1 STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2022.

This report sets out how Henry Boot continues to create consistent value through the promotion of new land opportunities, the development of and investment in high-quality property assets, and construction activities.

The Business Overview and Strategic Report on pages 02 to 77 has been approved by the Board and signed on its behalf by

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

12 April 2023

CHIEF EXECUTIVE OFFICER UPDATE

WE HAVE CONFIDENCE IN ACHIEVING OUR MEDIUM-TERM GROWTH AND RETURN TARGETS

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

Henry Boot had a good 2022, delivering our best ever underlying profit of £56.1m. Even after allowing for downward valuation movements of £10.5m in our completed investment property portfolio as UK commercial property values declined, our statutory profit before tax still increased by 30% to £45.6m (2021: £35.1m). This is a highly satisfactory result amidst the macro economic headwinds faced in the second half.

The year started off buoyantly with encouraging levels of demand across our three key markets, which offset cost pressures and supply constraints, but with energy prices fuelling inflation and rising interest rates, we saw a marked slowdown in Q4 22. However, as we enter 2023 there are encouraging signs that the economy is proving slightly more resilient than expected, and demand is recovering with a resumption of activity in our markets.

The Group's results for the year were driven primarily by residential land sales at Hallam Land Management (HLM), a mix of land sales and development profits at HBD and house sales at Stonebridge Homes (SBH). We profitably sold £279m of land, buildings and houses during the year making the most of strong markets in H1 22 and took a very selective approach to acquisitions totalling £28.4m, which included growing HLM and SBH's land holdings.

On a statutory basis NAV increased by 11% to £395m, or excluding the pension surplus was up by 5% to £388m. Capital employed increased by 6.2% over the year to £399m, consistent with our medium-term target of £500m. Profitable sales also helped us to effectively manage our gearing, which at 12.3%, remains at the bottom of our 10-20% target range. The strength of our balance sheet, plus recently refreshed banking facilities of £105m, which are secured to 2025, means we are well positioned for a period of continued uncertainty ahead. As was the case when we came out of COVID, we have the capacity to buy land, maintain and potentially expand the committed development programme, and continue to grow our JV housebuilder, which puts us in a competitive position to act opportunistically.

With the disposal of 3,869 plots, HLM had its best ever year in terms of volume, making the most of a buoyant land market in H1 22, primarily due to a major disposal of 2,170 plots at Didcot. This project is a great example of HLM's depth of expertise in dealing with increasingly complex planning matters, and not only will it deliver much needed housing supply, but it also includes 80 acres of open space alongside extensive green infrastructure and cycle networks.

HLM grew its land bank to c.96,000 plots (2021: c.93,000) during the period, of which 9,431 plots have planning permission. I am increasingly convinced that the UK planning system is in need of urgent reform. The delays and complexities can no longer be blamed on COVID. Whilst we would derive greatest satisfaction from a more efficient system on account of the benefits this would bring local communities, the challenges of the current situation mean that the land we successfully promote and the expertise we bring in navigating the planning system remain increasingly in demand.

Towards the end of 2022, our major land customers, the national housebuilders, saw a well reported slowdown in house sales and consequently became more selective on land acquisitions. Early signs are that confidence is returning and, together with 992 plots (2021: 1,880 plots) unconditionally exchanged at year-end, we anticipate a reasonable year ahead in terms of land sales.

HBD continues to grow completed development activities with a Gross Development Value (GDV) of £117m (HBD share: £83m) (2021: £303m GDV, HBD share: £68m) of which 92% has been let or sold. The committed programme now totals £395m (HBD share: £240m GDV), 63% of which is currently pre-let or pre-sold. Whilst there are signs that construction cost inflation is slowing, we continue to actively manage risk with 97% of the development costs fixed.

Although investment markets have adjusted rapidly, our underlying occupational markets remain in fundamentally good shape. Structural demand persists for Industrial & Logistics (I&L) space, with national take up in 2022 a very healthy 65.8m sq ft (according to Gerald Eve), which, whilst down on the record high in 2021, was still the second most active year on record with rents increasing by 10.3% during the year. The build to rent (BtR) occupational market remains very buoyant with residential rents growing by 12.1% according to Zoopla in 2022. On offices there is a clear trend of people returning to our major cities and the workplace, with particularly strong demand for buildings that offer strong environmental credentials that assist occupiers in achieving their own NZC goals.

The part of the committed programme not pre-let or pre-sold is primarily in three high-quality schemes where we remain confident of demand:

- In Rainham, we have recently committed along with our JV partner, Barings, (HBD share: £24m GDV) to a 380,000 sq ft speculative I&L scheme. Whilst marketing has not yet begun, this NZC urban logistics development serving Greater London is already experiencing strong occupier interest.
- In the centre of Birmingham, we are part way through construction of 101 premium apartments (HBD share: £32m GDV) which we expect to launch successfully for sale in the summer of this year.
- Finally, in Manchester city centre in partnership with the Greater Manchester Pension Fund, we are building 91,000 sq ft of prime, NZC offices (HBD share: £33m). With the scheme responding to several identified office requirements, we expect good occupier interest.

As we make progress on letting or pre-selling these schemes, we have a number of high-quality I&L and BtR projects within our £1.25bn development pipeline that we can bring forward at the appropriate time.

As we highlighted at the time of the interim results, we tactically identified several properties for sale and I am pleased to report we sold three properties for a total of £29.6m, a 17% premium to the last reported book value. As a result, against a backdrop of falling values, we have delivered relative out performance on our investment portfolio (current value including our share of JVs £106m) with a total return of -1.5 % versus the CBRE UK index of -9.1%. Over the next few years, through a combination of retaining completed developments and acquisitions, we will look to build the portfolio up to our strategic target of £150m.

We made further progress with our JV housebuilder Stonebridge Homes (SBH), with a 46% increase in the number of homes delivered to 175 completions (2021: 120). Whilst supply chain issues at the tail end of the year meant we did not reach our target of delivering 200 homes, we marginally beat our profit expectations. This was driven by our ability to achieve sales prices that were over 10% ahead of budget, which meant cost inflation running at 9% was absorbed. With a target of 250 completions in 2023, and 139 homes already forward sold, we remain firmly on track to continue scaling up and hit our ambitious medium-term strategic target of 600 completions per annum.

The Construction segment has done remarkably well to trade ahead of our expectations. Henry Boot Construction (HBC) has made progress on all its projects despite dealing with very challenging supply and labour restrictions, although there are some signs that these restrictions and cost inflation are easing. HBC begins the year with 68% of the 2023 order book secured and a healthy pipeline of opportunities. Banner Plant (BP) has seen record levels of trading activity and is successfully growing its customer base.

Against a challenging near-term backdrop, we expect 2023 profits to be more subdued than 2022, but we will remain active, pushing ahead with our strategic and growth ambitions from a position of strength, further details of which are covered in the strategy and outlook sections below.

Outlook

Whilst the immediate outlook is uncertain, a number of leading indicators suggest that the economic slowdown will not be as severe as forecasts in the final quarter of last year predicted. It looks increasingly like interest rates are close to the so called 'pivot', we are seeing early signs that supply restrictions are lifting and with that some prospect of cost pressures easing.

There are early signs that our markets are improving. Occupier demand for I&L has remained resilient, and whilst yields moved out quickly during the second half of 2022, there are investors already looking to buy, tempted by the strong fundamentals of the market. Likewise, whilst data is available only for the first two months, housebuilders generally and SBH specifically, have seen a partial recovery in home buyer interest this year from the lows experienced in the final quarter of 2022. The march of the BtR sector, both in terms of customer and investor demand, continues.

So, for Henry Boot, we remain focused on building out our high-quality development programme. As we increase forward sales and pre-lettings above the present 63%, we will selectively look to replenish, and potentially expand, committed development, primarily by drawing down schemes which are ready to go from our £1.25bn development pipeline. With an ever restrictive planning environment demand for our well located consented plots will come back as the UK remains critically short of housing. In the meantime, we are partially insulated by the 992 land promotion plots that are already unconditionally exchanged and we start the year with 56% of SBH's 250 target completions for 2023 already forward sold.

We will continue to work towards a more progressive, diverse and responsible business by meeting targets outlined in our Responsible Business Strategy, and investing in key areas such as marketing, customer relations and business improvement processes, including technology. At the same time, we will continue to nurture the great culture within Henry Boot and engage with people who, despite the ups and downs of the last few years have remained energetic and fully committed. Moreover, we have confidence in the long-term fundamentals of our markets, business model and have the operational and financial resources to continue to meet our strategic growth and return objectives.

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

This report contains the following alternative performance measures (APM): Underlying profit. Return on Capital Employed. Net Asset Value (NAV) per share. Net (debt)/cash. Total Accounting Return.

More details can be found on page 49.

Key Highlights

95,704	£1.25bn	£106m	1,094 units
RESIDENTIAL LAND PLOTS (2021: 92,667)	HBD DEVELOPMENT PIPELINE GDV (2021: £1.1BN)	INVESTMENT PORTFOLIO VALUE (2021: £126M)	STONEBRIDGE HOMES TOTAL LAND BANK (2021: 1,157)

BUSINESS MODEL

Our business model is based on transforming land, property and development into sustainable, long-term value.

1

Key resources and relationships

Our people

Henry Boot recognises that our people are fundamental to the success and sustainability of the Group. It is their expertise that executes our business model successfully and delivers the value created by the business to our stakeholders.

Read more on pages 63 to 67

Portfolio & land bank

HBD have a £1.25bn pipeline, comprising 65% Industrial & Logistics, 20% Urban Commercial and 15% Urban Development, whilst Hallam Land Management have increased the land bank to 95,704 plots in the portfolio.

Read more on pages 14 to 15

Group strategy framework

(Focus of 3 Core Markets)

The Group provides reliable earnings with a clear focus on our three key markets – Industrial & Logistics, Residential and Urban Development – driven by positive long-term structural trends.

Read more on pages 28 to 29

Supply chain

Our relationships with our supply chain is critical to our success and we work hard to engage and collaborate with all of our suppliers and partners to create and maintain long-term successful relationships.

Read more on page 67

Partnerships

At Henry Boot we pride ourselves on collaboration. We set clear mutual expectations and strive to achieve them. We promote cross-team working, and work in partnership to make things happen.

Read more on page 36

2

Responsible business approach (ESG)

The 'Henry Boot Way'

In our approach to responsibility, we are committed to doing everything possible to collaborate with and support our people, partners, places and planet as we fulfil our corporate purpose. In 2017 we undertook our people-led One Henry Boot Project driven by the 'Henry Boot Way' of working, to define our Purpose, Vision and Values. The 'Henry Boot Way' continues to play a crucial role in our business and long-term ESG approach.

Effective governance

We established our Responsible Business Committee to provide Board level oversight and scrutiny of the Group's responsible business performance. Board and Executive Committee members were appointed sponsors of our responsible business initiatives and significant engagement was undertaken with our people-led working groups.

Read more on pages 116 to 119

2025 Responsible Business Strategy

Our Responsible Business Strategy sets out medium-term objectives which we aim to achieve by the end of 2025. The Strategy is built on four key pillars - Our People, Our Places, Our Planet and Our Partners. It will drive us to deliver our strategic objectives and targets and our activity and performance will align with our Purpose, Values, and selected UN Sustainable Development Goals (SDGs).

Read more on pages 32 to 36

Our long-term commitments to 2030

The 2025 Responsible Business Strategy will support us in reaching our NZC target by 2030. We will continue to collaborate with our people and partners with passion and ingenuity to create long-lasting and genuine value and impact for all the people we work with and the places we work in.

3

Group operating model

Identify opportunities and acquire land

Hallam Land Management acquires mainly agricultural land and then promotes it for its highest value use. **Henry Boot Developments** acquires mainly brownfield land.

Obtain planning permission

Gaining planning permission on land adds immense value to its worth.

Hallam Land Management promotes land for residential and commercial consent.

Henry Boot Developments promotes land for commercial development. **Stonebridge Homes** promotes land for residential development.

Sale of land

Once **Hallam Land Management** obtains planning permission on a site, it is sold to a developer, sometimes after infrastructure has been installed. The amount of capital required to achieve planning permission on a section of land is a very small proportion of the total capital required for the whole building process, from acquisition of land without planning permission through to completion of construction. This means that **Hallam Land Management** is focused on maximising the most profitable section of the housebuilding process for the lowest amount of working capital.

Development of site

Unlike **Hallam Land Management**, when **Henry Boot Developments** and **Stonebridge Homes** gain planning permission for a site, they will develop it themselves.

A. Sale of property

Once a property is developed, it may be immediately sold, generating significant revenue. Properties may be retained by the business to form part of the investment portfolio and may be sold at a later time.

B. Investment portfolio

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth £106m and generates a sizeable amount of rental income each year.

Construction

Henry Boot Construction is a contractor specialising in servicing both public and private clients in all construction and civil engineering sectors.

Banner Plant offers a wide range of services, and a high quality inventory of equipment for hire and sale, such as temporary accommodation, powered access equipment, tools and non-man operated plant.

Road Link (A69) has a contract with National Highways to operate and maintain the A69 trunk road between Carlisle and Newcastle upon Tyne. National Highways pays Road Link a fee based on the number of vehicles using the road and the mileage travelled.

TRACK RECORD OF G
ATTRACTIVE RETURNS

Capital structure and financial strength is result of our operating model

Recurring Revenue: The revenue from construction and the property investment portfolio is regular and stable. This income allows Henry Boot PLC to maintain long term bank funding relationships.

Cyclical Revenue: Sale of land and property development generates cyclical revenue. These activities are riskier and give varying amounts of profit through each economic cycle. These profits, in good years, contribute significantly to the stable profits from construction and property investment.

ENERATING
S

Watch the **Business Model Video** at **www.henryboot.co.uk**

4

Our expertise

Land Promotion

Businesses: Hallam Land Management

- Identifying land with future potential
- The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are involved in at any one time.
- As investment is spread over many assets, this reduces the overall risk of involvement in the planning process and maximises the likelihood of making a return on the capital invested.
- Taking land through the complexities of the planning system

Property Investment & Development

Businesses: Henry Boot Developments and Stonebridge Homes

- Acquiring and developing brownfield land or under performing property assets
- Operating in diverse sectors to maximise development opportunities
- Developing partnership arrangements
- Ability to self fund or source prefunding opens up opportunities. The businesses can commit to long-term projects, such as complex multi-site regeneration schemes.

Construction

Businesses: Henry Boot Construction, Banner Plant and Road Link (A69)

- Project delivery in both the public and private sector, on-time and within budget
- Creating trusted relationships and repeat business
- Supplying a wide range of plant equipment

Group

- As a result of our financial structure, we can invest in the more profitable areas of the business (strategic land and property development) to maximise the value generated

BUSINESS MODEL

5

The impact we're making

UN SDGs

When creating our Responsible Business Strategy, we engaged our stakeholders to understand which of the UN SDGs they felt our business could most positively impact.

Based on the feedback received, the Responsible Business Committee selected the below SDGs as those best aligned with our corporate purpose.

Read more on pages 32 to 36

Society

All of the targets contained within the Responsible Business Strategy have been influenced and shaped through consultation with our people, our commercial and community partners, our senior management and Board, and our professional advisers to ensure that they are robust, ambitious (whilst also achievable) and will create the impact we aspire to achieve.

6

Value generation for stakeholders

Our People

Our people deliver the core activities of our business model. We invest a significant amount of time and resource in their training and development to ensure they are empowered in their roles. We apply the same methods and dedication when we are recruiting to ensure we attract the highest calibre of people within the Group.

Communities

We have offices in ten locations across the UK, but we have projects which extend our community impact across the country. Wherever we operate it is fundamental to us that we develop strong relationships and partnerships with our communities. This could be by using the local supply chain on projects or volunteering our skill set to a local charity.

Customers

We are committed to maintaining our long standing track record of customer satisfaction. We continue to listen, understand and adapt how we can improve upon what we deliver, so we are able to further enhance the competitive advantage our Group brings to its customers.

Shareholders

Our priority is to protect the sustainability of our Group for our shareholders. By operating transparently and responsibly, we are able to create added value for our shareholders, providing updates on performance and changes to the strategic direction of the Group.

OUR MARKETS

Key long-term structural trends affecting our business

URBANISATION

According to the UN, population will have grown to approximately 71.7m by 2050 with 90% of the population living in urban areas.

Given expected population increases over the long-term major cities will be a key driver of UK growth with a corresponding increase in demand for more housing and high-quality office space. People do not choose to live in cities merely to be close to work, but rather because of the lifestyle benefits provided by accessibility to amenities. A Centre for Cities survey shows that being “close to restaurants/leisure and cultural facilities” was by far the biggest factor in determining city centre residents’ location decisions.

TECHNOLOGY

Advances in technology will continue to disrupt how we live, work, shop and communicate, leading to a greater requirement to deliver services that adapt to the emergence of new technology, but also the environment in which they do it in.

With continued demand for warehouse space from third-party logistics operators, online retailers and manufacturers, the importance of property technology has increased for data and analytics as well as to help automate and streamline tasks.

DEMOGRAPHICS

UK’s population continues to grow, albeit at a slower rate than previously, with people living longer and low birth rates.

However, the most significant change in the working age population over the next 20 years is for 20 to 30-year olds and 40 to 50-year olds who are expected to increase by 4.1% and 4.3% respectively. Demographics therefore provide positive support for senior living and BtR aimed at young professionals.

ENVIRONMENT

The built environment contributes an estimated 25% of the UK’s carbon emissions, which increases the pressure on businesses in our industry to adapt their operations to become more sustainable.

This, alongside climate change and the need to reverse environmental degradation, has created higher demand for energy efficient green buildings with rising brown discount.

INDUSTRIAL AND LOGISTICS

Market overview

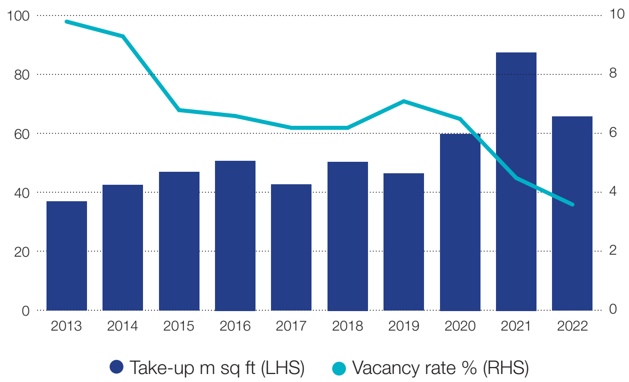
According to Gerald Eve UK industrial and logistics space take-up totalled 65.8 million sq ft in 2022, which whilst down from the previous record high of 2021, was still the second most active year on record. The CBRE Monthly Index showed strong industrial rental value growth of 10.3% last year, ahead of the 9.0% increase in 2021. Occupier demand continues to be from a variety of sectors with ongoing supply chain disruption likely to accelerate the trend of near–shoring and reshoring as many companies seek to diversify points of production and to localise their supply chain.

Whilst e-commerce remains a structural driver of demand for logistics space it is certainly not immune from a wider economic slowdown. The decline in online retail sales during 2022, as many consumers switched back to pre-pandemic shopping patterns, has also corresponded with a reduction in take-up from internet retailers.

What does Henry Boot have to offer:

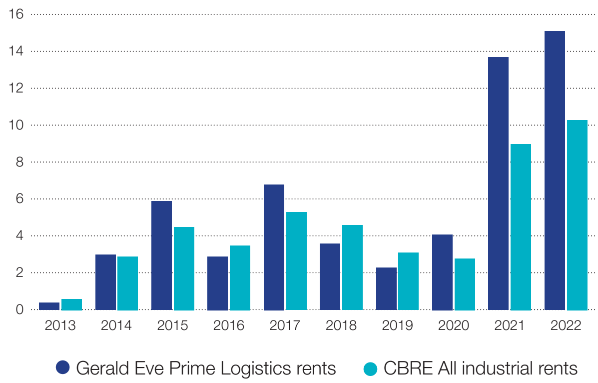
- HBD has committed to Momentum, Rainham (HBD share: £24m GDV) a 380,000 sq ft speculative I&L development located close to Central London. The scheme will target BREEAM Excellent, an EPC A+ rating and all the units will be 100% electric.
- We also secured a pre-let with DPD and DHL at Preston East (HBD share: £15m GDV) in H2 22, the 122,000 sq ft I&L development was subsequently pre-sold to Titan Investments, at 10% above book value, with completion expected in Q4 23.
- In total, the Group is committed to develop over 1 million sq ft of industrial and logistic space, with a GDV value of £261m GDV (HBD Share £150m).
- Industrial and logistics represents 65% of Henry Boot's £1.25bn development pipeline with the potential to deliver approximately 7 million sq ft of space.

Warehouse take up and availability



Source: Gerald Eve

Industrial rent



Source: Gerald Eve & CBRE

OUR MARKETS

RESIDENTIAL

Market overview

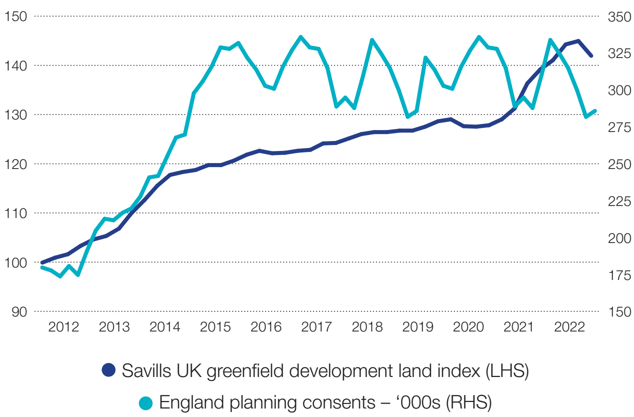
The residential market slowed during the second half of 2022 as homebuyer demand was impacted by higher mortgage rates following the sharp increases in interest rates. Whilst new home completions increased in 2022 they remain 3% below the COVID level and at 205,000 dwellings continue to be way behind Government targets of 300,000 new homes a year, which is primarily due to delays within the planning system.

According to Savills Research, following growth during the first nine months of 2022 UK greenfield values fell by 2.2% in the final quarter as land transactions slowed significantly due to many housebuilders pausing buying in response to slowing sales rates. However, despite the majority of national housebuilders slowing their land buying, there remains selective interest in prime sites with planning, with signs that some confidence is returning following the significant disruption caused by the 'mini-budget' in September 2022.

What does Henry Boot have to offer:

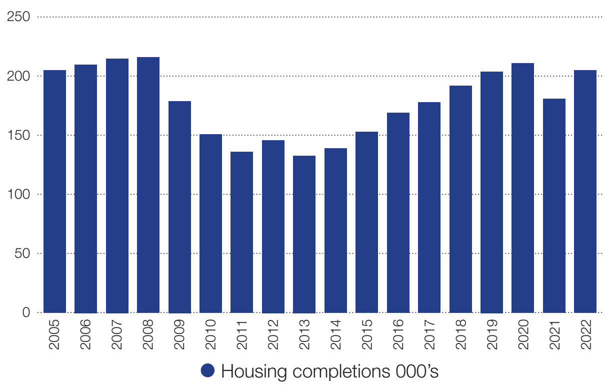
- Hallam Land Management has six offices located across the country and is well established and experienced in the complexities of the UK planning system.
- The Group has a strategic land bank that has the potential to deliver c.96,000 residential plots, of which 9,431 plots have planning permission.
- Stonebridge Homes, the Group's jointly owned housebuilder, offers further residential capabilities, with a total land bank of 1,094 plots of which 872 plots have either detailed, or outline planning consent.

Land values and planning consents



Source: Savills

UK housing completions



Source: Office for National Statistics

URBAN DEVELOPMENT

Market overview

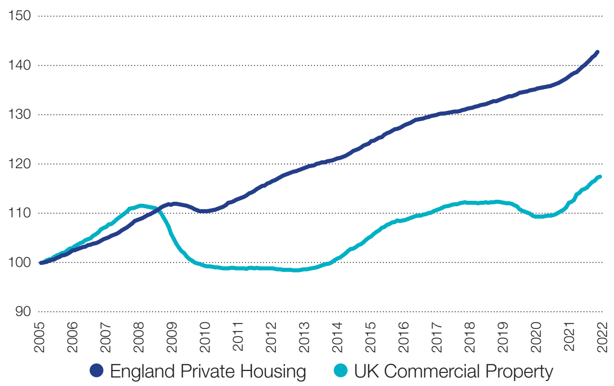
The Urban Development market continues to improve since being impacted by COVID, with strong signs that major UK regional cities are bouncing back, with an increase in mobility. There is a continued belief that by 2050, 90% of the population will live in urban areas, with people choosing to live in prime urban areas, not only for work reasons but for better lifestyle options in general.

There has been a strong recovery in total construction activity in 2022 with annual output increasing by 5.6%. The BtR occupational market remains very buoyant with residential rents growing by 12.1% according to Zoopla in 2022. Office development in major cities has also shown improvement, with a clear trend of people returning to the workplace, with occupiers showing particularly strong demand for buildings that offer strong environmental credentials to achieving their own NZC goals.

What does Henry Boot have to offer:

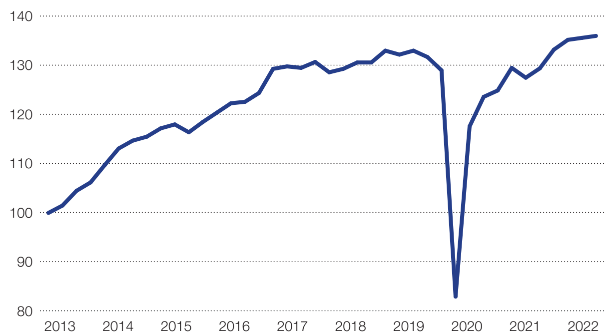
- The Group has a strong presence in key cites identified as target areas for BtR schemes.
- At Neighbourhood, Birmingham, a £117m 414-unit BtR development, secured planning in March 2023. The scheme is situated on a 2.6-acre site located within the Jewellery Quarter area of Birmingham, in a prime location in close proximity to the city centre.
- HBD and Greater Manchester Pension Fund are working in a joint venture to deliver a 91,000 sq ft of NZC offices in Manchester City Centre. The building is targeting the highest sustainability certifications, including an EPC ‘A’ rating, BREEAM Excellent and a 5.5 star carbon NABERS rating.
- Henry Boot Construction is currently working on three urban development schemes in both the city centre of Sheffield and York, at a combined total contract value of £129m.

Rental growth



Source: Office for National Statistics and CBRE

Construction output



Source: Office for National Statistics

OUR STRATEGY

Group Strategy Performance

The Group set a medium-term strategy in 2021 to grow the size of the business by increasing capital employed by 40% focusing on its three key markets: I&L, Residential and Urban Development.

OUR STRATEGY IS SHAPED BY FOUR KEY STRATEGIC PILLARS AND FOCUSES ON THREE LONG TERM MARKETS

KEY STRATEGIC PILLARS

SAFETY AND ENVIRONMENT	GROWTH	DELIVERY	PEOPLE
We aim to be the safest place to work in our markets and be respectful to our environment	Grow PBT by increasing capital employed to £500m by investing in our three key markets	Adopt emerging working practices, investing and collaborating to deliver our operational targets	Open, progressive, high performing business governed by clear objectives which engage diverse range of talent

LONG-TERM MARKETS

INDUSTRIAL AND LOGISTICS	RESIDENTIAL	URBAN DEVELOPMENT

VALUE DELIVERY

LAND PROMOTION	PROPERTY INVESTMENT AND DEVELOPMENT	HOUSEBUILDING	CONSTRUCTION

RETURNS

GROW CAPITAL EMPLOYED TO OVER £500M + TARGET ROCE 10–15% + MAINTAIN A PROGRESSIVE DIVIDEND POLICY

RESPONSIBLE APPROACH

PEOPLE STRATEGY + ESG

RISK

OPTIMUM GEARING OF 10–20% + MINIMUM 65% COMMITTED DEVELOPMENT PROGRAMME PRE-LET/PRE-SOLD

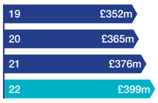
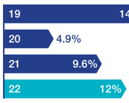
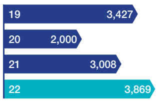
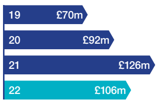
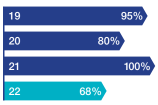
Group overall strategy

Strategic Priorities	Aims	Performance
Safety and Environment	We aim to be the safest place to work in our markets and be respectful to our environment	• The Group's Accident Incident Rate decreased to 202 per 100,000 employees, which is a result of reaffirming our robust management systems and commitment to on-site training. • Launched our Responsible Business Strategy in 2022, which included our NZC framework and target to be NZC by 2030.
Growth	Grow PBT by increasing capital employed to £500m by investing in our three key markets	• Capital employed increased by 6% to £399m. • The Group's land bank grew to 95,704 plots, with 6,906 plots added in the year. • Increased committed programme to £240m.
Delivery	Adopt emerging working practices, investing and collaborating to deliver our operational targets	• Sold 3,869 plots at an average gross profit of £6.1k per plot. • Completed £83m of property developments. • Completed 175 homes, at an average selling price for private homes of £503k. • 2023 construction order book 68% secured.
People	Open, progressive, high performing business governed by clear objectives which engage diverse range of talent	• Significantly increased our eNPS score to 39, ranked at the top of the very good range. • Learning intervention days increased to 3.7 days per employee. • Female representation across our workforce increased to 25%.

OUR STRATEGY –
PERFORMANCE AT A GLANCE

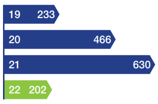
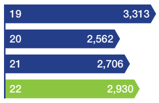
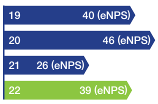
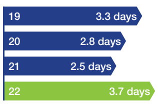
CLEAR FOCUS

Growth and Delivery Strategic Pillars

Objective and Medium-term Target	KPI	Medium-term performance Commentary	Aim for 2023	Link to Strategic Pillars and Group Risk
To grow capital employed to £500m **Medium-term Target** £500m	Capital Employed 	On track to grow capital employed to over £500m	To maintain capital employed growth to over £400m	Strategic Pillar Risks 3 5
To generate a ROCE of 10–15% **Medium-term Target** 10–15%	ROCE 	We maintain our aim to be within the target range	To be within stated target range	Strategic Pillar Risks 4 8 9 10 11 12
Grow Hallam Land's plot sales **Medium-term Target** c.3,500 pa	Plot Sales 	Exceeded the strategic target of 3,500 per annum, forward sales of 992 plots	To exceed current five year average	Strategic Pillars Risks 3 4 5 11 12 13
Grow HBD development completions **Medium-term Target** c.£200m	Development Completions 	Increased our future pipeline to £1.25bn, we are on course to complete on average £200m per annum	To grow HBD share of completed developments, with committed programme of £240m for 2023	Strategic Pillars Risks 3 4 5 11 12 13
Grow investment portfolio value **Medium-term Target** £150m	Investment Portfolio 	Value reduced primarily due to nearly £30m of accretive sales with scope to rebuild portfolio from retained developments	To maintain progress towards stated target	Strategic Pillars Risks 3 4 5 11 12 13
Grow Stonebridge Homes house sales **Medium-term Target** c.600 units	Unit Completions 	Completions below our target of 200 but strong sales prices mean the business performed marginally ahead of budget	To increase unit completions to 250	Strategic Pillars Risks 3 4 5 11 12 13
Henry Boot Construction's order book secured **Medium-term Target** >65%	Order Book Secured 	Secured above target range for 2023 order book, with public sector work remaining a key focus	To secure 65%of 2024 order book by end of year	Strategic Pillar Risks 3 4 8 13

RIGHT APPROACH

People and Safety Strategic Pillars

Objective and Medium-term Target	KPI	Medium-term performance Commentary	Aim for 2023	Link to Strategic Pillars and Group Risk
Work towards a more coordinated H&S approach to ensure our Group is a safe place to work **Medium-term Target** >395	**Accident Incident Rate** 	The Group's AIR reduced in 2022 due to robust management systems, and an increased focus on training	To maintain our robust health & safety approach and procedures	Strategic Pillar Risks 4 8 9 10 11 12
Reduce directly controlled GHG emissions **Medium-term Target** 20% reduction	**GHG Emission CO2e** 	Scopes 1 and 2 GHG emissions reduced by 12% against our 2019 baseline	To empower our people and partners to share knowledge and solutions to reduce GHG emissions	Strategic Pillar Risks 4 8 9 10 11 12
Seek high levels of employee satisfaction and engagement **Medium-term Target** 40 (eNPS)	**Employee Net Promoter Score (eNPS)** 	After addressing feedback from the 2021 survey via the Group Employee Forum, we saw a significant increase in our eNPS score	To continue engaging with the Group Employee Forum and address feedback which has arisen from the survey	Strategic Pillar Risks 4 8 9 10 11 12
Create a high performance culture led by a range of training opportunities **Medium-term Target** 4 days (per employee)	**L&D Interventions Delivered (per employee)** 	As the Group evolved its training approach to offer both in-person and virtual sessions, we increased the number of training interventions	To implement a wide range of training opportunities to support a high performance culture	Strategic Pillar Risks 4 8 9 10 11 12

Group strategic priorities

Safety and the Environment
People
Growth
Delivery

Risks

1 Safety
2 Environmental & climate change
3 Economic
4 People & culture
5 Funding
6 Cyber
7 Pensions
8 Construction contracts
9 Property assets
10 Property development
11 Land sourcing
12 Land demand
13 Political

RESPONSIBLE BUSINESS STRATEGY

Our Responsible Business Strategy sets out medium-term objectives which we aim to achieve by the end of 2025. It aims to incorporate and align our approach to ESG with our commercial strategy, and to ensure our activity and performance is influenced by our Purpose and Values.

Strategy Structure – how it all fits together

Our Purpose
is to empower and develop our people to create
long-term value and sustainable growth for our stakeholders.

Pillar 1 – Our People
We will support, develop, engage, and empower our people to have an exceptional working experience, to be the best versions of themselves, and to deliver long-term value for our stakeholders.

Pillar 2 – Our Places
In fulfilling our Purpose, we will support and engage the communities we work with, and alongside, to create long-lasting social value.

Pillar 3 – Our Planet
We will protect and preserve our planet by reducing our environmental impact, consuming responsibly and safeguarding our environments.

Pillar 4 – Our Partners
We will collaborate with our partners to deliver exceptional results, create value and share knowledge, solutions and creativity to address key issues.

Our Ambitions
will be delivered by our people working closely with our partners
– delivering collaborative solutions with real impact.

Our Values
will underpin and align everything we do.

Our Strategy is aligned to the UN SDGs that we and our stakeholders feel our business can most positively impact

Responsible Business Strategy – 2022 Progress Report
The tables on the following pages detail the progress we have made against the four strategic pillars of the Strategy in 2022.
For more information and case studies please review our Responsible Business Strategy – 2022 Progress Report

Our People

Our people are our greatest asset and are instrumental in the delivery of our Responsible Business Strategy. As we collaborate with them to create value for our communities and environments, we will invest in them and further develop a workplace culture that encourages openness, collaboration and fairness. We will proactively support their health and wellbeing and be innovative to ensure that our workplace is diverse, accessible, and allows all our people to thrive.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PEOPLE				
Promoting positive health and wellbeing for our people	Develop and deliver a Group-wide Health and Wellbeing Strategy with a range of activities and resources available to all.	Our new Health and Wellbeing Strategy has been developed throughout 2022 in collaboration with our senior management, Group Employee Forum, colleagues across the Group, and commercial and community partners. This Strategy launched in early 2023 with a delivery plan supporting implementation.	3 GOOD HEALTH AND WELL-BEING	• Employee health and wellbeing
Creating an equal, inclusive and diverse workplace	Encourage greater levels of gender diversity in our workforce and increase gender representation in management positions with 30% of workforce and line managers being female.	We have made strong progress and female representation of our overall workforce is 25% and of our management is 24% (S/R)	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	• EDI • Education engagement • Employee health and wellbeing
	Reduce our gender pay gap to 20%.	Our 2022 gender pay gap (when measured as a median) was 21.43%. (S/R)		
	Begin reporting on our ethnicity pay gap and set a reduction target to encourage greater ethnic diversity in our workforce.	We have engaged commercial partners to review ethnic pay gap reporting and are undertaking the required work to begin reporting in 2024.		
	Deliver equality, diversity and inclusion (EDI) training to 100% of our people.	We have delivered EDI training to 79% of our workforce and continue to engage our people regularly on this issue.		
	Introduce best practice recruitment processes and reverse mentoring programmes, combined with an annual benchmarking and auditing process to ensure progress against targets.	Our EDI Steering Group and HR team are collaborating to introduce new recruitment processes and a reverse mentoring programme in 2023. We continually review our workforce data and are introducing measures to ensure it is robust and accurate to establish further targets and introduce new diversity initiatives.		
Engaging and empowering our people	Introduce ESG related targets for all senior management remuneration. Ensure that all Group Pension Schemes incorporate ESG factors in investment decisions and that our people are well informed about their investment choices.	All members of our Executive Committee have ESG related targets incorporated into their performance review. ISIO, our pension scheme manager, conduct thorough reviews of ESG capabilities and report performance against their ESG Manager Review Framework. ISIO's financial coaching sessions provided for our people include advice about pension investments and the Group regularly shares information about pensions with employees.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH	• EDI • Employee health and wellbeing

(S/R) This data is inclusive of Stonebridge Homes and Road Link (A69)

RESPONSIBLE BUSINESS STRATEGY

Our Places

Investing in, and collaborating with, the communities in which we work is critical to ensure that we create long term meaningful social value. We are committed to supporting thriving local communities, to working in partnership with community organisations, and to harness the skills and passion of our people to improving people's lives. We keenly work with education partners to create excitement about our industry and inspire learners to consider a career with us. We believe that this approach will support our long term success and ensure that we remain a partner of choice for all those we work alongside.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PLACES				
Developing collaborative charity partnerships	Contribute £1,000,000 of financial (and equivalent) value to our charitable partners* (including donations of funds, resources, sponsorship and pro-bono support).	In 2022 we contributed a total of £291,692 to a range of our charitable and community partners including financial donations and sponsorship, employee fundraising, and expertise, time and resources provided pro bono.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES	• Community engagement • Employee health and wellbeing
	Develop long-term strategic partnerships both nationally and regionally, and align all Group charitable giving with our Charitable Giving Pillars – for maximum impact.	In 2022 we developed the relationship with our Group Charity Partner Place2Be and contributed approximately £20,000 to support their vital work. We also continued to develop existing and new strategic charity partnerships and aligned charitable donations with our Charitable Giving Pillars.		
Collaborating with our communities	Contribute 7,500 volunteering hours across our Group to a range of community, charity and education projects.	In 2022, we contributed over 2,250 volunteering hours (equivalent to 281 working days) to a wide range of charitable, community, and education partners.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES	• Community engagement • Employee health and wellbeing
Engaging learners	Engage 5,000 learners through careers initiatives, curriculum-focused activity, work experience, and mentoring.	In 2022, we engaged over 2,500 learners through a wide range of careers education activity and initiatives including work experience, site visits, career sessions and mentoring.	8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	• Education engagement • Employee health and wellbeing
	Offer 200 entry level employment opportunities or work experience placements with a focus on those who traditionally struggle to access opportunities.	In 2022, we offered 30 work experience placements and 21 entry level employment positions. We engaged a range of education partners to share information about entry routes (including apprenticeships) with learners who traditionally struggle to access careers education.		
	Develop and deliver an Education Engagement Strategy to consolidate and enhance our support and collaboration with education partners, to create significant impact for learners, and to incorporate social and environmental responsibility into our education programmes.	In 2022 we undertook extensive engagement with education and community partners to develop an understanding of their needs and aspirations across the areas in which we work. Additional engagement was undertaken with our people to review the education support currently provided. The feedback and learnings from this engagement will be incorporated into our Education Engagement Strategy which will be launched in 2023.		

*Charitable partners includes registered charities, CICs, community organisations, and education partners.

(S/R) This data is inclusive of Stonebridge Homes and Road Link (A69)

Our Planet

We recognise the increasing risk that climate change poses and are steadfast in our commitment to protect our planet for future generations. We have a clear target of achieving NZC for our direct GHG emissions by 2030. We are taking a holistic approach to tackling climate change through clear ambitions to protect natural environments, reduce resource use and waste creation, and encouraging behaviour change. Our targets below (unless stated otherwise) use a baseline year of 2019 for reporting progress.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PLANET				
Reducing GHG emissions	Absolute target to reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030.	Our Scope 1 and 2 GHG emissions in 2022 were 2,930 tonnes (a 12% reduction against our 2019 baseline which was 3,313 tonnes). Whilst this reduction is positive, our direct GHG emissions rose moderately in 2022 due to increased productivity. We remain committed to utilising innovative solutions and measures to ensure our GHG emissions fall and we achieve our medium term targets. (S/R)	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• NZC
	Replace 50% of van fleet with electric vehicles (EVs) or other sustainable alternatives (100% by 2030)	In 2022, a fleet project team was established to deliver an infrastructure programme to service our future electric fleet. Two electric vans were ordered and will be piloted to identify any challenges ahead of additional vehicles being sourced to achieve our target.		
	Ensure that all our HGVs are EURO 6 compliant (30% to be replaced with EVs or other sustainable alternatives by 2030).	Our HGV fleet is close to full EURO 6 compliance and monitoring of the developments in sustainable HGVs is regularly undertaken.		
	Supply 50% of electricity demand for construction sites from renewable generators.	Henry Boot Construction trialled a range of sustainable generator solutions across key sites throughout 2022 in order to identify opportunities to reduce reliance on traditional generators.		
	Complete energy, resource and sustainability audits in all of our directly controlled offices, sites and depots – and implement all medium-term recommendations.	Energy Impact Limited, a specialist third party, were engaged and have completed audits of our directly controlled offices and depots. Short term recommendations are currently being implemented. Employee-led sustainability audits were also undertaken to identify further GHG emissions and waste reduction opportunities.		
	Reduce non-sustainable business mileage by 20%.	Business mileage in 2022 reduced by 34% from our 2019 baseline.		
	Use biodiesel as we electrify our fleet.	Due to the volatility of the market for HVO fuel and the complexity around it's credibility, we are not currently utilising biodiesel as a GHG emissions reduction measure.		
Consuming resources responsibly	Cut avoidable waste to 99% for our construction sites (100% by 2030).	In 2022, 99% of avoidable waste reduction was achieved on Henry Boot Construction's sites.	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• Responsible consumption
	Reduce consumption of avoidable plastic by 50% and undertake Group-wide waste and water monitoring to establish reduction targets.	A programme to monitor and reduce avoidable plastic use across the Group remains in development.		
	Introduce a Group-wide Sustainable Supply Chain Standard to support supply chain collaboration and innovation.	Procurement specialists from across the Group are represented on the Group Climate Forum and will be supporting the development of our forthcoming Sustainable Supply Chain Standard.		
To be a steward of nature	Collaborate with commercial partners to achieve biodiversity net gain (BNG) on our projects and, enhance and preserve natural environments where we work.	We continue to collaborate closely with our customers, supply chain and commercial partners to deliver BNG effectively on our schemes and to share knowledge and solutions.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• Nature stewardship
	Deliver nature stewardship training to 100% of our people	Teams from the business have attended BNG seminars with specialist industry speakers. A broader range of training and education will be provided across the Group in 2023.		

RESPONSIBLE BUSINESS STRATEGY

Our Partners

We have a clear responsibility to our commercial partners and stakeholders. Our success is not possible without the customers we support and an engaged network of suppliers, advisors, and membership organisations.

It is essential that we collaborate with them to remain a partner of choice in our key markets and foster thriving and inclusive local economies where we work.

We also recognise that we are just one business and that, through collaborative working, we will be able to deliver much greater impact and value for our communities and the environments in which we work.

Objectives	2025 Target	2022 Performance	Aligned UN SDGs	Material Issues
OUR PARTNERS				
Being a partner of choice for our key markets	Pay all of our suppliers the real living wage and secure accreditation with the Living Wage Foundation.	The Living Wage Foundation have been engaged and a review is currently being undertaken of the requirements to secure membership.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• Community engagement • NZC • Responsible consumption • EDI • Nature stewardship
	Maintain best practice to ensure our sites and supply chain are modern slavery free.	Best practice is maintained by the Group's Modern Slavery Policy (which is routinely reviewed) and engagement has been undertaken with charities focused on this issue including Causeway.		
	Provide resources and support to enable our supply chain to support the objectives of this Strategy.	A range of support has been offered to our supply chain including toolbox talks, bespoke mental health awareness sessions with the Lighthouse Charity, and guidance on regulations and best practice.		
Delivering high impact collaborations	Engage and collaborate with our partners to generate the highest possible social value for our community and charity partners.	We have routinely engaged our commercial partners and supply chain to collaborate on delivering significant social value and employment and skills opportunities in alignment with commercial schemes and community partnerships.	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• Community engagement • NZC • Responsible consumption • EDI • Nature stewardship
	Engage key partners to create a more diverse and inclusive built environment sector and form business led partnerships to improve EDI.	We continue to engage with membership organisations (including the Confederation of British Industry (CBI) and Business in the Community (BITC)) on EDI and engage other businesses to share knowledge and best practice.		
	Collaborate with all our partners to reduce our environmental impact. This will include collaborating with business coalitions and membership organisations, and providing access to environmental training and resources for our suppliers.	We continue to engage with membership organisations (including Yorkshire Climate Action Coalition) to share knowledge and best practice. We became members of the UK Green Building Council (UKGBC) and will work closely with their team to educate and inform our people and partners on the latest sector environmental developments. We routinely collaborate with our supply chain and professional partners across all areas of commercial operations to identify opportunities to protect the environment and support the aspirations of our NZC Framework.		

Pictured: Kangaroo Works, Sheffield, providing 365 high-quality apartments in the Heart of the City.

SEGMENTAL REVIEW

LAND PROMOTION

NICK DUCKWORTH
HALLAM LAND MANAGEMENT LIMITED

HLM has traded strongly in 2022, achieving an operating profit of £17.3m (2021: £17.5m) from selling 3,869 plots (2021: 3,008 plots) at nine locations. Total plot sales were materially higher during 2022 due to a major disposal at Didcot of 2,170 plots to Taylor Wimpey and Persimmon Homes. However due to the size of the sale and discount for volume, the average gross profit per plot reduced to £6,066 (December 2021: £7,820).

UK greenfield land values increased by 2.0% in the 12 months to 31 December 2022 according to Savills Research. Following growth during the first nine months of the year, UK greenfield values fell by 2.2% in the final quarter. In the latter part of the year, transactions slowed significantly as many housebuilders paused land buying in response to slowing sales rates and the number of sites being actively marketed for sale reduced. However, although many of the major housebuilders have slowed their land buying, there remains selective interest in prime sites with planning consents, such as HLM can offer, amid some confidence returning to the industry following the significant disruption caused by the effects of the mini-budget in the second half of 2022.

HLM'S land bank grew to 95,704 plots (December 2021: 92,667 plots), of which 9,431 plots (December 2021: 12,865 plots) have planning permission (or Resolution to Grant subject to S106). The decrease in plots with planning permission reflects disposals during 2022 and continued delays in the planning system. In 2022, there were 1,473 plots submitted for planning, taking the total plots awaiting determination to 12,297 (December 2021: 11,259 plots).

Unfortunately, the planning system continues to experience delays due to a growing number of complexities such as the emerging Draft National Planning Guidance, which looks to be slowing down Local Authority Development Plan making and Planning Application determination. This resulted in HLM only gaining planning permission for 435 plots in 2022 (2021: 52 plots). Already in 2023, HLM has achieved planning permission on 320 plots and is expecting determination on its remaining plots to fall into 2023 and beyond.

HLM's land bank remains well positioned due to the high levels of stock with planning permission. Despite experiencing challenges with the planning system, the number of plots under control and in planning has increased, giving us confidence in the medium term that our stock levels holding planning will return to similar levels seen in previous years.

There is significant latent value in the Group's strategic land portfolio, which is held as inventory at the lower of cost or net realisable value. As such, no uplift in value is recognised within our accounts relating to any of the 9,431 plots with planning and any increase in value created from securing planning permission will only be recognised on disposal.

In relation to significant schemes:

- In H2 22, a S106 Agreement was signed at South West Milton Keynes allowing the outline planning consent to be drawn down for 618 plots, primary and secondary schools and open space. The site has subsequently been disposed of post period-end to Taylor Wimpey, with the sale completing in March 2023.
- At Pickford Gate, Coventry (formerly Eastern Green), following the grant of outline planning permission for 2,400 plots, 37 acres of employment land and a new primary school, local centre uses and open space in 2020, HLM unconditionally exchanged to sell 250 plots to the Vistry Group in March 2023, which will complete by the end of 2023.

Residential Land Plots

	With permission						
	b/f	granted	sold	c/f	In planning	Future	Total
2022	**12,865**	**435**	**(3,869)**	**9,431**	**12,297**	**73,976**	**95,704**
2021	15,421	452	(3,008)	12,865	11,259	68,543	92,667
2020	14,713	2,708	(2,000)	15,421	8,312	64,337	88,070
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469

- In 2022, North West Bicester, a 3,100-plot scheme the subject of an outline planning application, progressed well with Oxfordshire County Council delivering a road bridge under the London/Banbury rail line, and the District Council signalling an increase in development plan housing numbers, such that our scheme aligns with emerging policy. The scheme, which also includes a primary school, funds for a secondary school, mixed use local centre, commercial land open space and biodiversity offsetting, has been designed to achieve emerging environmental requirements and energy use.
- At Swindon, the 2,000-plot site with outline consent that is being promoted through an option agreement jointly held with Taylor Wimpey, terms for acquisition were near settled with the landowners, but stalled due to the market disruption in Q4 2022 and HLM is now working to conclude the purchase during 2023.

Residential Land Plots – Regional Split

Region	Plots	Percentage
Scotland	9,630	10%
North	12,528	13%
North Midlands	17,716	18%
South Midlands	21,982	23%
South	6,766	7%
South East	5,395	6%
South West	21,687	23%
Totals	95,704	100%

CASE STUDY

Milton Keynes

Sale of 1,855 plots

In 2023, Hallam Land Management completed the sale of 1,855 plots (HLM share 618 plots) at Milton Keynes to housebuilder Taylor Wimpey, resulting in an ungeared internal rate of return of 14% p.a.

Providing value for local authorities

The site forms part of the South West Milton Keynes Consortium and approval was required from both Buckinghamshire Council and Milton Keynes Council. The cross-boundary scheme was granted approval in December 2022.

An extensive Section 106 package will provide funds towards facilities and services benefitting both authorities, including 6.5 acres of employment land, Milton Keynes hospital, Buckinghamshire education services, extensive offsite highway works and new public transport infrastructure together with substantial pedestrian links.

> "The ongoing demand for new homes presents a significant opportunity for Hallam Land, and the sale of this site to a leading national housebuilder continues to demonstrate the benefit of working with us to navigate complex planning arrangements."

Nick Duckworth
Managing Director, Hallam Land Management Limited

Community Benefits

The 342 acre site is located to the South West of Milton Keynes, below the A421 between Bletchley and Newton Longville.

Positioned around seven miles outside of the centre of Milton Keynes, a series of public transport improvements are set to further enhance the site's connections to the surrounding area.

Alongside 1,855 homes, of which 35% will be affordable, the site will feature a primary school, secondary school and a neighbourhood centre including retail and community buildings.

Over 130 acres of green infrastructure will be delivered across the site, providing extensive play spaces, sports facilities and benefitting air quality and local ecology.

PROPERTY INVESTMENT AND DEVELOPMENT

Property Investment and Development, which includes HBD and SBH, delivered a combined operating profit of £25.7m (2021: £18.3m).

According to the CBRE Monthly Index, commercial property values declined by 13.3% in the 12 months to 31 December 2022. Industrial property was the worst performing sector with values down 21% during the year followed by offices down 12.1% and retail down 8.1%. Commercial property values were negatively impacted by rising interest rates during H2 22 with overall values declining by -19.0%. Having seen strong investor demand over the last few years driving substantial yield compression, I&L was the worst performing sector in 2022 as the sharp increases in interest rates resulted in significant yield expansion during H2 22. Whilst investment volumes were down 25% on 2021, it was still the second most active year on record. At the same time, I&L vacancy rates reached a new low of 3.6% in Q4 22 (for units above 50,000 sq ft). The rate of yield expansion has slowed in recent months suggesting that commercial property values are beginning to stabilise.

At the same time, the rental growth outlook for both I&L and regional BtR remains positive given the level of active demand and lack of available space. Regional office demand has continued to recover from the 2020 low with take-up increasingly focused on grade A space resulting in prime rental growth of 6.5% in 2022.

HBD has performed well, completing developments with a GDV of £117m (HBD share £83m GDV; 2021: HBD share £68m GDV), of which 92% have been let or sold. In the year, HBD completed on:

- Five industrial schemes totalling 497,000 sq ft with a combined GDV of £86m (HBD share: £60m GDV).
- Two residential land sales with a GDV of £23m (HBD share: £15m GDV), comprising a 184-unit scheme in Skipton, which was pre-sold to Bellway, as well as a sale of land to Aberdeen City Council for the construction of 500 houses.
- A 23-unit residential build-to-sell scheme in York, Clocktower, with a GDV of £8m.

2022 Completed Schemes

Scheme	GDV (£'m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status
Industrial					
Wakefield, Kitwave	12	6	65	–	Pre-let & pre-sold
Luton, Quad 2	16	16	82	–	Pre-sold
Pool, MKM	4	4	15	–	Pre-let
Southend	12	12	75	–	Speculative
Wakefield Hub, Phoenix	42	22	260	–	Pre-sold
	86	60	497	–	
Residential					
Skipton	7	7	–	184	Pre-sold
Aberdeen, Cloverhill	16	8	–	500	Pre-sold
York, Clocktower	8	8	–	23	Pre-sold
	31	23	–	707	
Total for the year	**117**	**83**	**497**	**707**	

The committed development programme now totals a GDV of £395m (HBD share: £240m GDV) of which 63% is currently pre-let or pre-sold, with 97% of the development costs fixed.

2023 Committed Programme

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential size (units)	Status	Completion
Industrial						
Rainham, Momentum	120	24	368	–	Speculative	Q4 24
Nottingham, New Horizon	54	54	426	–	Forward funded	Q2 23
Walsall, SPARK Remediation	37	37	–	–	Forward funded	Q2 24
Luton, Diploma	20	20	85	–	Pre-let	Q2 23
Preston, East DPD & DHL	30	15	122	–	Pre-let and forward funded	Q4 23
	261	150	1,001	–		
Urban Residential						
Birmingham, Setl	32	32	–	101	Speculative	Q1 24
York, TDT	22	22	54	–	Pre-sold	Q2 23
Aberdeen, Bridge of Don	12	1	–	TBC	Under-offer	Q4 23
Aberdeen, Cloverhill	2	2	–	420	Pre-sold and DM fee	Q4 23
	68	57	54	521		
Urban Commercial		–				
Manchester, Island	66	33	91	–	Speculative	Q3 24
Total for year	**395**	**240**	**1,146**	**521**		
% sold or pre-let (incl Island)	**45%**	**63%**				

Within the committed programme there is currently over 1m sq ft of I&L space (HBD Share: £150m GDV), a total of 521 urban residential units (HBD Share: £57m GDV) and 91,000 sq ft of commercial space (HBD Share: £33m GDV). In this regard:

- In H1 23, three projects (Diploma, Luton, New Horizon, Nottingham and TDT, York) are set to complete on site with a combined GDV of £96m.
- After securing pre-lets with DPD and DHL at Preston East (HBD share: £15m GDV) in H2 22, the 122,000 sq ft I&L development was subsequently pre-sold to Titan Investments, at 10% above book value, with completion expected in Q4 23.
- HBD has committed to Momentum, Rainham (in an 80:20 JV with Barings) (HBD share: £24m GDV) a 368,000 sq ft speculative I&L development located close to Central London and within five miles of J30 of the M25. Whilst formal marketing has not yet begun, the scheme is already attracting strong occupier interest.
- At Setl, Birmingham, HBD is currently on site delivering a scheme of 101 premium apartments within the highly sought-after St Paul's area of Birmingham's Jewellery Quarter. Residential amenities include a roof garden, co-working lounge and wellness studio. The scheme also incorporates 2,250 sq ft of ground floor commercial space and is currently on track for completion in Q4 23.

PROPERTY INVESTMENT AND DEVELOPMENT

HBD's total development pipeline has grown to a GDV of £1.5bn (HBD share: £1.25bn GDV). All of these opportunities sit within the Company's three key markets of I&L (65%), Urban Commercial (20%) and Urban Residential (15%). Significant schemes include:

- As reported in the interim results, HBD was appointed as development partner on the first phase (HBD share: £50m GDV) of Cheltenham Borough Council's £1bn Golden Valley development which comprises the delivery of a mixed-use campus clustered around 150,000 sq ft of innovation space that will serve as the new National Cyber Innovation Centre.
- In H2 22, a planning promotion and option agreement was secured at Brodsworth (HBD Share: £90m GDV) for 432 acres of employment land and 1,000 residential plots. The c.730-acre site is jointly being promoted and developed by both HLM and HBD.
- At Neighbourhood, Birmingham (HBD Share: £117m GDV), a planning application was submitted in Q3 22 for 414-unit BtR development and was subsequently granted in March 2023. The scheme is situated on a 2.6-acre site located within the Jewellery Quarter area of Birmingham, in a prime location in close proximity to the city centre. Neighbourhood will create an inclusive new community around public realm with landscaped gardens and will host a selection of the best local independent leisure operators. The internal amenities within the scheme include a double height winter garden, a gym, roof terraces and work zones. The scheme is targeting to secure pre-funding during 2023.

Within the development pipeline there are several developments that showcase the Group's ESG ambitions and credentials by targeting both an EPC A rating and BREEAM Excellent:

- HBD and Greater Manchester Pension Fund are working in a joint venture to deliver 91,000 sq ft of NZC offices within Manchester City Centre. Island will include 12,500 sq ft of amenity areas including social, meeting and event spaces and a communal roof terrace. The scheme is on track to be completed in Q3 24.
- At Momentum, Rainham, the I&L NZC scheme will target BREEAM Excellent, an EPC A+ rating and all the units will be 100% electric. The scheme is currently receiving encouraging occupier interest.
- HBD is designing 200,000 sq ft of NZC offices within Manchester's St John's district, which is establishing itself as the tech, arts and culture district of the city centre.

During 2022, a number of well-timed sales were made to reduce the size of the investment portfolio (including share of properties held in JVs), which as of 31 December 2022 was valued at £106m (2021: £126m). Whilst the CBRE UK Monthly Index showed commercial property values decreased by 13.3% over 2022, HBD completed three sales in H2 22, comprising Kitwave Wakefield, Acre Mill and Stop24 for a total of £29.6m, at an average 17% premium to the last reported book value. This was a major driver of relative outperformance with a portfolio capital return of -5.4%. The total property return of -1.5% for 2022, was significantly ahead of the CBRE UK Monthly Index (-9.1%). Rent collection for FY 22 stands at 98% with occupancy increasing slightly to 88% (2021: 85%) and the weighted average unexpired lease term is now 10.7 years (2021: 16.1 years).

The Group is also committed to ensuring that all the properties within the investment portfolio have a minimum EPC rating of 'C'. Currently 70% of these properties have a rating of 'C' or higher, of which 39% of the total portfolio are rated 'A-B'. The majority of the remaining 30% of the portfolio that are currently below a 'C' rating, have redevelopment potential with a target range of 'A' or 'B'.

The UK housing market slowed during 2022 as homebuyer demand was impacted by higher mortgage rates following the sharp increases in interest rates. According to Nationwide, house prices increased by 2.9% during 2022, with the increase of 5.7% during the first eight months of the year largely reversing in the final four months as prices declined by 2.6% from their peak. Whilst mortgage approvals remain subdued, the reduction in longer-term interest rates has started to feed through to mortgage rates, which together with unemployment remaining low and a continued shortage of supply, should help support transaction volumes during 2023.

SBH has continued to grow and during 2022 delivered 175 house completions (124 private/51 social) (2021: 120), at an average selling price for private homes of £503k (2021: £509k). Due to high levels of forward sales brought into the year, the average sales rate reduced to 0.51 houses per week per outlet (2021: 0.83). In common with many in the industry, supply chain challenges have impacted SBH with completed sales below our target of 200, but strong sales prices mean the business was marginally ahead of budget. As a result of sales prices being achieved 10.4% ahead of budget, 9% build cost inflation has been effectively managed.

SBH total owned and controlled land bank now comprises 1,094 plots (2021: 1,157) of which 872 plots have detailed or outline planning and has 3.5 years supply based on a one-year rolling forward sales forecast for land with planning or 4.4 years for its full land bank.

SBH has begun the year well, with mortgage rates beginning to stabilise, and an easing of cost of living pressures providing some support to housing market activity levels. The strategic objective of growing the business to achieve 600 completions per annum remains on track, entering 2023 with 56% of reservations already secured against its delivery target of 250 homes (188 private/62 social).

CASE STUDY

Neighbourhood, Birmingham

Delivering over 400 apartments

Neighbourhood is located in the popular Jewellery Quarter area of Birmingham. It is a £117m GDV build-to-rent scheme, which will see the transformation of the former Sytner car garage, delivering 414 apartments alongside a range of amenities.

Creating a vibrant community

HBD acquired the 2.6-acre site in April 2021, working carefully on its plans for the new development to ensure that the contemporary scheme is designed in keeping with the historic Jewellery Quarter.

Neighbourhood has been designed by award-winning architecture practice, BPN Architects, along with re-form Landscape Architecture, a team focused on creating sustainable places.

In addition to 414 new apartments, the site will encompass a host of amenities for residents, including double height winter garden, roof terraces and social spaces featuring a selection of the best local independent leisure operators, plus a gym, lounge, work-from-home areas and an on-site concierge.

New planting and rain gardens throughout will boost liveability; one of many features included within the design to ensure that the scheme is sustainable.

The future

A planning application was submitted in Q3 2022, and the scheme will be going to planning Committee in Spring 2023, with the aim to secure forward funding later in the year. Subject to planning permission being granted, HBD hopes to start on site in mid-2023.

Neighbourhood is HBD's second project within the Jewellery Quarter, with construction work on its Setl development well underway.

"Following planning being granted, we are really excited to continue to progress on Neighbourhood this year. We have received a very positive reaction to our plans for the scheme, and have considered and reacted to a number of suggestions raised during the consultation period."

Ed Hutchinson
Managing Director, HBD

SEGMENTAL REVIEW

CONSTRUCTION

Trading in the Group's construction segment has been ahead of expectations in 2022, achieving an operating profit of £12.1m (2021: £9.0m).

UK construction activity continued to recover during 2022, with annual output increasing by 5.6% following the record increase of 12.8% in 2021. At a sector level private housing was the largest positive contributor, with record annual growth in private industrial new work. Monthly output in December 2022 was 3.8% above the February 2020 pre-COVID level.

HBC, the Group's construction business, performed in line with expectations, delivering a turnover of £101.5m (2021: £81.6m) (52% in public sector) and begins 2023 with 68% of its order book secured. 94% of the forecast costs relating to work already secured for 2023 has fixed price orders placed or contractual inflation clauses.

Despite experiencing delays and challenges with the supply chain and material deliveries, progress continues to be made on the £42m urban development scheme in the heart of Sheffield for Sheffield City Council and Queensberry Development Management to create the Cambridge Street Collective as a mixed-use facility as well as Elshaw House which will be a seven-storey NZC office building. Works will be completed in H1 2023. Works on our £40m BtR residential scheme Kangaroo Works in Sheffield are also progressing through to completion in H1 2023. Good progress has been made on the £47m residential development called the Cocoa Works in York for Latimer Developments. The seven storey 279 apartment scheme remains on schedule for completion early 2024.

HBC operates across ten public sector frameworks and has seven schemes on site through public sector frameworks with a total order value of £55m. In 2022 there were six successful renewals, which include:

- A new four-year P23 NHS Framework for projects up to £20m across Yorkshire, Humber and the East Midlands.
- A place on the new four-year DfE Framework for projects between £6m to £12m in the North East, Yorkshire and the East Midlands.
- YORbuild3 Medium Value Framework for projects between £4m and £10m.

Looking ahead, HBC is looking to maintain its public sector framework presence and is currently bidding on the Pagabo refit and refurbishment framework for works up to £30m in Yorkshire, Humberside and the East Midlands.

BP has seen record levels of trading activity with turnover in 2022 up 5%. Strong customer demand has also driven an improvement in the asset utilisation rate to 75% (2021: 70%) on its plant hire equipment. Road Link has performed well as a result of traffic volumes increasing and the added benefit of high inflation feeding into higher toll revenues.

STRONG SALES SIGNIFICANTLY INCREASING PROFITABILITY

What we did in 2022

- 31% increase in operating profit despite downward revaluation movements on Investment Property.
- Increased capital employed to £399m (2021: £376m), investing in strategic land and development schemes.
- Made opportune disposals of investment properties and a joint venture to recycle cash into assets with increased development potential.
- Increased dividends by 10% as a continuation of our progressive dividend policy

Summary of financial performance

	2022 £'m	2021 £'m	Change %
Total revenue			
Property Investment and Development	**169.0**	69.4	+144
Land Promotion	**43.8**	58.6	-25
Construction	**128.6**	102.6	+25
	341.4	230.6	+48
Operating profit/(loss)			
Property Investment and Development	**25.7**	18.3	+40
Land Promotion	**17.3**	17.5	-1
Construction	**12.1**	9.0	+34
Group overheads	**(8.6)**	(9.3)	-8
	46.5	35.5	+31
Net finance cost	**(0.9)**	(0.4)	+125
Profit before tax	**45.6**	35.1	+30

The Group has benefited from strong activity within its property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis[1] of £56.1m (excluding revaluation movements on completed investment property) (2021: £29.3m).

Property investment and development was particularly strong in H1 22, as a number of land sales completed and development contracts progressed, with the full-year results subdued only by the market-wide fall in UK commercial property values. Stonebridge Homes continued its growth trajectory increasing unit completions by 46% to round off a strong performance for the property investment and development segment.

UK housebuilding demand has also driven increased strategic land activity within our land promotion segment with an operating profit of £17.3m generated by the disposal of 3,869 residential plots during the year. The segment also contractually exchanged sales that will generate £13.0m of gross profit in 2023.

In anticipation of the UK economy slowing in H2 22, the Group reduced cash investment in new acquisitions and focused on the development of existing schemes from our pipeline of opportunities, with the aim of bringing assets to market at the most opportune time.

FINANCIAL REVIEW

Consolidated Statement of Comprehensive Income

Revenue increased 48% to £341.4m (2021: £230.6m) as we continue to deliver a number of schemes in the property investment and development segment and having completed on 175 (2021: 120) house sales in Stonebridge Homes. The land promotion business disposed of 2,170 plots to Taylor Wimpey and Persimmon Homes at Didcot and exceeded our target to dispose of 3,500 plots per annum. The construction segment grew its revenue by 25%, continuing to deliver urban development works in Sheffield and from a number of framework agreements that generate profitable work.

Gross profit of the Group increased 47% to £81.6m (2021: £55.5m), a gross profit margin of 24% (2021: 24%) and reflects healthy returns across all our operating segments. Administrative expenses increased by £4.0m (2021: £3.4m) as we continued to invest in our people and processes to support future growth.

Pension expenses of £4.3m (2021: £6.0m) are £1.7m lower than the prior year due to the cost of closing the defined benefit pension scheme to future accrual in 2021. The defined benefit pension scheme entered a surplus on an IAS 19 basis in the year.

Property revaluation losses amounted to £8.2m (2021: £15.0m gain), incorporating £4.9m revaluation losses (2021: £8.0m gain) on wholly owned investment property and £3.2m revaluation losses (2021: £7.0m gain) on our share of investment property held in joint ventures.

Property revaluation (losses)/gains	**2022 £'m**	2021 £'m
Wholly owned investment property:		
Completed investment property	**(7.3)**	4.6
Investment property in the course of construction	**2.4**	3.4
	(4.9)	8.0
Joint ventures and associates:		
Completed investment property	**(3.2)**	1.2
Investment property in the course of construction	**–**	5.8
	(3.2)	7.0
	(8.2)	15.0

Read the **Business Review** on pages 38 to 44

Profit on sale of investment properties of £0.6m (2021: £1.3m), relates to the opportune disposal of a motorway services asset to the existing operator in Kent. Loss on disposal of assets held for sale of £0.1m represents the selling costs on disposal of an industrial asset in Wakefield.

Share of profit of joint ventures and associates of £9.1m (2021: £8.9m) includes a significant land disposal in Aberdeen for local authority housing and development of an industrial unit in Wakefield offset by property revaluation losses of £3.2m, all by the property investment and development segment.

Profit on disposal of joint ventures and subsidiaries of £0.7m (2021: nil) relates to the disposal of a long standing 50% interest in a joint venture entity in Huddersfield by the property investment and development segment.

Overall, operating profits increased by 30.6% to £46.5m (2021: £35.6m) and, after adjusting for net finance costs, we delivered a PBT of £45.6m (2021: £35.1m).

The segmental result analysis shows that:

- Property investment and development produced an increased operating profit of £25.7m (2021: £18.3m) arising from additional profits on development contracts, land sales and an increase in Stonebridge housing unit disposals to 175 (2021: 120), offset by a valuation loss on wholly owned investment property of £4.9m (2021: 8.0m gain).
- Land promotion operating profit remained consistent at £17.3m (2021: £17.5m) as we disposed of 3,869 residential plots during the year (2021: 3,008).
- Construction segment operating profits increased to £12.1m (2021: £9.0m) as construction and plant hire activity levels remain positive and due to inflation-related fee increases on our PFI contract.

We continue to demonstrate the benefits of a broad-based operating model and how this allows us to manage the impact of cyclical markets during challenging times and capitalise on market recoveries that follow. We maintain a significant pipeline of property development and consented residential plots; the variable timing of the completion of deals in these areas does give rise to financial results which can vary depending upon when contracts are ultimately concluded. We mitigate this through the mix of businesses within the Group and our business model which, over the longer term, will ultimately see the blended growth of the Group delivered.

Tax

The tax charge for the year was £7.7m (effective rate of tax: 16.9%) (2021: £4.5m; effective tax rate: 12.8%) and is lower (2021: lower) than the standard rate of tax due to adjustments for joint ventures and associates reported net of tax (2021: due to adjustments in respect of earlier years arising from additional loss relief on asset disposals). Current taxation on profit for the year was £8.5m (2021: £1.1m), deferred tax was a credit of £0.8m (2021: £3.4m debit).

Earnings per share and dividends

Basic earnings per share increased 18% to 25.0p (2021: 21.2p) in line with the increase in profits attributable to owners of the Parent Company. Total dividend for the year increased 10% to 6.66p (2021: 6.05p), with the proposed final dividend increasing to 4.00p (2021: 3.63p), payable on 2 June 2023 to shareholders on the register as at 5 May 2023. The ex-dividend date is 4 May 2023.

Return on capital employed[2] ('ROCE')

Higher operating profit in the year saw an increased ROCE to 12.0% in 2022 (2021: 9.6%) and is now within the Group's target return of 10%–15% which we believe is appropriate for our current operating model and the markets we operate in.

Finance and gearing

Net finance costs increased to £0.9m (2021: £0.4m) reflecting the increase in UK interest rates during the year.

Interest cover, expressed as the ratio of operating profit (excluding the valuation movement on investment properties, disposal and joint venture profits) to net interest (excluding interest received on other loans and receivables), was 22 times (2021: 31 times). No interest incurred in either year has been capitalised into the cost of assets.

The Group's banking facilities were agreed on 23 January 2020 at £75.0m. The facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions. On 20 January 2022, the banks agreed to the Group's second extension taking the facility to 23 January 2025 and on 9 October 2022 to a call on the accordion increasing the total committed facility to £105.0m. The Group had drawn £65.0m of the facility at 31 December 2022 (2021: £50.0m).

On 20 December 2021, the Group signed a £25.0m receivables purchase agreement with HSBC Invoice Finance UK Limited (HSBC) that allows it to sell deferred income receivables to the bank. The risk and rewards of ownership are deemed to fully transfer to HSBC and, therefore, this agreement is recorded off balance sheet. The Group had sold £7.6m of receivables under the agreement at 31 December 2022 (2021: £nil).

2022 year-end net debt[4] was £48.6m (2021: £40.5m)[6] resulting in the Group having gearing of 12.3% (2021: 11.4%), at the lower end of our targeted range of 10%-20%.

All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated comfortably within the facility covenants and continue to do so.

FINANCIAL REVIEW

Cash flow summary

	2022 £'m	2021 £'m
Operating profit	**46.5**	35.6
Depreciation and other non-cash items	**(3.4)**	(13.9)
Net movement on equipment held for hire	**(4.1)**	(4.8)
Movement in working capital	**(55.6)**	(55.5)
Cash generated from operations	**(16.6)**	(38.6)
Net capital disposals/(investments)	**16.6**	(20.9)
Net interest and tax	**(3.6)**	(5.0)
Dividends paid	**(12.4)**	(8.4)
Dividends received from joint ventures	**7.1**	2.2
Other	**0.8**	0.2
Change in net debt	**(8.1)**	(70.5)
Net (debt)/cash brought forward	**(40.5)**	30.0
Net debt carried forward	**(48.6)**	(40.5)

During 2022, the cash outflow from operations amounted to £16.6m (2021: £38.6m) after net investment in equipment held for hire of £4.1m (2021: £4.8m), and cash outflows from a net increase in working capital of £55.6m (2021: £55.5m).

Our increase in working capital arises from additional investment in property developments in progress, our housebuilding and strategic land portfolios and an increase in contract assets.

Net capital disposals of £16.6m (2021: £20.9m investment) arose from disposals of investment property of £19.1m (2021: 6.7m) and joint ventures of £6.9m (2021: £4.3m) and net movement in JV investments of £0.6m (2021: £(13.7)m), which were offset by additions to investment property of £9.3m (2021: £17.3m) and net additions to property, plant and equipment of £0.7m (2021: £0.9m).

Net dividends, totalled £5.3m (2021: £6.2m), with those paid to equity shareholders of £8.4m (2021: £7.6m) increasing by 10% and, dividends to non-controlling interests of £4.0m (2021: £0.8m), being offset by dividends received from joint ventures during the year of £7.1m (2021: £2.2m).

After net interest and tax of £3.6m (2021: £5.0m), there was an overall outflow in net cash of £8.1m (2021: £70.5m), resulting in net debt of £48.6m (2021: £40.5m).

Statement of financial position summary

	2022 £'m	2021[6] £'m
Investment properties	**97.1**	104.2
Intangible assets	**2.9**	3.7
Property, plant and equipment, including right-of-use assets	**29.8**	27.9
Investment in joint ventures and associates	**10.0**	12.2
	139.8	148.0
Inventories	**291.8**	235.3
Receivables	**122.9**	111.1
Payables	**(113.6)**	(85.1)
Other	**(4.2)**	(1.2)
Net operating assets	**436.7**	408.0
Net debt	**(48.6)**	(40.5)
Retirement benefit asset/(obligations)	**6.2**	(12.2)
Net assets	**394.3**	355.3
Add back: Non-current liabilities and pension asset	**4.8**	20.4
Capital employed	**399.1**	375.7

Wholly owned investment properties decreased in value to £97.1m (2021: £104.2m), following the disposals of an industrial unit in Wakefield and motorway service station in Kent, together they sold at a premium to book value of £18.6m. This was offset by the transfer of newly completed industrial units from inventory at Southend and Luton, which amount to £16.7m including subsequent expenditure. Property revaluation losses amounted to £8.2m (2021: £15.0m gain), incorporating £4.9m revaluation losses (2021: £8.0m gain) on wholly owned investment property and £3.2m revaluation losses (2021: £7.0m gain) on our shares of investment property held in joint ventures.

Intangible assets reflect goodwill of £1.2m (2021: £1.4m), being Road Link (A69) of £0.3m (2021: £0.5m) and Banner Plant depots £0.9m (2021: £0.9m) and the Group's investment in Road Link (A69) of £1.7m (2021: £2.3m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and the impairment arises because the underlying road asset reverts to National Highways at the end of the concession period in 2026.

Property, plant and equipment comprises Group occupied buildings valued at £7.0m (2021: £6.6m) and plant, equipment and vehicles with a net book value of £22.8m (2021: £21.3m), including £1.0m (2021: £1.6m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have increased as new additions of £3.8m (2021: £6.8m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year, due to depreciation, as the Group's lease liabilities unwind.

Investments in joint ventures and associates decreased £2.2m to £10.0m (2021: £12.2m) arising from the Group's share of profits of £9.1m (2021: £8.9m) (including fair value reductions of £3.2m), less distributions of £7.2m (2021: £2.2m) and net disposals of £4.1m (£0.4m). We continue to undertake property development projects with other parties where we feel there is a mutual benefit.

Inventories were £291.8m (2021: £235.3m) with property inventory increasing to £91.2m (2021: £75.2m) as the Group progressed a Build to Sell opportunity in Birmingham, and existing development schemes, most notably an industrial scheme in Southend. We have increased[3] our housebuilder land and work in progress to £80.6m (2021: £52.5m) as we continue to invest in land, expand regionally into the North East and increase annual plot disposals. We continue to invest in owned land and land interests held under promotion agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables, including contract assets, increased £11.8m to £122.9m (2021: £111.1m)[6] due to an increase in commercial activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables increased to £113.6m (2021: £85.1m) with trade and other payables increasing to £100.0m (2021: £73.9m), provisions decreasing to £5.4m (2021: £6.3m) as strategic land provisions unwind, contract liabilities decreasing to £4.0m (2021: £5.0m), arising from payments received for work not yet undertaken.

Net debt included cash and cash equivalents of £17.4m (2021: £11.1m), borrowings of £65.0m (2021: £50.0m) and lease liabilities of £1.0m (2021: £1.7m). In total, net debt was £48.6m (2021: 40.5m).

At 31 December 2022, the IAS 19 pension valuation has decreased over the year from a deficit of £12.2m to a surplus of £6.2m, driven by a significant decrease in the value placed on the liabilities. This is mainly the result of substantial increases in the corporate bond yields used to discount future benefit payments, which reduces the value placed on the liabilities. The pension scheme's assets continue to be invested globally, with high-quality asset managers, in a broad range of assets. The pension scheme Trustees regularly consider the merits of both the managers and asset allocations and, along with the Company, review the returns achieved by the asset portfolio against the manager benchmarks. They then make changes, as the Trustee considers appropriate, in conjunction with investment advice received.

Overall, the net assets of the Group increased by 11.0% to £394.3m (2021: £355.3m) from retained profits and the decrease in retirement benefit valuation less distributions to shareholders. NAV per share[3] increased 10.5% to 295p (2021: 267p).

DARREN LITTLEWOOD
CHIEF FINANCIAL OFFICER

NOTES:

1. Underlying profit is an alternative performance measure (APM) and is defined as profit before tax excluding revaluation movements on completed investment properties. Revaluation movement on completed investment properties includes losses of £7.3m (2021: £4.6m gain) on wholly owned completed investment property and losses of £3.2m (2021: £1.2m gains) on completed investment property held in joint ventures. This APM has been introduced as it provides the users with a measure that excludes specific external factors beyond management's controls and reflects the Group's underlying results. This measure is used in the business in appraising senior management performance.
2. Return on Capital Employed is an APM and is defined as operating profit/ capital employed where capital employed is the average of total assets less current liabilities and pension asset/obligation at the opening and closing balance sheet dates.
3. Net Asset Value (NAV) per share is an APM and is defined using the statutory measures net assets/closing ordinary shares.
4. Net (debt)/cash is an APM and is reconciled to statutory measures in note 32.
5. Total accounting return is an APM and is defined as the growth in NAV per share plus dividends paid, expressed as a percentage of NAV per share at the beginning of the period.
6. See 'prior year restatements' on page 159.

PRINCIPAL RISKS AND UNCERTAINTIES

MANAGING OUR RISKS

For Henry Boot, effective risk management is essential in achieving positive outcomes from our operations and for the delivery of our strategic targets.

Overview

As a Group, Henry Boot takes a considered approach to risk. We invest prudently in pursuit of our strategic targets, maintain financial strength through effective cash management and aim to be the safest place to work in the markets in which we operate.

The Group operates a system of internal control for risk management within a structured framework. The long-term success of the Group depends on the continual review, assessment and control of the key business risks and the emerging risks it faces.

While there is a formal process in place for reporting risks on an annual basis, the process of risk identification, assessment and response is continuous and, therefore, if required, risks are reported to the Group's Board outside of the annual process, should events dictate that this is necessary and appropriate.

In the event of rapidly changing risks, our business continuity group, which incorporates key members of senior management, have established procedures and actions that will support the Group's day-to-day response to sudden or developing incidents, providing regular updates to our people, the Executive Committee and the Board.

Risk appetite

The Group's risk appetite and tolerance levels are reviewed annually by the Audit and Risk Committee and guide the risk process. The Group has no appetite for safety-related risk or undue financial exposure and will not pursue additional income generating or cost-saving initiatives unless returns are at targeted levels.

Risk management framework

The principal components of the Group's risk management framework comprise the risk strategy, risk appetite and tolerance statement, risk registers and the risk heat map. Although the process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of each business segment, it is consolidated, reported and reviewed at varying levels throughout the Group on an annual basis as a continuation of the strategy review process. The Board reviews all principal risks including consideration of how risk exposures have evolved during the period and any new risks arising from the risk registers.

The methodology used is to initially assess the gross (or inherent) risk. This is essentially the worst case scenario, being the product of the impact, together with the likelihood of the risk materialising if there are no controls in place to manage, mitigate or monitor the risk. The key benefit of assessing the gross risk is that it highlights the potential risk exposure if controls were to fail completely or not be in place at all. Both impact and likelihood are scored on a rating of one to five, using a scoring matrix.

The Board has ultimate responsibility for risk management, internal controls and review. Part of the Audit and Risk Committee's role is to ensure that the Group's risk management framework and processes, on which the Board relies, are working effectively.

Emerging risks

The Group believes that its emerging risks are inextricably linked to emerging trends in our marketplace and more widely to global and economic events. Such trends include urbanisation, demographics, technology, political and environment. Failure to keep pace with these changes could result in additional risk exposure to the Group. Management have, therefore, undertaken horizon scanning exercises which form key considerations in the Group's risk and strategic planning.

The Group continues to recognise the importance of climate risk and its impact on our business and the planet, this is recognised as one of the Group's principal risks and further information on our assessment of climate risk is detailed on pages 72 to 74.

The Group have also considered the political and economic impact of the ongoing crisis in Ukraine. The associated risks continue to be closely monitored and mitigations strengthened, while not a separate principal risk their impact is considered across each principal risk area.

The financial impact of the above are considered in the going concern and viability section on pages 56 to 57.

Risk Governance
Establish risk strategy and appetite

→

Risk Identification and Assessment
Identify and evaluate risk

→

Risk Response and Reporting
Review, report and revise

The Board/The Audit and Risk Committee

Oversight of all risk management within the Group is undertaken at the highest level by the Board of Henry Boot PLC, which is delegated in general terms to the Audit and Risk Committee.

Reviews the adequacy and effectiveness of the Group's internal controls and risk management systems.

Monitors and reviews internal and external audit.

The Executive Committee

Reviews risks and internal controls at a consolidated Group level and coordinates the Group's response.

Business Continuity Group

Comprises senior individuals from within the Group who meet on a flexible basis to establish the Group's procedures and plans for management of continuity events.

Communicates to our people and directs the immediate business response.

Subsidiary Boards and PLC

Each subsidiary and PLC department has a nominated individual responsible for reviewing the risks within that subsidiary/department on an annual basis. In general, this will be the Managing Directors (for subsidiaries) and the heads of department (for the PLC), with input from other relevant designated team members as applicable.

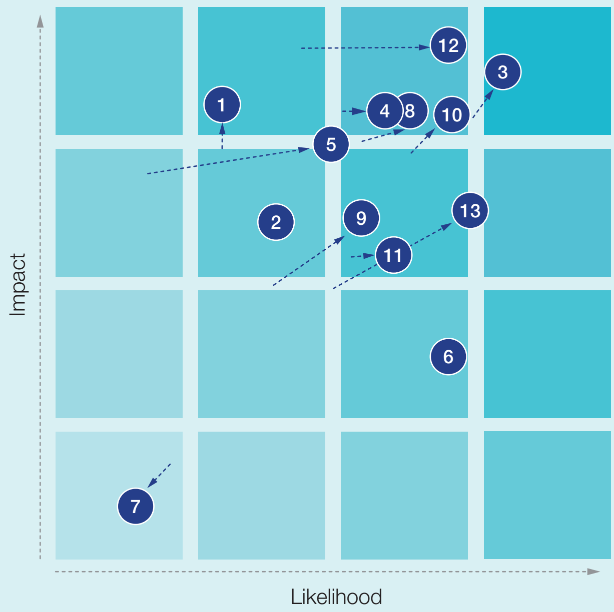
Internal Audit (third party)

Risk heat map

The risk heat map illustrates the 13 principal risks identified by the Board as having a potential material impact on the Group. The risks have been plotted by the Group Board/Audit and Risk Committee based on a common understanding of the risk appetite of the Group. The risks are presented gross (before taking account of mitigating actions).

Movements from the prior year's ranking are indicated by the arrows.

1 Safety
2 Environmental & climate change
3 Economic
4 People & culture
5 Funding
6 Cyber
7 Pensions
8 Construction contracts
9 Property assets
10 Property development
11 Land sourcing
12 Land demand
13 Political



OUR RISKS

To enable stakeholders to appreciate what the business considers are the main operational risks, they are presented in detail below.

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
1 Safety	Inherent risk within all of our businesses, but most notably within construction activity	• Priority consideration at all Group and subsidiary Board meetings. • Robust training, policies, procedures and monitoring. • Construction operation is ISO 45001 approved Health and Safety management system. • Internal independent Health and Safety department conducts regular random inspections. • Routine Director, senior manager or independent health and safety inspections.	Increased Introduction of Building Safety Act	Safety
2 Environmental and climate change	The Group is inextricably linked to the real estate and construction sectors, and environmental considerations are paramount to our success Further detail on the compliance, legal, technological, reputational, financial, market and physical risk associated with climate change are documented in the TCFD section of this Annual Report (pages 72-74)	• Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system. • Continuous improvement of our performance is achieved by setting annual environmental improvement targets. • Internal design helps mitigate environmental planning issues. • Record of awards given in respect of good safety and environmental performance. • Environmental Impact Assessments are carried out for all construction activities. These detail the action required to eliminate or reduce environmental impacts. • Board level Responsible Business Committee established. • Responsible Business Strategy including NZC framework in place.	No change	Safety

Key

Change during the year

Increased Decreased No change

Group strategic priorities

Safety People Growth Delivery

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
3 **Economic**	The Group operates solely in the UK and is closely allied to the real estate, housebuilding and construction sectors. A strong economy with strong tenant demand is vital to create long-term growth in rental and asset values, while at the same time creating a healthy market for the construction and plant hire divisions	• Strong Statement of Financial Position with no gearing and a long-term shareholder base means that we can ride out short-term economic fluctuations. • Different business streams increase the probability that not all of them are in recession at the same time. • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles. • Directors and shareholders share a common goal of less aggressive leveraging than some competitors. • Banking partners continue to be supportive.	↑ Rising interest rates, price inflation, debt management and slowing economy	
4 **People and culture**	Attraction and retention of the highest calibre people with the appropriate experience is crucial to our long-term growth in the highly competitive labour markets in which the Group work	• This risk is increased when unemployment falls and labour markets contract. • Long-term employment records indicate that good people stay within the Group. • The Group encourages equity ownership. • Proven record of sharing profits with our people. • Succession planning is an inherent part of management process. • Reward and remuneration benchmarked against the market to ensure competitive.	↑ Impact of cost of living, well-being and mental health issues. Demand and competition for skilled personnel	
5 **Funding**	The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which we operate	• The Group has agreed three-year facilities with its banking partners, which run to January 2025 and are backed by investment property assets. • A good level of interest from the banks in tendering for the renewed facilities in 2019, facility renewed January 2020. • New £25m HSBC receivable purchase agreement in place to January 2025. • Detailed cash requirements are forecast up to 15 months in advance, and reviewed and revised monthly. • Five-year business plan prepared as part of strategic review. • As a PLC, access to equity funding is available, should this be required.	↑ Additional funding requirements to support business growth	

OUR RISKS

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
6 Cyber	Unauthorised access to systems, hacking, malware and distributed denial of service could all lead to data loss, business disruption, reputational damage or financial loss	• Awareness updates routinely distributed to our people. • Use of software and security products and regular updates thereof. • Detailed disaster recovery plans. • External vulnerability and threat management reviews. • Internal mock attacks carried out.	No change	Delivery
7 Pension	The Group has a legacy defined benefit pension scheme that closed to future accrual in 2021. While the Trustees have a prudent approach to the mix of both return-seeking and fixed-interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables	• Operation of Trustee approved Recovery Plan. • While pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term. • The move out of gilts provides a cushion should interest rates rise. • Risk mitigated by move to quoted investments including pooled diversified growth funds. • Treat pension scheme as any other business segment to be managed. • Strong working relationship maintained between Company sponsor and pension Trustee. • Use good quality external firms for actuarial and investment advice. • Scheme now closed to future accrual.	Decreased Liability decreased on funding basis and is now an asset on an IAS19 basis	People
8 Construction contracts	Changes in terms and conditions of standard contracts exposing the Company to major financial and design liability risks	• Preliminary commercial appraisal. • Directors closely involved. • Standard position set out in guide for our people. • Experienced legal and commercial management. • Project specific tender risk register. • Use of pre-construction services agreements help to mitigate cost and risk. • Inflation clauses negotiated where security of pricing cannot be achieved.	Increased Supply chain and viability challenges	Growth Delivery

Key

Change during the year

Increased Decreased No change

Group strategic priorities

Safety People Growth Delivery

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
9 **Property assets**	Investment property assets are not marketable and are without secure tenancies. Valuations are volatile	• Monthly performance meetings. • Defined appraisal process. • Monitoring of property market trends. • Highly experienced development team. • Flexible to market trends in development requirements. • Diverse range of sites within the portfolio and over £1.25bn pipeline of future opportunities. • Portfolio strategy actively managed and covenants regularly reviewed. • Investments in sector with strong medium term tailwinds.	Softening yields	
10 **Property development**	Construction and client risk, which is not matched by commensurate returns on development projects. Clients not taking up new lettings on speculative schemes	• Construction projects, including returns and cash flows, are monitored monthly by subsidiary company management teams. • Seek high level of pre-lets prior to authorising development. • Development subject to a 'hurdle' profit rate. • Shared risk with landowners where applicable. • Highly experienced development team. • Flexible to market trends in development requirements. • Diverse range of sites within the portfolio and £1.25bn pipeline of future opportunities.	Softening yields impact margins and viability	
11 **Land sourcing**	The inability to source, acquire and promote land would have a detrimental effect on the Group's strategic land portfolio and income stream	• Monthly operational meetings detail land owned or under control, new opportunities and status of planning. • Acquisitions are subject to a formal appraisal process, which must exceed the Group defined rate of return, and is subject to approval by the subsidiary board or Executive Directors of the main Board, subject to level of investment. • Land portfolio of over 96,000 plots with aspiration to grow further. • Well respected name within the industry that demonstrates success. • Housebuilder land portfolio at 1,094 residential plots.	Capital taxes & margin erosion	

OUR RISKS

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
12 Land demand	A dramatic change in housebuilder funding sentiment and demand for housing can have a marked change on the demand and pricing profile for land	• The Group's policy is to only progress land that is deemed to be of high quality and in prime locations. • The business is long term and is not seriously affected by short-term events, or economic cycles. • We recognise cyclicality in our long-term plans and operate with a relatively low level of debt. • Greenfield land is probably the most sought-after land to build upon. • Long-term demographics show a growing trend; therefore, demand for land will follow. • Housebuilders have very good land portfolios and are selective, targeting prime locations.	Increased Housebuilder activity reduced	Delivery, Growth
13 Political	Political decisions, events or conditions can have a significant impact on the Group. Changes in government or government policy towards planning policies could impact on the speed of the planning consent process or the value of sites and legislative changes can have a significant impact on the viability of transactions and schemes	• The Group's highly skilled in-house technical and planning teams monitor changes in the market and in the planning process, and react accordingly to ensure that planning consents are achieved in a cost-effective and timely manner. • Large land portfolio can help smooth short-term fluctuations. • A high profit margin can be achieved when successful. • No uplifts are taken on land through the planning process, which reduces valuation risk in a downturn. Therefore, though profits may be reduced if site values fall, the Group should still achieve a profit on sale.	Increased Housing planning policy, and property taxes Escalation of events in Ukraine	Delivery, Growth

Key

Change during the year

Increased Decreased No change

Group strategic priorities

Safety People Growth Delivery

Going concern

In undertaking their going concern review, which covers the period to December 2024, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern.

As the UK economy moves at a slow pace, the Directors have assessed the Group's ability to operate in a more uncertain environment in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario including further curtailments in activities. This downside scenario shows a c.50% reduction in sales and c.67% reduction in profits from the base case. Construction and development activity only takes place where contracted and likewise for Hallam Land where no sales are assumed in 2023 unless already contracted.

For Stonebridge Homes a 10% decline in house prices is assumed along with a 25% reduction in the number of plots sold and Banner Plant revenue declines c.25%. This downside model assumes that acquisition and development spend is restricted other than that already committed and is all consistent with previous experience in recessionary environments. Having started 2023 with net debt[1] of £48.6m, and with c.£63.2m net debt at 28 February 2023, against facilities of £105.0m the Directors have concluded that the Group is able to control the level of uncommitted expenditure, whilst delivering contracted schemes, allowing it to retain and even improve the cash position in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Group meets its day-to-day working capital requirements through a secured loan facility. The facility was renewed on 23 January 2020, at a level of £75m, for a period of three years and extended by one year in January 2021 and a further year in January 2022 taking the facility renewal to 23 January 2025 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30m, which was called on by the Group on 9 October 2022 increasing the overall facility to £105m. None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 50% reduction in revenue and near 67% reduction in profit before tax from our base case for 2023, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2024.

At the time of approving the Financial Statements, the Directors expect that the Company and the Group will have adequate resources, liquidity and available bank facilities to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Viability statement

Introduction

The business model and strategy of Henry Boot PLC can be found on pages 28 to 31 in the Strategic Report. These documents outline the long-term business model and are central to the understanding of how the Group operates. We have operated the current business model successfully since 2004 and have a 137-year unbroken trading history. By their nature the Group's activities tend to be very long term, especially in the land promotion business and increasingly within property development. The Group's strategy and experience in the markets in which we operate has been built up over many years. Over the last ten years, the Group has reported an average profit before tax of £37.0m per annum, added over £200.8m to net assets (an increase of some 104%) and paid 64.0p per share in dividends, all from the trading segments it now operates, and at no stage in the last economic downturn, between 2008 and 2010, nor during 2020 and 2021 with the outbreak of COVID, did the Group make a trading loss.

The assessment processes

The Group's prospects are assessed through a three year forecasting process led by the PLC Board Executive Directors and the Boards of the individual subsidiaries. A detailed three-year bottom up base case is agreed prior to the commencement of the current financial year, reforecast each month throughout the financial year within each business and consolidated at a Group level. As a largely deal-driven business, it is considered inappropriate to attempt to prepare detailed bottom-up forecasts over a longer-term period. Whilst our strategic land promotion business commenced 2023 with 9,431 plots with planning permission which, at a five-year average disposal rate of 3,175 plots would imply that we have almost three years of sales already in hand and a property development pipeline of over £1.25bn Gross Development Value (GDV) to be delivered over a period extending beyond five years, it becomes difficult to accurately forecast the timing of transactions beyond year three.

We have stress tested our financial results based on the downside scenario modelled to December 2024, as described in the Going Concern statement on page 56 and 57 followed by an assumed return to planned levels of activity for year three. Our modelling assumes that deferred land sale debtors falling due of £31.8m as at 28 February 2023 will continue to be received during the period either directly from the debtors themselves or via the use of our debt purchase facilities or promissory notes which management consider to be viable alternatives facilitated by UK banks. These models highlight that as economic conditions worsen and construction activity, developments and land sales do not happen as envisaged, deferred land sale receipts, reduced investment and tight cost control sees the Group retain cash in the short to medium term, although long-term profitability would be significantly lower if the aforementioned mitigating actions were required to preserve cash.

Assessment of viability

The long-term strategy: the three year monthly forecasts reflect the Directors' best estimates of the prospects for the business and the Directors consider a three-year period to be appropriate over which to assess the viability of the Group. In addition to the downside modelled, we have also reviewed several potential viability risks to the Group and consider that the following represent scenarios which, if not carefully managed, could impact on the Group's viability.

Firstly, overtrading developments in progress with the attendant increase in leverage, at the same time as the property cycle turns down, asset values are falling, and schemes must be completed to create best value. This creates a potentially damaging scenario where debt is rising, and asset values are falling. Mindful of this scenario, we look to maintain prudent debt levels (even at maximum facility utilisation of £105m) and we have pre-sold or pre-let 63% of the committed development pipeline and secured 97% of the development costs on fixed price contracts.

Secondly, a decline in residential property markets where margins decline due to a lack of government support and planning delays or rejections, compounded by lower sales prices, higher build costs and increased legislative costs. Where possible the Group mitigates this risk by providing quality products from healthy land banks (including consented land) in prime locations.

Finally, a health and safety-related breach that causes a fatality (or similar serious outcome). We manage this risk through a very robust health and safety policy, zero tolerance towards policy breaches and consider health and safety at all of our Company board meetings. Our safety scores continue to be well into the top quartile of the UK construction industry and we have achieved a very safe working environment over the last 20 years.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation over the three-year viability period.

1 Net debt is an APM and is reconciled to statutory measures in note 32.

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT STRATEGY

Introduction

It is the aim of our Board and its Committees always to give proper consideration to stakeholder interests when taking decisions, and whilst recognising that not all decisions will be equally positive for all stakeholders, it is nevertheless important for all issues to be considered.

The Board formally adopted a Stakeholder Policy in 2019, which has been reviewed and revised in successive years, to ensure that the Board is proactively considering the most effective methods of incorporating stakeholder views into decision-making and providing effective engagement with all groups. More detail on this can be found below.

The Board is keenly aware that stakeholder views, and the considerations of ensuring a sustainable and long-term business, as well as maintaining the highest standards of business conduct, are all essential aspects of its decision-making processes. Set out below are some of the ways we ensure this, and decision-making processes will remain under review at ExCo and Board level to ensure that they remain dynamic and rounded. Within this report we also set out a substantial case study on one of the Board's biggest decisions in 2022, detailing the consideration of s.172 factors and how this has shaped the Board's approach.

Our stakeholders

The Board identified our key stakeholders during our work on the Henry Boot Way in 2017, being those groups whose interests and views are vital to the operation and culture of the Group, as embodied within our Purpose:

"To empower and develop our people to create long-term value and sustainable growth for our stakeholders.

Our stakeholders are our shareholders, employees, pensioners, customers and suppliers. More broadly, we recognise our duties to the environment and the communities in which we operate."

Board Information

- Our Board and senior leaders regularly engage with stakeholders as described on pages 59 to 60
- Board papers on Reserved Matters include consideration of stakeholder interests and views
- Gerald Jennings' role as designated NED for liaison with the Group Employee Forum ensures that the Board consider the views of, and impacts on, the workforce of various decisions
- Leadership and management receive training on Directors' duties to maintain awareness of the Board's responsibilities under s.172

Long-term Strategic Considerations

- The Board reflects on the Responsible Business Strategy and whether the outcome of its decisions support and contribute to the agreed targets
- The Board remains mindful of the Company's corporate objectives and KPIs which are discussed regularly, and have a wholesale review at annual Strategy Days
- Papers seeking Board approval are required to explain how the matter aligns with the Company's long-term strategy. Any items that deviate from the strategy are given additional scrutiny

Decision making

- The Company's culture is a core consideration when making decisions. The Board reflects on whether the action aligns with The Henry Boot Way and our values: Integrity, Respect, Delivery, Collaboration, Loyalty and Adaptability
- Actions directly brought about as a result of Board engagement – some examples are set out in the Employee Engagement section on pages 96 to 97
- Where appropriate, outcomes of decisions are re-assessed, and further engagement and dialogue undertaken

Board Stakeholder Engagement Strategy

The Board Stakeholder Policy, reviewed annually, is key in setting the existing status of current and future engagement with all of the Group's key stakeholders. During the 2022 review, three additional stakeholders were identified as having relevance in relation to Board engagement – Regulators, Media, and Professional Associations. Engagements with these groups are planned for 2023 and will be reported on next year. It is important to note that the below sets out Board specific engagements, not the broad and thorough range of engagements undertaken by the wider Group with each of these stakeholders.

Stakeholder	Why is it important for the Board to engage with this stakeholder group	How we the Board engaged in 2022	How we the Board responded
Shareholders	Dialogue with our shareholders to understand issues that are important to them is vital in shaping the approach of the Board, and the wider Group, in ensuring the delivery of our strategy, growth plans and returns	• Bi-annual Investor Roadshows and structured feedback sessions with institutional investors and major family and other shareholders • Focussed investor communication regarding significant issues as required • Regular Board updates on investor and proxy advisor sentiment collated by management / brokers / PR consultants • Informal and ad hoc shareholder engagement with family and other substantial shareholders • Attendance by all Board members at the AGM, available to answer questions and engage directly with shareholders	• Ongoing and structured communications on results • Consideration of appropriate guidance to be issued where required • Communication of key initiatives such as strategy and ESG objectives
Employees	Our people are the biggest asset of the Group, and ensuring that their priorities are understood makes sure that the Board can take their views into account when delivering on our strategic aims	See our Employee Engagement report on pages 96 to 97, plus: • Subsidiary board MDs and department heads attended Board meetings to discuss issues relevant to their company/team and the Group • Board members attended subsidiary board and other meeting opportunities throughout the year	• See examples within employee engagement report plus case study on page 61
Customers	Making sure that the services we offer are well received by customers is vital as a long-standing business with a reputation for longevity in its relationships	• Board site visits arranged to not only view sites in construction/development but also potentially interact with customers. This has now been supplemented by providing Board members with details of all subsidiary meetings / visits that they can attend on an individual basis if convenient • Reports regarding customer engagement across the Group comes to Board meetings twice annually	• Introduction of structured customer feedback initiatives within each subsidiary • Inclusion of customer feedback mechanisms within wider Marketing and Communications Strategy as considered at the Strategy Days
Pensioners	As former employees of the business, pensioner engagement ensures we maintain focus on our investment outcomes and returns	• Pensioner's lunch arranged by the company invitations extended to Board members • Ad hoc attendance by Board members at ad hoc events for pensioners and family members • Pension Newsletter produced on an annual basis and a copy issued to relevant members • Pensions report presented bi-annually at Board meeting to show the performance of the pension scheme • CFO attends Pension Trustee meeting as a representative of the Company	• Oversight of pension related matters on a regular basis

SECTION 172 STATEMENT

Stakeholder	Why is it important for the Board to engage with this stakeholder group	How we the Board engaged in 2022	How we the Board responded
Suppliers	As with customers, our supply chain is crucial, and our long-standing relationships ensure we are able to deliver on our commitments	• Board site visits arranged to not only view sites in construction/development but also potentially interact with suppliers, supplemented by providing Board members with details of all subsidiary meetings / visits that they can attend on an individual basis if convenient • Matters Reserved for the Board reports from Group subsidiary companies contain sections on stakeholder engagement including suppliers	• Inclusion of supplier feedback mechanisms within wider Marketing and Communications Strategy as considered at the Strategy Days
Communities	Being a responsible corporate citizen of the areas we operate in aligns with our values and is a substantial aspect of our Responsible Business Strategy	• Much work has been done on an individual project basis and also subsidiary and Group wide on community engagement, particularly through the Responsible Business Strategy, overseen by the Responsible Business Committee, and set out in this report on page 34 • Matters Reserved for the Board reports from Group subsidiary companies contains sections on stakeholder engagement including communities	• Community partnership targets included within the Responsible Business Strategy – see page 34
Environment	Similar to communities, responsibility to the environment as our wider stakeholder is integral to delivery of our ESG objectives, as well as ensuring we operate within our environments in a responsible manner	• Matters Reserved for the Board reports from Group subsidiary companies contain sections on stakeholder engagement including environment • Current environmental assessment and reporting is captured in the Responsible Business section of the Annual Report, which is reviewed by the Board • H&S report brought to each PLC Board meeting setting out inspections and issues noted, plus any interactions with authorities such as the HSE • Employees from across the Group who are involved in delivery of the Climate Change Framework are invited to relevant Responsible Business Committee meetings to share updates.	• Environmental targets included within the Responsible Business Strategy – see pages 35 • Responsible Business Committee approved adoption of Climate Change Framework – more detail on this within the Responsible Business Committee Report on page 117

CASE STUDY

Relocation of the Group's Head Office

For some years, the Board and senior managers within the business have been reviewing options for the Group's Head Office in Sheffield. The existing office building, Banner Cross Hall, is a Grade II listed former stately home in one of Sheffield suburbs, occupied by the Group for around 90 years. As such, although an imposing and impressive building, it has a number of features that are not conducive to modern office working, following a review of our working needs post-pandemic; as well as being in need of extensive modernisation for environmental and other reasons. For this reason, alternative options including a move to a purpose-built office within Sheffield city centre were also explored. The options, having been considered by the Board, triggered a process of engaging with and considering various stakeholders as part of the ultimate decision being progressed throughout 2022 and into 2023.

The following timeline sets out the progress of the Board's decision-making and interactions that incorporated stakeholder views within the process:

November 2021 options in principle considered by Board at 2021 Strategy Days, including detailed costing for Banner Cross Hall refurbishment. Board resolved to continue exploring this option along with alternatives

February 2022 following identification of alternative office space within Sheffield, Board resolved to carry out engagement with employees on the options

March 2022 town hall meeting held at Banner Cross Hall (broadcast as live webinar to the Group) explaining the options being considered – Banner Cross Hall refurbishment and relocation to alternative office space, with benefits and drawbacks of both explained. Consultation exercise launched within the Group, offering both open and confidential methods for employees to provide feedback

April 2022 having further considered the options and feedback received, the Board determined that it wished to progress with the option to relocate to alternative office space

May 2022 decision to relocate to alternative office space communicated to employees. Project team established comprising of a Steering Group and dedicated workstream leads as well as employee-led working groups focussing on key areas raised during the feedback consultation: Culture and Heritage; Agile Working; Personal Safety, Travel and Parking; Collaboration; and Location

June 2022 external workspace design support appointed and Working Groups commence gathering initial employee feedback on workspace considerations

July 2022 following collation of feedback, it is incorporated into initial workspace design and consultants engage with key teams throughout the business for additional views

September 2022 presentation of initial workspace design to Board for feedback

Work has continued on progressing the development of the relocation plans with regular updates to the Board, and the project team structure will remain under review during 2023 as the Group looks to move to its new head office as required.

Consideration of s.172 factors

Likely consequences of decisions in the long term

The Board has considered the fitness for purpose of Banner Cross Hall post-refurbishment, noting that due to the listed nature of the building, it would have remained as a predominantly cellular structure, not allowing for many open-plan options or to accommodate post-pandemic working needs. Also, although the environmental impact of the building would have been mitigated, it would have been unlikely to achieve a good EPC rating.

Interests of the Company's workforce

Naturally this has been one of the primary considerations for the Board to take into account as part of making this decision, and the methods of incorporating the expressed interests and concerns of the workforce are as set out in the timeline above.

Need to foster relationships with suppliers, customers and others

The Board took into account when considering the alternative office location the ease of transport links to a central city location, proximity to key customers and suppliers, and enhanced space to provide interactions with all key stakeholders, as well as improved ability to attract talent to the business.

Impact on community and environment

The impact on the local community of vacating the building at Banner Cross Hall has been discussed by the Board as part of its decision making, also taking into account the environmental impact of the building versus an alternative option (also see above), as well as the contribution that could be made to creating a vibrant city centre by being located within it.

OUR PEOPLE

Our Approach

Our people are our greatest asset and are vital to our long-term strategic success and sustainability. Engaging and developing our people is crucial to our continued performance and growth.

We collaborate with our people to enable them to achieve their best. We work to continually develop and maintain a culture of inclusivity that enables us to attract and retain the best talent to work at every level. Our people are committed to working as part of our team and support and represent our Values.

We remain committed to investing the time and resources to support, engage, and motivate our people to feel valued, to be able to develop rewarding careers, and want to stay and progress with us. We recruit and promote from within wherever possible to provide the best possible progression opportunities. As our business continues to develop and grow, we understand that by retaining and inspiring effective and committed people, we can continue to deliver excellence to all.

Agile Working

In July 2021 we launched our Agile Working Framework and we continue to enshrine the learnings we adopted from the Pandemic in our future ways of working.

The Framework's vision is to change the way we work to improve work-life balance for our people, while maintaining high levels of engagement and service for our stakeholders. We believe an element of agility can be achieved in all our job roles, but we recognise that not all tasks can be done from alternative locations or from home.

For roles that must be performed in a particular location, we continually work to identify opportunities to be agile in different ways, such as adapting start and finish times to minimise commuting time, fulfil personal commitments, or make time for hobbies.

We believe empowering our people to work in an agile manner will support their health and wellbeing and allow us to quickly adapt to any changes in circumstances. It will enable our people to work in a manner that is most beneficial to their needs whilst continuing to deliver high quality results.

We convened an Agile Working Group to review the Group's approach and this formed one of the Employee Working Groups established as part of the Isaacs Head Office relocation project (see page 61). The Group members represent a range of job roles, seniority, location and function across our business and they have developed recommendations for how we can further improve and refine our Agile Working Framework. We will be incorporating these recommendations into an updated version of the Framework which will be launched in 2023.

OUR PEOPLE

Employee Engagement Survey

Our Objectives

The overall objective of conducting the survey is to gain an in-depth understanding of our people's experience whilst working at Henry Boot. The survey is focused on gaining our people's feedback so we can support a culture and an environment where they can be the best version of themselves at work.

The survey and our findings focus on the Group as a whole. Whilst we can look at our subsidiaries as separate entities (which will be beneficial for business specific feedback), we have opted to look at the scoring holistically as a Group to push for more collaboration, a collective responsibility and a joined-up approach to culture and engagement.

Our Process

Our process facilitated by HIVE (our employee engagement partner), saw our annual Employee Engagement Survey housing a framework of 34 questions that were used to measure progress when compared with the responses within our previous survey conducted during 2021. Some questions were based on those posed previously to allow for statistical analysis of change; however, other questions were more focused on 2022 and specifically how we have, and continue to, adapt to issues such as the cost of living crisis.

71%

RESPONSE RATE
(INCREASE OF 7% FROM 2021)

Our Findings

The survey results show that our people have remained resilient, optimistic, and focused on working as a team to maintain delivering an exceptionally high standard for our clients and partners.

The survey results and feedback are carefully reviewed by our Board, Executive Committee, and Group Employee Forum to identify any areas where there is scope for increased engagement with, and support for, our people.

VERY GOOD GROUP eNPS SCORE OF

39

(an increase of 13 points from 2021)

8.8

We received an 8.8 employee engagement score when our people were asked whether they have good relationships with others in their team.

8.4

We received an 8.4 employee engagement score when people were asked if they feel proud to work for Henry Boot.

Did You Know?

Each year, our Group Employee Forum are tasked with a project focused on the results of the survey. In 2022, they focused on health and wellbeing and, particularly, on maintaining boundaries between professional and personal lives. The findings from their project were shared with the Board and incorporated in to the new Health and Wellbeing Strategy.

Key Outcomes

Working collaboratively

Our eNPS of 39 (26 in 2021) was significantly higher than last year. We believe this is in response to the positive actions taken, in collaboration with our people, to address any issues or experiences they raised in the 2021 survey. The actions we took focused on three key themes – involving employees about decisions in the future, creating an enjoyable work environment, and investing in our people.

Wellbeing

Wellbeing was again a key theme in the 2022 survey and we have been working hard to support the health and wellbeing of our people (see page 65 for more information). We recognise that our people experience pressure and we remain committed to implementing our new Health and Wellbeing Strategy (which has been influenced by the survey results and feedback from our Group Employee Forum). This will support our people to establish and maintain positive work-life boundaries and feel empowered to switch off when not working.

As part of the Employee Engagement Survey, we continue to roll out our Open-Door platform where our people can provide us with confidential honest feedback. This platform has been well adopted and has demonstrated the real sense of honesty and integrity that underpins our workplace culture, the Henry Boot Way.

In relation to employee engagement more widely and the role of the Board in this, please also see our Employee Engagement section on pages 96 to 98.

Reward Strategy

We launched our Reward Strategy in September 2022 which aims to ensure that all our people are fairly rewarded. We intend to clearly outline and align the pay and progression structures across the Group in support of our aspirations to attract and retain a talented and diverse workforce.

Our Strategy is strongly linked to our Values and behaviours and introduces a new grading and pay structure and bonus scheme which provides everyone with an earnings opportunity linked to performance. It can be summed up in these five principles which guided the changes we are making:

1. **Competitiveness** – offering competitive pay so we can both retain people and attract new talent into the business
2. **Fairness** – ensuring that our reward structure is fair and rewards people for the level of performance and contribution they give
3. **Structure, transparency and inclusivity** – providing regular updates on how we are performing, as well as giving clarity on how the performance of our people will be managed, linking it more closely with personal development and wellbeing
4. **A 'One Henry Boot' approach** – reward that's right for us
5. **Simplicity and consistency** – making sure that the processes are clear, easy to understand, and consistent for everyone.

By having a structure in place that is consistent and easy to understand, we hope our people will be able to see what the next step looks like for them, not just in terms of reward but also in terms of skills development, responsibility, and career progression.

Health and Wellbeing

Our people are our greatest asset and investment in their health and wellbeing is critical to ensure that they are healthy, productive, and fulfilled in their roles.

Whilst the health and wellbeing of our people has long been a primary consideration, we recognise that a more strategic, interventionist, and collaborative approach is needed. This will ensure that we provide the best possible support to our people and continue to be successful and enjoy commercial growth driven by fulfilled and productive people.

The development of a new Health and Wellbeing Strategy is a primary objective of both the Group's People Strategy and Responsible Business Strategy. In the materiality assessment undertaken in the development of the latter, the health and wellbeing of our people was ranked the highest material issue that we should focus on by both internal and external stakeholders.

Our Health and Wellbeing Strategy was developed throughout 2022 by the Group HR team who engaged the Group Employee Forum, a cross-Group working party, and a range of external partners to share knowledge and solutions. The Strategy launched in 2023 and consolidates our existing offer making it more accessible whilst adding additional initiatives, resources, and training that our people can access to ensure we respond to their individual needs. The Strategy focuses on the Group's support for our people across four key areas of wellbeing – physical, mental, digital, and financial.

Financial Wellbeing

We are committed to ensuring that our people are well rewarded for their hard work and have access to resources to support their financial wellbeing.

We operate the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension), where the Group pays contributions to an independently administered fund (AVIVA) based upon a fixed percentage of employee's salary. Member benefits from the plan are determined by the amount of contributions paid by the Group and the member, the investment returns on the investments made by the individual based on their risk appetite (with most people remaining in the pre-selected Default Fund), and the decisions made by the member on retirement age and how they choose to receive their retirement benefits. We have implemented the UK's auto-enrolment pension requirements, including re-enrolment on a triennial basis, and our people are informed of auto-enrolment and other pension choices through our online portal and the Hub.

Did You Know?

We recognised the impact that the cost of living and energy crisis could have for our people's financial security and wellbeing. In response, we provided a one-off cost of living payment of £1,000 in September 2022 to the lowest paid two thirds of our workforce

We partnered with ISIO to provide our people with financial coaching sessions with one of their expert finance coaches. The individual sessions gave access to a professional and independent financial coach, who provided a confidential 'health check' of finances and answered any questions about managing finances. 43 sessions were delivered and further sessions will be made available to our people in 2023 as part of our Health and Wellbeing Strategy.

In October 2022 we granted share options to all our people who met the eligibility criteria for the Company Share Option Plan (CSOP). We also sent invitations to those who were eligible to participate in the Group's 2022 Sharesave scheme, which allows people to contribute a maximum of £500 per month to one or a combination of current Sharesave schemes. The Remuneration Committee agreed to apply a 20% discount off the share price, the maximum discount allowed under the HMRC rules. At the close of the invitation, 54.9% of those who were eligible had joined one or more Sharesave schemes.

EDI

We aim to create a fair, accessible, diverse, and inclusive working environment, while recognising the challenges our sector has traditionally experienced, particularly in relation to gender and ethnicity representation and diversity. We want to foster a sustainable culture in which all our people can be themselves at work so that they can thrive, add value, and feel valued. We believe that this will bring out the best in our people and lead to long term success and sustainability. You can read more about our strategic approach to EDI and 2022 performance on page 33.

Did You Know?

In 2022, we supported Sheffield City Council's Future Proof work experience scheme. We partnered up with a Sheffield based secondary school and worked with their students to develop a fictional marketing campaign that Henry Boot could run to improve our diversity. The winning team then met with our EDI Steering Group to share their ideas and receive feedback.

OUR PEOPLE

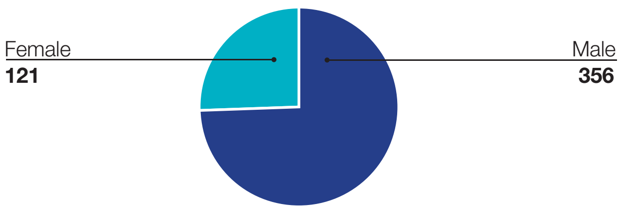
Although we recognise that the ambitions and objectives in our Responsible Business Strategy will take time to achieve, we are fully committed to working with key partners to engage with under-represented groups through various networks. We will encourage diversity of thought and approach amongst our people, and open up opportunities for under-represented groups to experience and access employment in our industry. We continue to forge links with local groups and educational establishments to encourage diversity and to change perceptions and influence others to view our industry as a positive career choice. Examples of the networks we are members of and actively support are Building Equality, Women in Property, the Considerate Constructor's Scheme, and Business in the Community (BITC).

We support our people wherever possible, whether they are new to the Group or have been with us for some time. Our opportunities for learning, career development, and promotion are inclusive to all our people. We are proactively engaging with external stakeholders (including local government and special education providers) to learn about how we can best support those who are disabled or have special educational needs (SEND) into meaningful employment and to offer SEND students rewarding career education experiences.

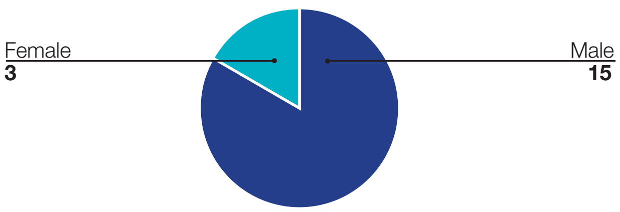
The Board Diversity Policy is set out in more detail as part of our Nomination Committee report on pages 104-110. Our gender pay gap (when measured as a median average) is currently 21.43%. This continues to reflect the current ratio of men and women employed rather than an issue relating to how we pay our people. Our Responsible Business Strategy sets out ambitious targets for us to increase our workforce diversity and we recognise that further improving our gender diversity in our workforce and management teams will support us to further reduce this gap. We are also currently undertaking the necessary preparations to begin reporting on our ethnicity pay gap.

The Strategy will guide us to ensure our recruitment processes attract diverse talent and ensure our workforce reflects the diversity of the communities in which we live and work, by increasing opportunities and reducing barriers to under-represented groups.

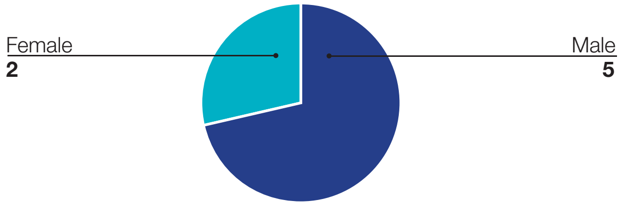
All employees



Senior Managers



Directors



Professional Development

Delivering a workplace culture and positive career experience that attracts new and diverse talent and retains experienced people will give us the ability to compete successfully and ensure long term sustainability. The Group has a relatively low level of people turnover as the retention and development of our internal talent remains critical to our success. Our turnover in 2022 was 16.1%. Our high retention rates ensure that we have a solid base on which our people can grow, develop and achieve their potential. Our directly employed headcount was 477 at the end of 2022.

We recruited a further 9 apprentices in 2022, which brings our total number of current apprentices to 20 with a further 6 trainees. Our trainees and apprentices are enrolled on formal courses of education and supplement their learning through in house training and experiential development.

Our preferred succession planning method is one of in-house development and growth; consequently, we also have a number of experienced employees enrolled on formalised education programmes to enhance their skills and knowledge, in anticipation of career development and promotion within the business in which they operate. Throughout 2022, 6 of our people completed their education programmes and a further 2 progressed onto the next level of their employment programme. We have key pathways in place for our apprentices and trainees to ensure our talent pipeline continues to flourish.

Throughout 2022, our senior leaders who participated on our Senior Leadership Development Programme (SLDP) have continued to develop their own skills and knowledge and have continued with coaching and mentoring activities. A further 2 participants completed this Programme in 2022.

Throughout 2022, we also hosted our Leadership Development Programme (LDP) which has been attended by 15 of our middle managers. This unique programme of development and support aims to encourage further aspiration and development and progression potential in our future leaders. We also piloted a new Management Development Programme (MDP) which will be rolled out in 2023 and aims to provide Line Managers in the business with enhanced people focused skills and behaviours..

We delivered 1,773.5 learning and development days (an average of 3.7 days per person) and there was also an unquantifiable amount of ad hoc learning and development, which takes place on a daily basis at our sites, offices, depots and via remote engagement. The coming year will see a renewed learning and development provision being rolled out across all subsidiaries which includes a focus on developmental outputs from building capacity and capability at all levels, provision of mentoring and other interventions, which will seek to build resilience and increase performance amongst our people.

Our Performance Development Review (PDR) process places focus on a quality, two-way conversation, aimed at developing our people, sustaining and improving performance across the business. Our approach is to encourage this conversation throughout the year, through a process of interim and midyear reviews, to ensure our people know what is expected of them and have support in achieving this.

In 2022, we took the decision to begin to have a more open and transparent conversation about performance against SMART objectives and how our people were progressing against those.

We introduced Performance ratings and SMART objectives, with a focus on not only tasks and operational deliverables, but Values and behaviours.

This is an evolving process, which will continually develop over the years ahead through engagement with our people across the whole business.

Health and Safety

One of our most important responsibilities as a business is making sure that the health, safety and wellbeing of our people, partners and the wider public is safeguarded, together with protecting the environment in all our areas of operations.

Our team are enthusiastic experts in this area and work hard in collaboration with our project teams and supply chain to drive innovation and achieve best practice.

Our Performance

Our Accident Incidence Rate (AIR) and Accident Frequency Rate (AFR) performance remains strong, and we are delighted to report that for the eleventh consecutive year, our construction related AIR and AFR for our directly employed people and operatives is zero.

We are pleased to report a strong overall (including subcontractors) Accident Incidence Rate (AIR) of 276 (injuries per 100,000 persons) and Accident Frequency Rate (AFR) of 0.14. This result is a combination of the effectiveness of our management processes, the commitment of our project teams, our continuous improvement approach and Zero Harm initiatives. This strong health and safety management culture has resulted in securing a prestigious RoSPA Gold Medal Award for the 13th consecutive year resulting in a RoSPA Presidents Award.

In 2022, our Construction segment successfully maintained approval to the ISO 45001 (Occupational Health and Safety Management System) standard, in addition to ISO 14001 (Environmental Management) and ISO 9001 (Quality Management) standards which are assessed by Lloyd's Register Limited.

We continue to be a Considerate Constructors Scheme Partner, registering two of our projects as 'Ultra Sites' which commits the sites to the highest standards of considerate construction in the 'Respect the Community', 'Care for the Environment' and 'Value their Workforce' scoring criteria. We are delighted to report our average score for 2022 was 42.67 (industry average score is 39.77).

We have also enjoyed success in further industry awards including the Constructing Excellence, LABC Awards, Chartered Institute of Building (CIOB), Insider Yorkshire Property Awards and Generation for Change (G4C).

Our Supply Chain

Our partnership with our supply chain is critical to our success and we work hard to engage and collaborate with all of our suppliers and partners to create and maintain long term successful relationships. We have a commitment to securing the services of predominantly local subcontractors and utilising local suppliers to minimise the miles and emissions that working with us produces and to generate social value for the communities in which we work. This continues to be a strong and responsible approach for our business.

Human Rights

Our business is totally committed to supporting and working to the UN's Guiding Principles on Business and Human Rights. Protecting, preserving and respecting human rights is fully embedded in our culture and is fundamental to our Values. This commitment is reflected in and demonstrated by our routinely updated policies including:

- Anti-Bribery and Corruption
- Equality, Diversity and Inclusion
- Ethics
- Modern Slavery
- Rights to Work
- Whistleblowing

In addition to our policies, we aim to demonstrate this commitment through all our behaviour and actions towards our people, suppliers, partners and the communities in which we operate.

Modern Slavery

We recognise that our industry is vulnerable to the impacts of modern slavery and therefore we have implemented and embedded a number of measures, which seek to bring about greater transparency and scrutiny into our various supply chains in order to combat slavery and trafficking activities.

We keep our Human Trafficking and Slavery Statement (the 'Statement') under regular review and set out the activities we undertake to reduce the risk of slavery and trafficking activities being present within our business operations. These measures include enforcing our Modern Slavery Policy, due diligence requirements, and mandatory contract clauses seeking compliance by our supply chain with appropriate anti-slavery measures. Following completion of a Modern Slavery Assessment Tool (MSAT), we have signed up to the Gangmasters & Labour Abuse Authority (GLAA) Construction Protocol. In addition, we have also engaged NGOs and other supply chain bodies to understand where our practices may be strengthened.

We commit to collaborating closely with our people, partners, contractors and suppliers to monitor our performance, share knowledge, and maintain vigilance throughout our business and supply chains.

Anti-Bribery and Anti-Corruption

Delivering our services with a zero-tolerance approach to corruption in any form is essential for us to demonstrate our Values, long-standing commitment to ethical behaviour and integrity, and to uphold our reputation and image. Our Anti-Bribery and Corruption Policy sets out the standards expected of all Group employees and supply chain members in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in our organisation and supply chain complies.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) RECOMMENDATIONS REPORT

Compliance Statement

Over the course of 2022 Henry Boot has continued to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and the accompanying guidance notes, to further embed the requirements within our wider Responsible Business approach. The table below sets out in more detail where we have assessed ourselves in relation to our level of consistency with the recommendations of TCFD, and an explanation of the steps yet to be taken where we are not currently fully consistent. Where we have indicated 'Full' consistency with the recommendations of the TCFD, this means that we believe we have achieved the minimum of the recommendations set out, but nevertheless acknowledge that there will be further work to do to refine and enhance this approach in coming years. 'Partial' consistency indicates that we have carried out some work but are not yet fully consistent with the recommendations. Where we have stated we are at the 'Beginning of the journey' we have plans in place to achieve full consistency but recognise that the bulk of the work has not yet commenced and may take more than the following 12 months to complete. The table also provides references to other sections within this Annual Report where further detail can be found. We expect that over the course of 2023, we will continue to delve into this and understand the wider impacts it may have on our strategic focus, to ensure that our strategy development is properly debated and embedded within our operations. For this reason, as we set out below, in some areas we have chosen to explain the extent of current consistency with the recommendations and the direction of travel as we move forwards.

Given that the industries represented within our Group include construction and property development, we are aware that we are classed as a "higher risk business" and acknowledge that we need to continuously develop our level of disclosure to ensure that it is more thorough and progressively advanced. This will be an area of further development for us over the course of 2023 and beyond, as well as involving appropriate levels of external assurance to the risks and opportunities we identify, the scenario modelling work we undertake, and the materiality of the financial impacts those risks may present to the business.

Compliance Assessment Table

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
GOVERNANCE			
Board oversight of climate-related risks and opportunities F	• Responsible Business Committee established, providing Board-level importance to all ESG related matters, including oversight of the Group's Climate Change Framework, and achievement of all ESG related targets within the Responsible Business Strategy • Climate related risks and opportunities form part of the annual risk management procedures • Remuneration Committee has oversight of the incorporation of ESG related metrics into executive remuneration • Skills and experience in climate issues formed part of recent Non-executive Director recruitment and are assessed in the Board skills assessment • Reporting within the Strategy Days assessed how the business as a whole and the individual subsidiaries had performed against ESG metrics and targets. All strategies include ESG related objectives • An extensive governance structure is in place for all ESG related matters • Training and engagement sessions held with subject matter experts and Responsible Business Committee • Budgeting process accounts for all ESG related expenditure required for achievement of Responsible Business Strategy	• Increased amount of ESG updates to ExCo and Board planned for 2023 • With Serena Lang assuming the role as the Chair of the Responsible Business Committee, we will be working to ensure that her knowledge and experience further develops the role of the Committee in interrogating areas of delivery and focus • Further training and upskilling sessions to be held with Responsible Business Committee, Executive Committee and other senior leaders within the business during 2023 • Strategy planning to follow for November 2023 Strategy Days including incorporation of scenario modelling work into longer term strategies, to be reviewed by Board and ExCo, and to further develop the corporate objectives linking with ESG risks and opportunities	Responsible Business Committee Report, (pages 116 to 119) Governance Structure, (page 87) Director's Remuneration Report (pages 120 to 136) Risk Report (pages 50-56)

Key:

F **Full compliance** P **Partial compliance, progress made** B **Beginning of the journey, plans are in place to address**

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
GOVERNANCE			
Management's role in assessing and managing climate-related risks and opportunities F	• Executive Committee members are responsible for delivering against specific targets calibrated to ensure each business contributes to achievement of climate-related goals, and are periodically updated about progress against Responsible Business Strategy • The ESG Steering Group (comprising of the Chief Executive Officer, Chief Financial Officer, Finance Director, HR Director, General Counsel and Company Secretary, and Responsible Business Manager) helps to assess all ESG related issues including climate issues, to support the Board, and bringing leaders from across the Group together for a multi-disciplinary approach. This considers progress against the Responsible Business Strategy but also cross cutting issues such as property environmental performance and associated objectives • The Chief Executive Officer has ultimate oversight of the Group's environmental performance and achievements, which is reported on to the Executive Committee along with the Board, and disseminated down to other senior management and more widely within the business through planned information releases	• Increased amount of ESG updates to ExCo and Board planned for 2023 • Further training and upskilling sessions to be held with Responsible Business Committee, Executive Committee and other senior leaders within the business during 2023 • Governance structure will continue to be assessed during 2023 to ensure it is fit for purpose and is providing sufficient focus to all required areas. In addition, wider climate issues with the potential to impact strategic direction will be considered more holistically within the groups established, as appropriate	Responsible Business Committee Report, governance arrangements (page 118) Responsible Business Committee Report, management roles on committee and groups (page 117)
STRATEGY			
Climate-related risks and opportunities identified over the short, medium, and long term P	• These have been identified and are as set out in the table within this report on pages 72 to 75	• These will remain under review on an annual basis in line with our usual risk review process, with the additional developments regarding the risk review process that are outlined on page 71	Risk Report (pages 50 to 56)
Impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning P	• Responsible Business Strategy was considered by the Board and Executive Committee at the Strategy Days in 2021 prior to its introduction. The overarching objective of the Strategy is to embed ESG into the Group's commercial decision-making processes • Strategy Days in 2022 reflected on progress achieved in delivery of the Responsible Business Strategy • Group's five-year business planning (into which ESG related expenditure was incorporated)	• Scenario modelling work had not been completed in sufficient time prior to the 2022 Strategy Days to enable these to be reflected within the strategy documents and will be completed in 2023 • Strategy planning to follow for November 2023 Strategy Days including incorporation of scenario modelling work into longer term strategies, to address risks and opportunities identified, to then also be reflected more fully within the budgeting and financial planning process	
Resilience of the strategy, taking into consideration different climate-related scenarios B	• Scenario modelling work to date is captured within the scenario modelling section of this report	• Qualitative scenario modelling work is ongoing and consideration will turn in the next 18 months to quantitative scenario modelling and how this could further impact on strategic considerations and further financial planning	

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
RISK			
Processes for identifying and assessing climate-related risks F	• As set out in the accompanying notes to the table within this report	• We will continue to deepen our exploration of how these risks are prioritised against the other principal risks as identified, and our assessment of their materiality, over the course of 2023	
Processes for managing climate-related risks B	• As set out in the table within this report	• Qualitative scenario modelling work relating to the risk identified is ongoing and consideration will turn in the next 18 months to quantitative scenario modelling and how this could further impact on strategic considerations and further financial planning	
How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management F	• The Group undertakes an annual review of its principal risks as documented in pages 50 to 56 of this report. This review which is undertaken at a subsidiary level includes consideration of the risks and opportunities relating to climate change. The financial impact of the risks is in part quantified in our NZC transition workings, although are not material to the business. As part of the assessment of the climate-related risks and opportunities, the management and/or mitigation of each item identified sets out the response, and a decision to Treat, Tolerate, Terminate or Transfer each relevant item following such management or mitigation was indicated	• We will continue to deepen our exploration of how these risks are prioritised against the other principal risks as identified, and our assessment of their materiality, over the course of 2023	Risk Report (pages 50 to 56)
METRICS AND TARGETS			
Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process P	• Metrics relating to GHG emissions have been adopted as part of overall Responsible Business Strategy – see page 35 of the Responsible Business Report and page 76 • GHG emissions reduction target supported by sub-targets focused on reduction of business travel, fleet electrification, sustainable generator usage and reduction of water usage • Remuneration related targets on GHG emissions have been incorporated into the bonus objectives for the Executive Committee and will also be incorporated into LTIP objectives from 2023	• Further work will be required following the climate-related scenario planning work which will commence in 2023, to understand the impact that these outcomes have on the Group's Responsible Business Strategy and Group Strategy, and whether this should alter any metrics previously determined • Additional metrics to be established to incorporate the required cross-industry, climate-related metrics	Responsible Business Report (page 35) Director's Remuneration Report (page 135) NZC Framework at henryboot.co.uk

Provision/ Consistency Level	Achieved to Date	Future Developments	More Information
METRICS AND TARGETS			
Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks P	• Scope 1 and Scope 2 GHG emissions are set out below	• The risks related to these have not been fully quantified and will be the subject of further review and assessment • Work to identify a partner to assist in assessing our Scope 3 GHG emissions will be undertaken during 2023 to commence this work in 2024 and beyond	Responsible Business Report (page 35)
Targets used by the organisation to manage climate-related risks and opportunities and performance against targets P	• Targets relating to a number of environmental factors have been adopted as part of overall Responsible Business Strategy – see page 35 of the Responsible Business Report and page 76	• Further work will be required following the climate-related scenario planning work to understand the impact that these outcomes have on the Group's Responsible Business Strategy and Group Strategy, and whether this should alter any targets previously determined	Responsible Business Report (page 35)

Key:

F Full consistent **P Partial consistent, progress made** **B Beginning of the journey, plans are in place to address**

Governance

The Group has set up a comprehensive governance structure incorporating a Responsible Business Committee of the Board, plus a number of special interest groups, committees, steering groups and working groups, which is set out in further detail on page 118 within the Responsible Business Committee Report. Through this structure we can ensure that necessary activities are delegated to the appropriate groups to provide the required focus to these areas, with the Responsible Business Committee, and ultimately the Board, maintaining overall oversight and direction. In addition, page 117 of the Responsible Business Committee Report sets out the roles of various senior managers within the business, and their links to the various groups, to outline how senior management has the necessary oversight and involvement with responsible business delivery.

Risks and Opportunities and Risk Management Process

A risk and opportunity assessment has been carried out in conjunction with the managing directors of each subsidiary business, the Executive Committee, Audit and Risk Committee and Responsible Business Committee, to identify potential risks and review the likelihood and impact. This focussed on each area of physical and transitional risk identified as being pertinent to the industries in which we operate. Once completed, this was compiled into an overall matrix of risk and opportunity, which can be seen in the tables on pages 72-75. As this exercise has been performed in respect of each part of the business, it has included assessment of risk by sector (and geography to the extent it is relevant).

During 2023, we will be carrying out further work with the various subsidiary businesses to re-review the risks and opportunities identified, and further develop the strategy for whether these climate-related risks should be mitigated, transferred, accepted, or controlled. The review will also determine the potential materiality of the financial risks that may be posed, assessed by reference to the two scenarios that are identified within the table below, and how this may impact on strategic direction, as well as the opportunities that each part of the business should focus on in developing their strategies. This can then be fully modelled within the subsidiaries' and Group's strategies for the Strategy Days in November 2023. This will be reported on more fully in next year's report. This work needs to be carried out before determining the extent to which those strategies may be altered by this exercise.

In relation to the timeframes considered for the risks and opportunities identified below, these have been reconsidered following last year's reporting, and the Group considers short term to be up to 2030, medium term to be up to 2040 and long term to be up to 2050. The financial commitments required to address the short-term risks are embedded in the Group's short-term budget and five-year business plan. We have taken this approach as we recognise that the response to climate change is evolving rapidly and, whilst it is essential to deliver cost projections for the investment needed to tackle climate change, we must maintain flexibility to adapt our projections to take into account changes in the regulatory and legislative landscape and the evolving technological response and availability.

OUR RESPONSIBLE BUSINESS
TCFD

Risk Table

Low emissions scenario: 2°C warming	Transition Risk	Potential financial impact	2030	2040	2050	Response
In this scenario the business is exposed to significant transition risks, including more stringent reporting regulation and short-notice legislative changes with requirements to adopt new or alternative materials and technologies that deliver low-carbon whole-life infrastructure assets and buildings. It includes associated supply chain impacts and potential cost increases.	Technology	Capital cost of replacing/upgrading plant and vehicles Subsidiaries affected: **BP** and **HBC**				A balanced transition to carbon friendly plant and vehicles considering our customer base, the Group's NZC targets and availability of technological advancements. The Group have assessed the cost of transitioning as part of our NZC framework, including the transition of cabins, generators and electrification of the fleet. These costs are included in the Group's five-year business plan. We will look at scenario modelling the costs of transition in the next 18 months.
	Financial	Increase in supply chain costs as their transition costs (including technological and legislative) are passed through to main contractor/developer Subsidiaries affected: **HBD** and **HBC**				It remains difficult to predict the speed at which our supply chain will transition and the likely increase in cost to the Group or indeed our ability to share the cost with our customers. The Group's aim is to maintain healthy margins on all developments by appropriately fixing costs and pricing accordingly while also supporting the transition of our Group and others to a low carbon economy.

Unmitigated risk Significant risk Elevated risk Low risk

Subsidiary
HBC = Henry Boot Construction
BP = Banner Plant
HLM = Hallam Land Management
SBH = Stonebridge Homes
HBD = Henry Boot Developments
RL = Roadlink (A69)

Low emissions scenario: 2°C warming	Transition Risk	Potential financial impact	2030	2040	2050	Response
In this scenario the business is exposed to significant transition risks, including more stringent reporting regulation and short-notice legislative changes with requirements to adopt new or alternative materials and technologies that deliver low-carbon whole-life infrastructure assets and buildings. It includes associated supply chain impacts and potential cost increases (cont.)	Market	Demand for sustainable assets rapidly increase / reduced appetite for assets that do not meet sustainability criteria Subsidiaries affected: HBD, BP and HBC				The Group continues to invest in sustainable schemes and assets in line with Group targets and to position ourselves favourably in the market. The increasing cost of switching to sustainable options will in some cases be passed to customers or be embedded within initial appraisals, we also expect the Group will retain costs in some cases as a responsible employer and where this is the case provision is made in the Group's budget and business plan.
	Policy and legal	Government legislation designed to reduce emissions (such as emissions trading schemes/carbon tax requirements, biodiversity net gain or Future Homes standards) changes specifications and increases costs of schemes impacting viability. Subsidiaries affected: HLM, HBD and SBH				The Group closely monitors existing and emerging legislation such as the Future Homes Standard and biodiversity requirements in advance of committing to a scheme. Appraisals then fully embed additional legislative costs which currently remain within accepted target return levels.
		Strategic Land values reduce as housebuilders and developers look to pass on additional building standards costs as well as additional site planning and infrastructure cost requirements. Subsidiaries affected: HLM				Strategic Land forecasts recognise potential decreases in profit per plot although we will look to begin modelling the full financial impact in the next 18 months.

Unmitigated risk Significant risk Elevated risk Low risk

Subsidiary
HBC = Henry Boot Construction
BP = Banner Plant
HLM = Hallam Land Management
SBH = Stonebridge Homes
HBD = Henry Boot Developments
RL = Roadlink (A69)

High emissions scenario: 4°C warming	Transition Risk	Potential financial impact	2030	2040	2050	Response
In this scenario the business is exposed to significant physical risks, both acute and chronic, including exposure to flooding, strong winds and heat stress resulting in damage to assets, prolonged project delivery timescales and more onerous whole-of-life obligations on buildings and assets to ensure materials can withstand temperature extremes.	Extreme weather conditions – Precipitation, flood, wind	Delayed build programmes due to extreme weather events, leading to additional risk/costs. Ground or site conditions/ location is affected by climate events which means that they are no longer viable for their intended use. Subsidiaries affected: **HBC**, **SBH** and **HBD**				Current scheme appraisals make allowance for delays and contractual protections are used where possible. We therefore do not expect any material short term financial losses. In the longer term where the Group is unable to contractually mitigate the risk it could result in margin erosion on schemes although we do not foresee this resulting in scheme losses due to the healthy margins currently achieved.
	Heat stress	Design criteria evolved to combat overheating. Construction site conditions and practices will need to ensure worker health and safety and well-being. Subsidiaries affected: **HBC**, **SBH** and **HBD**				The Group remains mindful to develop sustainable assets and of the health and well-being impact on our people. While some costs will inevitably be passed on to the end user there will also be some financial impact on the Group.
	Flooding	Already a key requirement of planning process. Increased number of flood plains in future may reduce land values Subsidiaries affected: **HLM**, **SBH** and **HBD**				Flood assessments are considered on all schemes with a particular focus on Strategic Land which can be held for longer durations. In the long term we could experience a reduction in the volume of suitable land available leading to reduced margins or the impairment of land values where flooding becomes more prevalent. This is mitigated in the medium term by the suitable strategic land bank we hold in prime locations. We will look to begin modelling the financial impact in the next 18 months.

Identified above are the primary risks to the Group – however, we continue to consider lesser risks which, if they were to increase in either likelihood or impact, would be elevated to primary risks. These include:

- the cost of investing in new technology to monitor our environmental impact;
- cost of capital;
- the valuation impact of environmental factors on investment property; and
- increase in insurance costs.

Unmitigated risk Significant risk Elevated risk Low risk

Subsidiary
HBC = Henry Boot Construction
BP = Banner Plant
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HBD = Henry Boot Developments
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Opportunities

Opportunities	Description	Response
Resources	Recruitment of modern thinking and progressive people	The Group's delivery on ESG matters, and in particular climate change, have already impacted the recruitment process with candidates often reflecting on this as a reason they join Henry Boot.
Financial	Availability and cost of capital to the Group	Discussed potential targets with our funders and plan to incorporate climate targets at our next renewal in January 2025 as a means to reduce interest costs.
Market	Green credentials open tendering opportunities Diversified offerings to customers (green products, retrofitting, redevelopment) Increased premium on products	Environmental credentials and reporting have supported numerous bids in the year, in particular our position on public sector framework contracts in the construction segment. This opportunity will be progressed in line with our NZC targets to 2030.
Energy source and usage	Ability to attract tenants Lower operating costs	The Group is progressing multiple developments which are operationally net zero and BREEAM excellent. This opportunity will be progressed as we recycle and develop assets, including the Group's investment property.
Innovation and resilience	Digital transformation	As a Group we continue to invest heavily in digital transformation and systems as we believe this will support efficiency and effectiveness as the Group grows. This is an ongoing opportunity with key system upgrades currently in process.

Strategy

Currently we are in the process of carrying out qualitative scenario modelling work, the results of which are reflected (to the extent carried out) in the risks table set out above. Over the course of the next 18 months we intend to develop this further to encompass quantitative scenario modelling and use this to formulate a transition plan, which will specifically link to each identified risk and opportunity. The transition plan will be discussed with the subsidiary businesses, incorporating any short-term as well as longer-term milestones, preparing for and addressing those medium-term or long-term risks identified above.

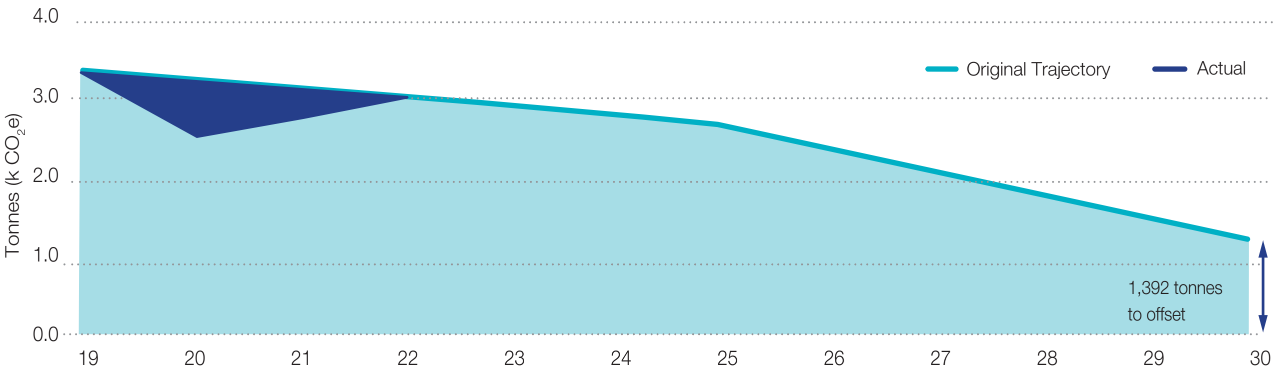
Scenario modelling will also include the potential financial impact and will link to any relevant disclosures on this within the financial statements, as well as linking to the relevant risks or opportunities identified. This information will then be crucial for use during the businesses' preparation for its November 2023 Strategy Days, enabling the factors identified to be incorporated within the strategies to be considered by the Board and Executive Committee at that time.

Metrics and Targets

The metrics we currently set relate predominantly to GHG emissions, though we are conscious that additional metrics will be required in relation to climate related risks and opportunities, capital deployment, internal carbon pricing and remuneration. We have a target to reach NZC for all direct (Scope 1 and 2) GHG emissions by 2030. In achieving this target, we are aiming to fully electrify our fleet of vans (and make initial progress in adapting our fleet of heavy goods vehicles), decarbonise operational emissions, and adapt our properties. Our Decarbonisation Trajectory (see below) plots our projected path to achieve NZC.

OUR RESPONSIBLE BUSINESS
TCFD

Carbon Trajectory



	2019	2020	2021	2022	2023	2024	2025	2030
Total direct emissions – scope 1 and 2 (tonnes of CO2e)	3,313	2,562	2,706	2,930				
Carbon reduction plan total direct emissions - scope 1 and 2 (tonnes of CO_2e)	3,313	3,204	3,095	2,985	2,875	2,765	2,653	1,392
Total emissions (tonnes of CO_2e)	4,404	3,357	3,654	3,958				
Total energy consumed – scopes 1, 2 and 3 (MWh)	n/a	11,551	12,600	13,647				

In 2020, the Group worked with external consultants to establish a carbon reduction trajectory. From a 2019 baseline, reductions were forecast based on the Group NZC strategy which included fleet electrification, generator replacement and retrofitting of controlled sites amongst other activities. The trajectory forecast a reduction in direct emissions to 2,653 tonnes by 2025 and to 1,392 tonnes by 2030. The Group is meeting the reduction targets albeit having been largely impacted by the pandemic in 2020. Although our actions in respect of decarbonisation may evolve due to changes in legislation, and technology, we still believe that our 2025 and 2030 targets can be achieved.

As seen below, we saw a moderate increase in our direct GHG emissions in 2022. This is partly due to increased productivity associated with the end of the COVID pandemic restrictions. It has also been exacerbated by a reliance on diesel powered generators for construction operations where it has not been possible to access electricity via a mains supply.

Despite these factors, we are pleased that we have made strong progress in our efforts to decarbonise our operations. Our energy usage decreased by 37% less gas and 9% less electricity used when compared with our 2019 baseline and business travel reduced by 34% (also using a 2019 baseline) as our colleagues adapted to new ways of working (these figures are not inclusive of Stonebridge Homes). We trialled a number of innovative technological solutions (including sustainable site-based generator solutions) which we hope will support a reduction in site based GHG emissions. We remain committed to our decarbonisation targets and are optimistic that we will achieve these.

In addition to our direct emissions, we are committed to reducing our indirect GHG emissions (Scope 3). In 2023, we will be undertaking a project to analyse our indirect emissions ahead of establishing a reduction target and action plan. This target will require significant collaboration with our people, supply chain and customers to ensure we take a collaborative approach to reaching NZC.

In addition to our decarbonisation targets, we have also established a range of additional targets (see page 35) focused on the reduction of waste, water and plastic usage. Utilising circular economy principles, we seek to expand on our strong existing performance to implement commercial processes that utilise resources and avoid creating waste. We are also committed to implementing nature stewardship into our commercial delivery and to innovate and work with key partners to enhance natural habitats and ecosystems in the environments in which we work.

This holistic approach to tackling the impacts of climate change will support our business to adapt to the evolving framework of regulation and stakeholder expectations, and to protect natural capital and reduce environmental damage.

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	**2022 Tonnes**	2021 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities (Location based)	**2,453**	2,303	Rise
Combustion of fuel and operation of facilities (Market based)	**2,453**	2,303	
Scope 2: Electricity, heat, steam and cooling purchased for own use (Location based)	**477**	403	Rise
Electricity, heat, steam and cooling purchased for own use (Market based)	**–**	–	
Total direct emissions	**2,930**	2,706	Rise
Total direct emissions per employee[1]	**5.5 tonnes CO_2e**	5.5 tonnes CO_2e	No change
Scope 3: Upstream and downstream indirect emissions (Location based)	**1,028**	948	Rise
Upstream and downstream indirect emissions (Market based)	**906**	834	
Total emissions (Location based)	**3,958**	3,654	Rise
Total emissions per employee[1]	**7.4 tonnes CO_2e**	7.4 tonnes CO_2e	No change

[1] Employee numbers are based on the monthly average for the year.

Carbon Emissions by Segment

Henry Boot Group Energy Usage	**2022 MWh**	2021 MWh	Trend
Total energy consumed (scopes 1, 2 and 3)	**13,647**	12,600	Rise

Henry Boot Group CO_2e emissions	**2022 tonnes of CO_2**	**2022 intensity ratio tonnes of CO_2e**	2021 tonnes of CO_2	2021 intensity ratio tonnes of CO_2e	Intensity basis	Trend of intensity
Property investment and development	**1,089**	**9.29**	757	11.47	per 1,000 sq. ft of investment property with communal areas	Fall
Land development	**33**	**0.94**	35	1.17	per employee	Fall
Construction	**2,740**	**21.12**	2,739	26.68	per £1m of turnover	Fall
Group overheads	**96**	**1.17**	122	1.85	per employee	Fall
Total gross controlled emissions	**3,958**		3,654			

Our carbon emissions for the year ended 31 December 2022 were calculated using the GHG Protocol Corporate Accounting and Reporting Standard, which provides requirements and guidance for companies calculating their GHG emissions and in accordance with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' and the EMA methodology for SECR Reporting.

Our direct and indirect operational carbon emissions are shown in the tables above. These sources fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our financial statements. Overall, the Group's carbon emissions have increased by 8% when compared with the previous year, although remains comparable on a tonnes per employee basis. When compared to 2019 pre COVID levels the Group has reduced carbon emissions by 10%; this equates to a decrease of 0.7 tonnes per employee.