advanced stage in Europe than in NA and AMEA, we chose to focus our transition analysis initially on Europe.

Our scenario analysis modelling has been established in a way that is replicable annually, so that the Group can see how impacts are changing on an ongoing basis. As the sophistication of climate science, availability of data, and clarity around regulation all increase, we expect to enhance the completeness and accuracy of our scenario analysis. We also expect future analysis to be able to inform in greater detail our strategies for mitigating risk and capturing opportunity, and to help us know where our efforts should be focused when addressing CRROs.

Strategy

Scenario analysis continued

In 2022, we assessed the risk of the increased cost of raw materials, and the accompanying opportunity for low-carbon solutions, in the pilot location of Austria. This year, a new transition risk has been addressed, regulation of existing products and services, which has been addressed by modelling the risk of stranded rig assets in Europe as a result of incoming regulation. Physical risk modelling was expanded to the entire North America (NA) Division and Australia, with the scope of weather perils expanded from hurricanes to also include precipitation, extreme heat and wildfires.

The table below gives details on the CRROs which have been subject to scenario analysis, including the scenarios used for each.

	Physical risk		**Transition risk**	
Division	NA (US and Canada) Australia		Europe	
Risks and opportunities modelled	Hurricanes, precipitation, extreme heat and wildfires		Low-carbon solutions Cost of raw materials Regulation of existing products and services	
Time period	2022–2050		2022–2050	
Warming scenarios	Physical scenarios informed by the IPCC:		Transition scenarios informed by the IEA. London Electrification Scenario is a scenario created for the modelling, which follows London's Non-Road Mobile Machinery (NRMM) decarbonisation rules.	
	SSP2-4.5	Average 2.7°C rise by 2100	**Net Zero Emissions (NZE)**	Average 1.5°C
	SSP5-8.5	Average 4.4°C rise by 2100	**Announced Pledges Scenario (APS)**	Average 1.7°C
			Stated Policies Scenario (STEPS)	Average 2.5°C
			London Electrification Scenario	Only zero emission machinery is allowed in operation from 2040 onwards.

Financial impacts

	2030		**2050**	
	SSP2-4.5	**SSP5-8.5**	**SSP2-4.5**	**SSP5-8.5**
Impact of physical risk on operations in NA and Australia (% impact to total global revenue)	1.7%	4.3%	2.6%	6.4%
Impact of physical risk on operations in NA (% impact to total global revenue)	1.5%	3.9%	2.4%	6.0%
Impact of physical risk on operations in Australia (% impact to total global revenue)	0.2%	0.3%	0.2%	0.4%

	2030				**2040**			
	London Electrification	**NZE**	**APS**	**STEPS**	**London Electrification**	**NZE**	**APS**	**STEPS**
Total value of rigs which become stranded assets in the year (% of total net book value of the rig fleet in Europe)	10.3%	0%	0%	0%	2.8%	0%	0%	0%

Strategy

Scenario analysis: Physical risk

NA and Australia

Risk: Impact on projects from hurricanes, precipitation, heat and wildfires

Selection

Impact from acute weather risks is identified as a medium risk across our three divisions, with chronic risks being identified as a high risk for our NA and AMEA divisions. The Group already experiences impacts to projects as a result of extreme weather in these locations.

Approach

We are impacted by weather through disruptions to our projects, which cause days of delay and repair costs. We made assumptions around the days of operational disruption and associated costs from each event type, and then used these figures to model revenue impact. For hurricanes, we used existing hurricane models applied to an earth climate model, and then assumed a radius of impact from forecasted hurricanes. For extreme heat, we modelled disrupted days at 35–40°C and 40°C+. For precipitation, 20–50mm days and >50mm days. For wildfire, we modelled high fire weather index (FWI) days as representative of an average likelihood of wildfires.

Climate scenarios were informed by the IPCC's Representative Concentration Pathways (RCPs). Both scenarios were assessed out to 2050.

Assumptions

- Impacts to future projects were modelled using current project locations. This assumes that the general locations of our operations will not change greatly.
- The financial impact from lost workdays was modelled using an average days' delay from each weather event, and average repair costs following events.

Results

The Group faces limited exposure to climate-related physical risk. The total potential financial impact of all combined physical risks is set to be c5% of projected total revenue in 2050, on average between the modelled scenarios. This is an unabated figure, which assumes that the Group takes no action to address these risks. Extreme heat has emerged as the greatest risk of the four modelled, accounting for 46% of the total predicted revenue impact, and Florida stands out as the state facing the greatest impact, given its high revenue generation and its current exposure to climate risks.

Response

In order to better quantify and control our impacts from extreme weather, we will aim to track actual days' delay across operational sites, and improve our systems for collecting costs from delays and mitigating activities. We will be reassessing our health and safety policies for heat, particularly in more highly affected regions such as Florida, in order to set clearer limits on when work can continue and when to delay, and to provide greater understanding of what potential future financial impacts are.

We will reassess our contracting terms in order to implement greater consistency around the liability which the Group takes for weather impacts.

Strategy

Scenario analysis: Transition risk

Europe

Risk: Stranded rig assets as a result of regulations

Selection

As our rigs, which are defined as NRMMs, emit greenhouse gases and particulates, they may in future be subject to regulation which prevents their usage unless they are below a certain requirement for emissions, or are zero emissions (ie electric). The Group already faces some limitations on higher-emissions rigs being used in certain projects in cities in Europe.

Impacts from this risk are identified as medium in Europe and NA, and low in AMEA.

Approach

IEA scenarios were each taken to represent a different speed of phase-out of rigs, which were informed by emissions reduction trajectories from the IEA's World Energy Outlook 2023, using the 'Heavy duty vehicles' pathway as an approximation for NRMMs. The EU has also instated regulation which defines emission limits for NRMM engines which can be sold in the EU. While this does not directly affect rigs which can be used, this regulation informed our approach.

These scenarios (NZE, APS, and STEPS) were used to define when rigs of different emission stages in our fleet would become stranded assets. Assumptions were also applied to each scenario about the rate at which Keller would transition its fleet to lower-emission and electric rigs. The speed of the assumed transition was correlated to the stringency of the scenario, with less rapid fleet transitions assumed for warmer scenarios with less stringent regulation.

However, as the IEA's pathways take a global perspective, they were ultimately less ambitious than what we expect for Europe. We found that no financial impacts were observed for even the most stringent scenario, NZE.

Therefore, a fourth scenario was created, titled 'London Electrification', which was based on London's more stringent rules for NRMMs. London is one of the few cities in Europe with a specific policy around the phasing-out of high-emission NRMMs. In accordance with London policy, this scenario assumed that only zero emission machinery (ie electric rigs) will be allowed by 2040.

Assumptions

- An average lifespan was assumed for rigs, after which they would be replaced with a newly purchased rig. Depending on the scenario, the new rigs purchased were categorised as electric and/or the most efficient engine type.
- The IEA's heavy-duty transport emissions reductions trajectory was used to inform emissions reductions for NRMMs.

Results

The Group is unlikely to face stranded rig assets in Europe in any of the IEA scenarios. In these scenarios, the rate at which older rigs in the fleet are replaced with lower and zero-emissions rigs means that by the time regulations come into force, Keller's fleet is already compliant.

However, in the London Electrification scenario, Keller will have to impair rigs in its fleet equivalent to 2.8% of the net book value of the fleet, by 2040. This is the strictest scenario, and we believe it is unlikely that regulations equivalent to the strictness of London's NRMM regulations will be applied across Europe. We therefore consider the likelihood of the London Electrification scenario to be low, and for the risk of it occurring to therefore be minimal. However, it may be the case that similar restrictions are applied in urban areas in Europe, where many of our projects are located.

Response

We will incorporate emissions and regulation considerations into our capex plan for future rig purchases, informed by potential timelines for regulation. This plan will aim to support the replacement of older rigs with lower and zero-emissions rigs, so that these have been replaced by when regulations come into effect.

Our rig decarbonisation strategy, which involves us trialling and implementing alternative equipment in our projects, helps us to address potential future requirements. In 2023, we trialled electric rigs for the first time, and aim to expand our use of this zero-emission equipment in the future. Already, all the rigs we produced in 2022 were electric, electrohydraulic, or had 'stage 5' engines, the lowest emissions tier. Further information on our actions can be found in the table of our CRROs on page 54. More detail on our decarbonisation strategy can be found on page 63.

Strategy

Keller's CRROs and strategic responses

Austria

Risk: Cost of raw materials

Opportunity: Low-carbon solutions

For details on these CRROs and the approach taken, please refer to Keller's 2022 Annual Report and Accounts.

Results

The risk associated with the cost of raw materials, and the accompanying opportunity of the potential for low carbon solutions, are likely to impact the Group most significantly in the NZE scenario. This is mainly driven by greater stringency of climate regulation, including carbon pricing. Outputs showed that exposure to elevated carbon pricing is not entirely offset by the decarbonisation rate of materials, even in an NZE scenario. However, the direct financial impact arising from this is likely to be minimal, given that the cost of materials is embedded into the contracting process. In addition to risk, opportunities were also highlighted, including Keller's ability to offer lower carbon solutions to clients for equivalent services. The findings around indirect financial impacts and opportunities will apply to all other European locations since the regulatory frameworks are the same. For other business units such as the UK, the impacts will be very similar to Europe's, due to legislative equivalences.

Response

We will continue to test where low-carbon product lines are feasible within our service offerings, and continue to test the use of low-carbon materials within existing product lines.

We are training all engineers in the use of the sector standard carbon calculator to enable them to determine and offer low-carbon solutions. This carbon calculator has been embedded into our estimating spreadsheets in key markets, enabling us to demonstrate the carbon savings of different solutions to clients.

In 2023, we held a low-carbon cement workshop with representatives from across the Group. As an outcome, we outlined short, medium and long-term actions needed to help decarbonise our project designs and supply chain emissions. These factored in the need for many different functions to get involved, from tailoring our communication about the embodied carbon of our materials to different stakeholders, through to specific materials for future research and development and the engagement of key suppliers. The short-term initiatives were written in to personal and Group-wide leading targets to achieve in 2024.

Resilience of strategy

The 'Results' and 'Response' parts of the above scenario analysis section provide assessments of the likely impact on our business, and our responses to improve resilience. Overall, we consider the business' strategy to be resilient to the impacts of the CRROs which were subject to scenario analysis, taking into account the availability of activities we can take and are currently taking to respond to risks and capture opportunities, along with the relatively low financial impacts modelled. Ongoing assessment of climate related risks and successive scenario analysis exercises will be used to continually evaluate the resilience of our strategy going forward.

The table below describes the potential impact of the CRROs judged to be most significant for the Group, and our strategic response to these CRROs. This prioritisation has been based on our exposure to the risk or opportunity, which is given by business division, and the time horizon we anticipate impacts to take effect over. It also provides Keller's strategic response to either mitigate risk or capture opportunity.

The strategic responses detailed in the table below intend to build operational and regulatory resilience to climate change, to support the continued resilience of our strategy.

The risk categories (Low/Medium/High) given in this statement for CRROs refer to residual risk rather than raw risk, and factor in mitigations, as described in the table below. As this is a different presentation of risk to last year's TCFD statement, the risk categories for each CRRO have changed and are lower in most instances as they now factor in mitigations.

- L Projected impacts expected to not be significant
- M Impacts judged not to be significant once mitigating actions are considered
- H Impacts judged to be significant even with mitigating actions considered

Low-carbon solutions

		Time horizons		
CRRO type	**TCFD category**	**Short**	**Medium**	**Long**
Transition opportunity	**Products and services**	NA M	NA M	NA L
		AMEA M	AMEA M	AMEA L
		EU M	EU M	EU L

Description

Capture and retain market share as carbon intensity of products grows in importance as a market differentiator.

Keller's CRROs and strategic responses continued

Strategic response

- Training our employees on the sector standard carbon calculator, to understand the current emissions of our solutions.
- Offering carbon comparisons when tendering large alternative solutions, to upsell the low carbon solution.
- Created a sustainability brochure and various case studies to share with customers, highlighting our lower carbon solutions.

Climate adaptation solutions

CRRO type	TCFD category	Time horizons		
		Short	Medium	Long
Transition opportunity	Products and services	NA M	NA M	NA L
		AMEA M	AMEA M	AMEA L
		EU M	EU M	EU L

Description

The Group could see rising demand for geotechnical expertise to ensure robustness of new and existing structures to climate-related extreme weather events, in addition to infrastructure specifically designed to reduce climate-related impacts.

Strategic response

- The breadth of expertise across the Group means we are already well positioned for many existing resilience and retrofit projects.
- The short-term nature of most projects means we can pivot easily to new markets.
- We already have the ability to treat desertification or work on adaptation, resilience and mitigation projects, such as dams and flood defences.

Regulation of existing products and services[1]

CRRO type	TCFD category	Time horizons		
		Short	Medium	Long
Transition risk	Policy and legal	NA M	NA M	NA M
		AMEA L	AMEA M	AMEA M
		EU M	EU M	EU M

Description

Potential for indirect impact should costs rise for clients to a prohibitive level. Potential capex investment required to meet regulatory requirements, and potential for stranded assets if regulation makes higher-emitting rigs unusable in certain markets.

Strategic response

- Our rig decarbonisation strategy sets out our response to this risk. This has three main steps to decarbonisation: efficiency, alternative fuels and alternative equipment.
- On alternative equipment, 2023 saw us trial electric rigs for the first time. Based on the lessons learnt from these trials, we aim to expand our use of electric equipment in the future. All the rigs we produced in 2022 were electric, electrohydraulic or fitted with the latest anti-idling software and low emission tier 5 engines. For more information, please see page 66.
- On alternative fuels, in 2023 we allocated a £100,000 budget to encourage the use of HVO biofuel from certified waste stocks. After successful trials in multiple business units, we can now offer biofuels to our clients as a way to decarbonise our existing site equipment.
- On efficiency improvements, we have collated case studies from around the group on how to save carbon on site. These range from right-sizing equipment through to site set-up changes. For more information, please see page 66.
- We continue to Collaborate with our trade associations to understand upcoming legislation and support engagement with legislators.

1 This CRRO has been renamed this year from 'carbon or air pollution regulation on fuel for operational projects', but addresses the same risk.

Cost of carbon-intensive materials

CRRO type	TCFD category	Time horizons		
		Short	Medium	Long
Transition risk	Policy and legal	NA M	NA M	NA M
		AMEA L	AMEA M	AMEA M
		EU M	EU M	EU M

Description

Pricing remains embedded within contracting process; however, there is potential for reduced overall demand because of cost increases.

Strategy

Keller's CRROs and strategic responses continued

Cost of carbon-intensive materials continued

Strategic response

- Upsell our existing low carbon solutions, particularly our cement and steel-free ground improvement solutions.
- Innovation focused on decarbonising our most carbon intensive solutions. Recent innovations include reusing spoil in jet grouting solutions and reducing spoil volumes with the use of filter chamber presses and centrifuges.
- Short project lead-in times mean we have generally been successful at passing on material price inflation to our customers.

Lack of monitoring/transparency of Scope 3 emissions and enhanced carbon reporting

CRRO type	TCFD category	Time horizons		
		Short	Medium	Long
Transition risk	Reputation	NA M	NA M	NA M
		AMEA L	AMEA M	AMEA M
		EU M	EU M	EU M

Description

Potential for loss of market share if clients require transparency in, and associated reductions of, Scope 3 emissions, although most clients have not yet enquired about Scope 3 emissions. In addition, potential for loss of suppliers if requirements become too burdensome for SME operators.

Strategic response

- We are working to embed automatic Scope 3 calculations in our ERP programme development.
- We are conducting a business unit trial in Austria to calculate business unit-wide material Scope 3 emissions.
- Collaborate with industry trade associations to request emissions data from suppliers and set minimum carbon reporting standards.

Storms, flooding, wildfire, extreme heat and extreme precipitation delaying operational projects

CRRO type	TCFD category	Time horizons		
		Short	Medium	Long
Physical risk	Physical acute	NA L	NA M	NA M
		AMEA L	AMEA L	AMEA M
		EU L	EU M	EU M

Description

Delays to projects and accompanying impact to revenue from delay costs, opportunity costs, and repair costs for projects.

Strategic response

- Integrate financial contingencies into project planning in areas with a higher risk of being impacted by extreme weather events.
- Continuously improve best practice guidance regarding preparation, shut down, and recovery from storm related events.

Hot weather and heavy precipitation delaying operational projects, and rising sea levels increasing risk of coastal flooding

CRRO type	TCFD category	Time horizons		
		Short	Medium	Long
Physical risk	Physical chronic	NA L	NA M	NA M
		AMEA L	AMEA L	AMEA M
		EU L	EU M	EU M

Description

Delays to projects and accompany impact to revenue from delay costs, opportunity costs, and repair costs for projects. For heat, this includes costs for cooling solutions.

Strategic response

- Consider shifting work patterns to avoid high heat during the day, or during certain periods of the year (eg to avoid monsoon rains or wildfire seasons).
- Integrate financial contingencies into project planning.

Risk Management

Our processes for identifying and assessing climate-related risks

CRROs are assessed as part of the Group's risk governance framework, which has been built to identify, evaluate, analyse and mitigate significant risks to the achievement of our strategy. The strategy for risk embeds processes that seek to identify risks from both a top-down strategic perspective at Group level and a bottom-up local operational and business unit level, in order to ensure a consolidated view of risk. This is all managed within our new Governance, Risk and Compliance (GRC) tool, which was deployed in Q4 2023. Climate change has been established as a principal strategic risk, and the Sustainability Steering Committee has been made responsible for integrating sustainability targets and measures into the Group business plan.

Our process for managing climate-related risks

The significance, size and scope of identified climate-related risks is determined through the same processes that are applied to other risks identified by the Group. Risks are initially identified and assessed at business unit or functional level, and reported to the Group Head of Risk and Internal Audit and the Executive Committee, and in turn to the Board and the Audit and Risk Committee. Business unit leads are then assigned CRROs relevant to their own geography and services which they are made responsible for. CRROs are evaluated for their velocity, probability, potential financial and reputational impact, and assigned an overall quantitative score of severity of risk, that is then consolidated at Group level to produce a qualitative view of the relative severity of CRRO risk by geography. The CRROs are assessed in consideration of their associated mitigating activities, and the impacts are then determined on a residual risk basis. This is reflected in the CRRO table above. The outputs of the scenario analysis are also used to inform our risk assessment of how CRROs impact our business. As we increase the number of CRROs subject to scenario analysis, this exercise will more closely inform our overall assessment of the impacts of climate risk.

Regular risk reviews are conducted within our business units and functions facilitated by our Group Head of Risk and Internal Audit. The methodology used to identify the materiality of CRROs can be found in the Strategy section of this statement, including a full list of CRROs. Climate change-related risks are assessed as part of the risk governance framework in the same way as other risks, including decisions on how to mitigate, accept, and manage risks. The full risk governance framework, including an overview of our risk management processes, can be found on page 36 in the Principal Risks and Uncertainties section.

Potential impacts from existing and emerging regulatory requirements relating to climate change in our divisions were addressed through our scenario analysis work, which can be found in the Strategy section of this statement.

Metrics and Targets

Our metrics for assessing CRROs

This year, we have expanded the metrics we use to assess our CRROs. Our newly implemented ERP assists us with collecting and reporting these metrics at a Group level. We are aiming to continue to expand the metrics we collect and report on, so that all of our CRROs are tied to cross-industry metrics.

CDP score: B (2022: B)

CDP is a third-party disclosure system which assesses the quality of our TCFD disclosure. This provides overarching metrics to help us consider our progress against the risk of not being able to meet the reporting standards of clients. This score can be compared with the construction sector, and with all other companies reporting through CDP.

Percentage of revenue from water storage and flood control projects, and from non-fossil fuel based power generation: 3% (2022: 2%)

This metric can be used to track the project opportunities arising from climate change and the transition to a low-carbon economy. In terms of opportunities arising from the physical impacts of climate change, this includes flood defence projects and projects that help to secure water supplies. In terms of opportunities arising from a transitioning energy system, this includes renewable energy generation projects.

Investment into sustainability-focused research and development: £0.3m (2022: £0.2m)

This total includes our spend on HVO fuel trials, KGS KB0-E spend, and other university projects in Europe, North America and AMEA.

The Remuneration Committee agreed a Scope 2 reduction target as one of management's corporate objectives linked to remuneration for 2023. More detail on this objective and remuneration outcome is available in the Directors' remuneration report on page 136.

For quantitative disclosures concerning our energy usage, please see our Streamlined Energy and Carbon Reporting (SECR) statement on page 65.

These metrics address some of our most material CRROs. We are working to develop other metrics to address our remaining CRROs. We are also working to develop quantitative metrics to address water and waste management. Qualitative disclosures on water and waste, as well as on other environmental topics, can be found on page 68 of this report.

We do not currently use an internal carbon price.

Metrics and Targets continued

GHG emissions reporting

The Group discloses Scope 1 and Scope 2 carbon emissions to ISO 14064-3 Standard, and are calculated using the GHG protocol standard. Independent verification is provided by Accenture. Our Scope 1 and 2 emissions are provided on page 65 as part of our Streamlined Energy and Carbon Reporting (SECR). These emissions are recorded both in absolute terms, as well as relative to revenue to show the carbon intensity of our operations.

For Scope 3 emissions, to reflect where we believe we can have the most near-term impact, we currently only have a net zero target set for our Operational Scope 3 emissions. This covers business travel, transportation of materials, and waste disposal. Scope 3 calculation and reporting will be included as part of the new ERP program.

Calculating emissions for other Scope 3 categories, including for our materials, poses challenges due to the complexity of our supply network and our high number of small suppliers. Progress towards calculating further Scope 3 categories was made in our European BU this year, where initial work on calculating our Scope 3 emissions for materials was expanded on a trial basis to the full BU, providing a guiding approaching for this category and others as we build on the completeness of our calculations. As part of the development of our ERP, we are working with procurement teams to ensure Scope 3 data can be calculated at the invoicing stage, rather than relying on manual data entry at site level. Further details on our decarbonisation work and Scope 3 can be found on page 67.

Details on our approach, including how we train engineers in calculating and reducing carbon in our projects, can be found on page 67.

The Group has targets for all three scopes, which are calculated according to the GHG protocol and are in compliance with SECR requirements.

These absolute targets assist the Group in mitigating future climate related risks and in recognising climate-related opportunities. All targets use a 2019 baseline where available.

Scope 1 – Net zero by 2040

Scope 1 carbon intensity target of a 35% reduction in tCO_2e/£m revenue for 2024 (against 2019 baseline). This 2024 target would result in a 5% reduction in our carbon intensity from 2023.

Scope 2 – Net zero by 2030

Interim target of 50% reduction in absolute market-based emissions for 2024 (against 2019 baseline). This 2024 target would result in a 10% reduction from 2023.

Operational Scope 3 – Net zero by 2050

Operational Scope 3 includes business travel, material transport and waste disposal.

In order to achieve these targets, we have set multiple internal leading targets built around our carbon hierarchy, which is detailed on page 64. Once we have worked through this hierarchy to eliminate, reduce and substitute emissions, we may offset our remaining emissions as a last resort.

We also specify multiple leading targets under each absolute target, to help achieve each net zero target. These range from conducting energy efficiency audits in our offices and yards, through to conducting specific carbon reduction site trials and training our engineers on the sector standard carbon calculator.

For more information on the Group's emissions and associated targets, please see pages 63 to 67.

Compliance Table

We consider disclosures in the above Statement to be consistent with TCFD recommendations, except in the following areas:

Disclosure not provided	Detail	Expected timeframe for compliance
Metrics and Targets a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	While we have published cross-industry metrics as described in Table A2.1 of the TCFD implementation guidance, we do not have a complete list for all material CRROs. Furthermore, we have qualitative information available on water and waste, but not quantitative metrics. We also recognise that the TCFD recommendations encourage the disclosure of Scope 3 emissions and we have published our operational Scope 3 emissions and target.	We expect to add additional metrics for our CRROs next year. For metrics and targets concerning water and waste management, establishing these will be subject to a materiality assessment to determine if these topics are material to us, which we will undertake in 2024. If determined to be material, we would work on developing appropriate metrics and targets for these topics. We are actively working on improving the scope and quality of the Scope 3 categories we calculate and disclose, with the aim of publishing our full Scope 3 emissions in future. Scope 3 calculation and reporting will be included as part of our upcoming ERP programme.