STRATEGIC REPORT

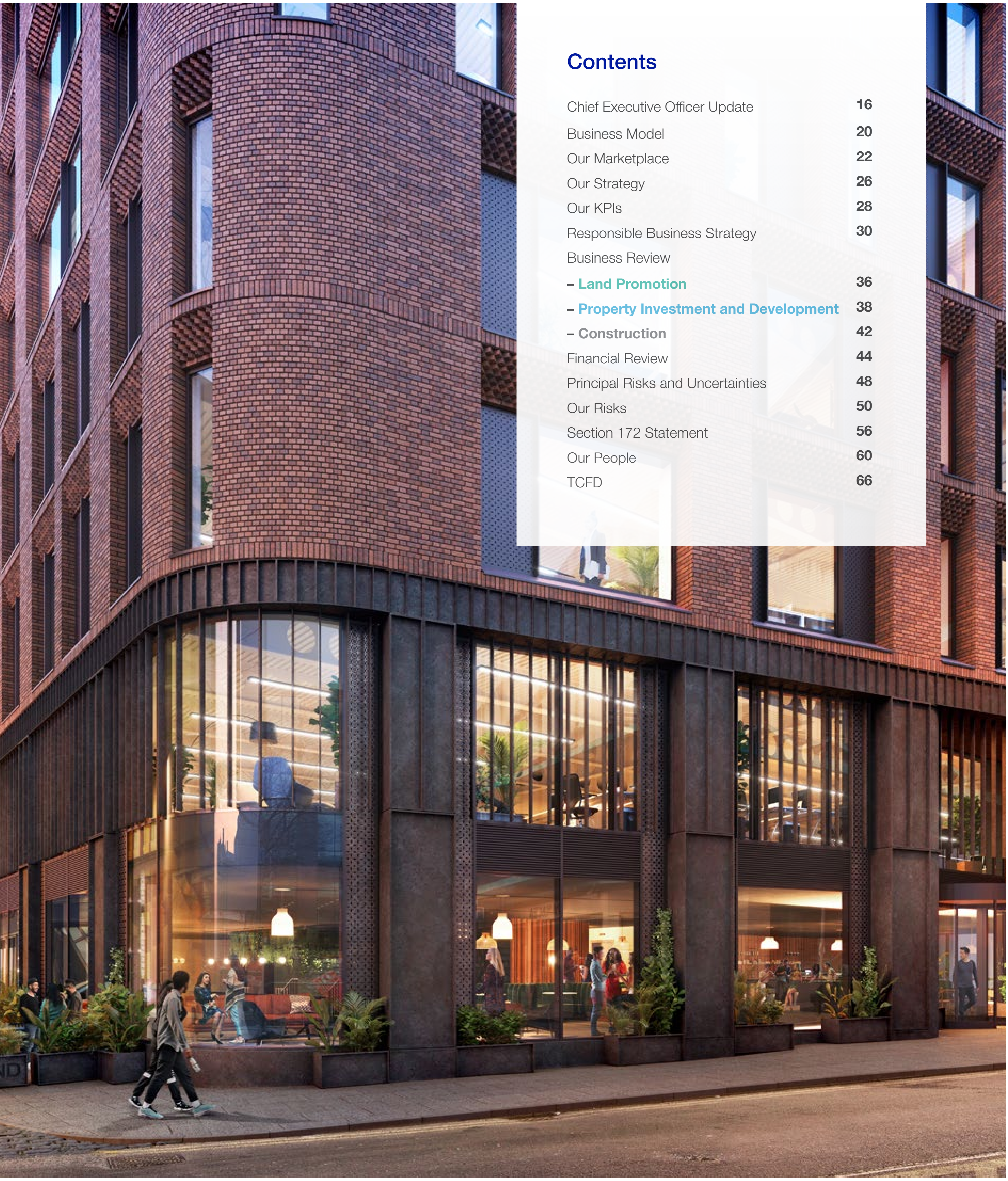
The Directors present the Group Strategic Report for the year ended 31 December 2023.

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 have been approved by the Board and signed on its behalf by

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

11 April 2024



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CHIEF EXECUTIVE OFFICER UPDATE

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

> “I believe we have performed well against a slowing economy, rising interest rates and high inflation. I am clear that our focus on high quality land and development in prime locations has helped us to deliver a resilient set of results”.

WE ARE PLEASED WITH THE RESULTS, WHICH WERE IN LINE WITH OUR EXPECTATIONS

306p
NET ASSET VALUE PER ORDINARY SHARE (2022: 295P)

£410m
NET ASSET VALUE (2022: £394M)

Henry Boot performed relatively well against a backdrop of a slowing economy, rising interest rates, high inflation and decreasing volumes in our key markets. Our focus on high quality land, commercial property development and housebuilding in prime locations has meant demand for our product remained resilient, allowing us to complete £248.5m (2022: £241.9m) of sales. Whilst we have worked hard to mitigate the pressures facing the business, they have inevitably had an effect on PBT at £37.3m (2022: £45.6m). However, in the circumstances, we are pleased with this result, which was in line with our expectations.

In line with our strategy, we continue to grow the business, with NAV, on a statutory basis, increasing by 4.0% to £410m (2022: £394m), generating a total accounting return[6] of 6.1% (2022: 12.8%). With our 100,972 plot strategic land portfolio and £1.3bn development pipeline all held at the lower of cost or net realisable value, rather than being regularly revalued on a mark-to-market basis, there is significant latent value across the Group not reflected in our understated NAV.

The rapid and sustained rise in interest rates has affected our key markets. The resultant increase in mortgage rates has materially slowed down house sales, with new build sales typically down in volume by c.20%. House prices, at best, have stopped growing but, in most cases, have fallen, decreasing by 1.8% in 2023 according to Nationwide.

Despite this, Stonebridge Homes (SH), has managed to increase volume by 43% and sell at prices slightly ahead of budget. SH is one of our most ambitious growth targets. The business has grown total homes sold since setting our medium-term objectives in 2021 by 109%. This year, reflecting 50% forward sales (2022: 56%) and what is anticipated to be a slowly recovering market, we have been marginally more cautious and expect completions to increase by 10% to 275 homes in 2024. We remain committed to hitting our medium-term objective of scaling this business up to 600 homes per annum.

According to Savills Research, UK greenfield land values decreased by 6.5% in 2023. Against this backdrop, our land promotion business Hallam Land Management (HLM) performed well, selling 1,944 plots (2022: 3,869) and maintaining profitability through a higher percentage of freehold sales. More crucially, since the start of 2024 HLM has already disposed of 276 plots and exchanged on a further 793 plots for completion across 2024-2026, as well as having an additional 1,556 plots under offer. In the current constrained planning environment, it shows our main customers, the national housebuilders, are still acquiring prime strategic sites. Not all of these transactions will contribute to profit in 2024, as a number of sites have been sold with staggered completions as housebuilders have adjusted their land acquisition strategies to reflect the reduction in sales volumes.

The Government has consistently failed to carry out much needed reform of what, I am afraid to say, is an increasingly dysfunctional and under resourced planning system. The delays and uncertainties caused by planning not only affect housing and commercial property, but also investment and productivity in the UK. The recent CMA market study into housebuilding (which we contributed data to) concluded that land banking was more a symptom of the issues identified with the complex planning system, rather than it being a primary reason for the shortage of new homes. The Government's latest updates to the National Planning Policy Framework (NPPF) are at best tactical but may lead to marginally speeding up development plan preparation. Labour have made it clear if they are in government they will prioritise reviewing planning. Our plots with planning have fallen in recent years to 8,501 (2022: 9,431), primarily due to difficulties of the planning system, accentuated by delays during COVID. However, at 13,468 (2022: 12,297) we now have a high number of plots in for planning and an additional 8,227 have an allocation or draft allocation. Given our long term track record we believe we are as skilled as anyone in the country at navigating the planning system. So, as we continue to grow the portfolio, and convert applications, we expect to build back up our valuable store of plots with planning consent.

On industrial investment, in line with the slowdown in the wider UK real estate market, volumes were down 52% in 2023 to £5.1bn according to JLL. There was also lower activity in occupational markets, with Gerald Eve data showing that take up declined c.30% in 2023 to 44.5m sq ft. Nevertheless, when factoring in that 2022 demand was boosted by COVID, last year's take up is now back in line with the 2015-19 average. However, industrial performance remained strong with rental value growth at 6.9% during 2023 according to the CBRE UK Monthly Index, meaning capital values were up by 1.4% despite further modest yield expansion. This sustained occupier demand allowed us to successfully complete 661,000 sq ft of industrial development, all of which was pre-let or pre-sold. Industrial will continue to be the largest element of our development business going forward. Our aim is to drawdown on our £1.3bn Gross Development Value (GDV) pipeline (59% of which is in industrial) over the next twelve months or so to build back up our committed programme towards our medium-term objective of completing £200m of development per annum. For the time being, new development will be pre-sold or pre-let led, and therefore likely to contribute towards profit in 2025 and beyond.

Cities are continuing to recover from the social and economic effects caused by COVID, not least both businesses and people's slightly misguided, and now seemingly reducing, desire to work from home. The major cities outside of London where we focus will, therefore, continue to attract people to live, work and play. This is demonstrated by the rise in residential rents this year at a very healthy 8.3%, although the increase in interest rates has, for the time being, cooled investor demand for funding Build-to-Rent (BtR). However, whilst investment activity has fallen across all real estate sectors, BtR has proven more resilient with investment volumes of £4.3bn during 2023, down a modest 3% on 2022 according to Cushman & Wakefield. Likewise, the demand for prime office buildings with strong ESG credentials, as businesses look to fulfil their NZC commitments and attract talent back into the office, is still healthy with regional prime office rental growth of 5.0% in 2023. Investor demand for prime offices, like that for BtR, has waned with the rise in interest rates but, as rates fall, investors are likely to return to these growth markets.

With committed development of £240m (HB share) in 2022, we have tactically reduced our committed programme to £159m (HB share) in 2023 as markets have slowed, of which 50% is pre-let or pre-sold (including units reserved at Setl). A key focus for 2024 will be converting customer interest in our three speculative schemes which will all complete this year: Setl – our premium apartments to sell in the heart of the Jewellery Quarter in Birmingham City Centre; Island – our prime, NZC office building in Manchester City Centre; and Rainham our high quality NZC industrial development in Greater London. Our target is to sell all apartments in Setl this year and, in this respect, we have reservations/exchanged in-line with pricing expectations on 30% already. On Island, we are now looking to lease the building on a floor-by-floor basis and our aim is to secure our first letting prior to completion in Q3 24. On Rainham, which completes in Q2 24, our aim is to have the majority of the scheme let within a year. As we do this the level of pre-let / pre-sold will rise above our strategic target of 65% which will give us greater scope to replenish our committed developments.

The Group's investment portfolio (IP) has outperformed again, with a total return of 6.7%, compared to the CBRE UK Index total return of 1.7% in 2023. A capital return of 1.5% against commercial markets, which fell by 1.4%, helped the market value of the portfolio grow to £112.9m (2022: £108.6m). Our structural weighting towards industrial assisted this out performance and, as we did last year, we helped ourselves by making selective accretive sales. We sold four investments plus Banner Cross Hall, the Group's former HQ, for a total of £12.7m at an average 23% premium to December 2022 valuations. We also retained three completed developments in Luton, Markham Vale and Pool with a combined value of £21.2m. We have been patient in growing the IP to its medium-term target of £150m and based on market corrections in 2022 and 2023, this has proven to be the correct approach. Going forward there will be plenty of opportunity to grow this portfolio.

Our construction segment, like the rest of the UK construction market, had a challenging year. Henry Boot Construction's (HBC) performance on two of our largest projects of which both are in the centre of Sheffield, the BtR Kangaroo Works (£40m contract value) and the Heart of the City mixed use scheme (£42m contract value), were hit by the availability of materials and suffered delays. HBC starts 2024 with 49% of its order book secured (against a target of 65%), as we remain determined not to take on work where either the terms or pricing are commercially unattractive. With Pre-Construction Services Agreements (PCSAs) of £50m there are opportunities for us to secure further new work in 2024 but, again, some of this turnover could slip into 2025.

Banner Plant traded slightly below budget in a market where demand has fallen, and sales have been volatile. Road Link (A69), yet again, has traded broadly in line with expectation. Significantly, given that S&P UK Construction PMI has been running below the neutral 50.0 level for much of 2023, showing a fall in activity, the construction segment overall still contributed to the Group's profit.

CHIEF EXECUTIVE OFFICER UPDATE CONTINUED

Cost inflation remained challenging throughout 2023, and, whilst we have learned that there can be external shocks, it feels that its effect will be more subdued in 2024. We are planning for build cost inflation in SH and HBC to be running at between 3-4%.

In line with our ambition to grow the business, we have invested a combined total of £60.4m in increasing our strategic land portfolio to 100,972 plots, completing and building out our high-quality development programme, and growing the landbank of our premium housebuilder, SH. This has helped us to increase our capital employed by 4% to £417m. It has, however, meant our gearing has risen to 19.0% (net debt £77.8m), but is still within our optimal stated range of 10-20%. Whilst the Group's £105m facility runs until January 2025, we have agreed terms with existing lenders and expect to have a new facility in place during Q2 24.

So, all in all we are pleased with the way the business has performed, during what for our key markets has been a difficult year. We are now firmly focused on 2024 and our medium term growth targets – which remain very achievable. Whilst there is a path to lower inflation and reduced interest rates the expected recovery is very likely to be weighted towards the second half of the year. More detail on this is in the outlook, following a review of our medium term targets and operations below.

Outlook

Looking ahead it feels the economy has turned a corner, with inflation falling and the path of interest rates trending down. This is very likely to move us on from the shallow recession we faced at the end of 2023 into a recovering economy. This is encouraging news for our rate sensitive markets. The demand for houses and, therefore, residential land should pick up. Lower rates will also stimulate investor interest in commercial property and BtR. All of this in turn boosts construction activity. However, planning uncertainties and delays will continue to be a problem and we also face the unpredictability of a General Election during 2024.

Not surprisingly, we do not have clear visibility on how all of this will unfold and, with key transactions to execute and complete this year in both land promotion and development, we expect 2024 results will be heavily second half weighted.

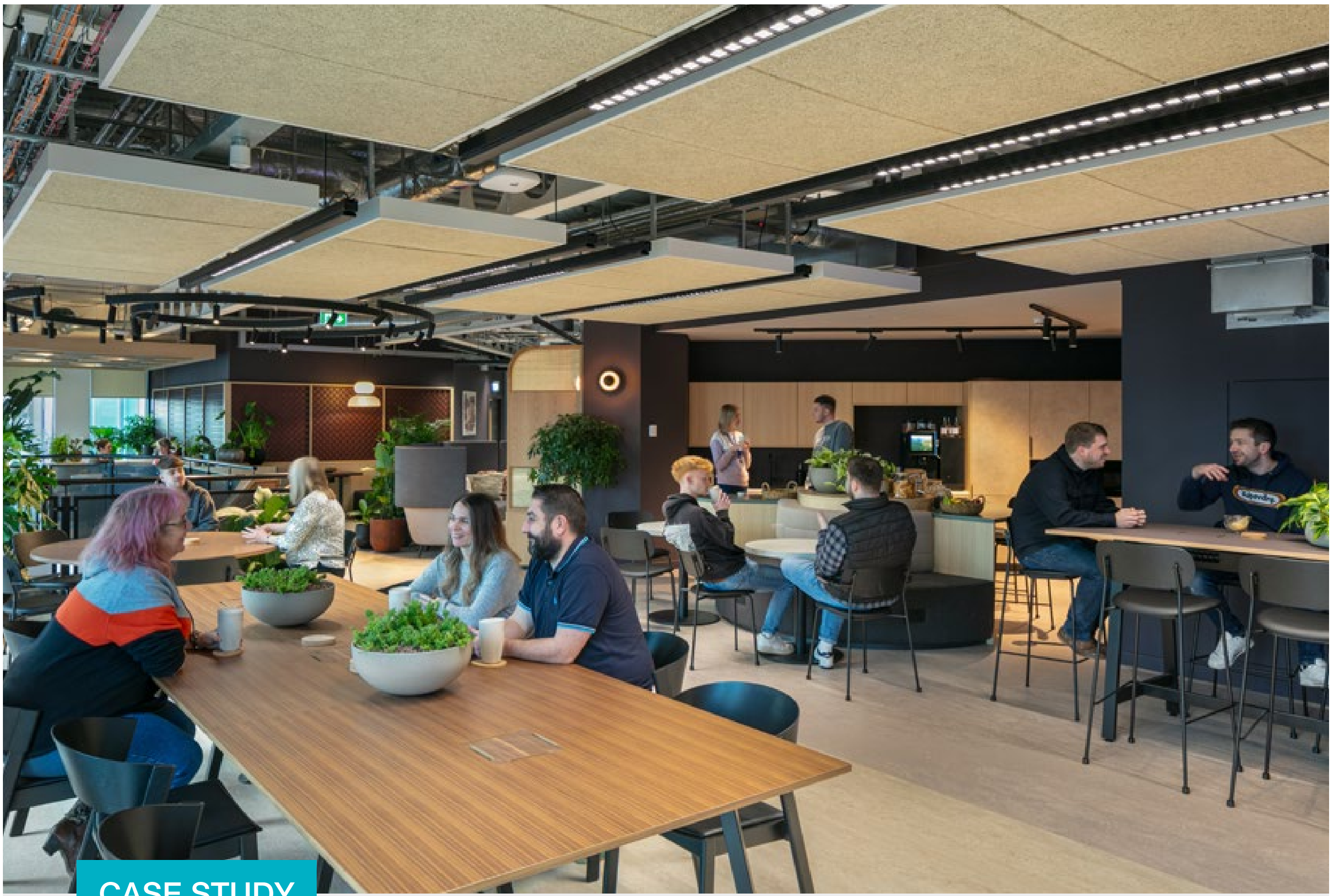
We have confidence in the long term fundamentals of our key markets, with growing conviction that our concentration on prime, high quality buildings and projects together with our focus on developments with strong ESG credentials will reward us with improved liquidity and enhanced returns. Our balance sheet remains rock solid and, with agreed terms from our banks on renewing and enlarging our facilities expected to be in place during Q2 24, we have the resources to continue to grow the business in line with our medium term targets.

TIM ROBERTS
CHIEF EXECUTIVE OFFICER

NOTES:

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 Property Return. Total Accounting Return.

More details can be found on page 47.



CASE STUDY

OUR NEW HEAD OFFICE

In November 2023 we relocated our head office to the Isaacs Building, in Sheffield city centre.

We have taken 12,800 sq ft of space across the top three floors of the Isaacs Building, providing our team and partners with a more contemporary, sustainable and flexible workspace. Over 90 people from across our Group are based at Isaacs, who can now take advantage of a broad range of spaces to complement multiple working styles and to better support their health and wellbeing.

The new office supports Henry Boot's ambitious growth plans by encouraging greater collaboration and cohesiveness across our diverse network of teams and businesses, as well as attracting new talent and supporting retention.

Colleagues based in the Isaacs Building benefit from the building's wellbeing-focused approach, with collaboration zones, breakfast bars, cycle storage, changing facilities, shower rooms and surrounding complementary retail and leisure facilities in the city centre.

The move also plays a significant role in the Company's aim to reduce its carbon footprint and support its goal of being net zero carbon by 2030, with an expected carbon emission reduction of 79% compared to the former HQ at Banner Cross Hall. Since 2019, Henry Boot has reduced both its Scope 1 and 2 emissions by 14%. An ambition to accelerate reductions in energy use and emissions was a material factor behind the move.

The seven-storey Isaacs Building has been developed with sustainability at its core, achieving a BREEAM 'Very Good' rating. To further enhance the building's energy efficiency, it has been connected to Sheffield's District Energy Network, providing low-cost, sustainable energy.

The new city centre location also takes the firm back to its roots, bringing it closer to its original headquarters on Moore Street. The Isaacs Building, situated on Charles Street, around half a mile from Moore Street, was built between 1904-05 by paperhanging merchant David Isaacs and has recently been refurbished and extended to provide over 38,375 sq ft of high-quality workspace.

BUSINESS MODEL

Our Group is made up of six businesses operating across three key markets: Industrial & Logistics, Residential and Urban Development.

From acquiring land and obtaining planning permission through to development and maintaining an investment portfolio, we work across the whole property value chain. And, while each business operates as its own profit centre, we encourage collaboration across the Group.

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 60 to 64

Portfolio and land bank

HBD has a £1.3bn pipeline, across our three key markets, whilst Hallam Land Management has increased the land bank to 100,972 plots in the portfolio.

Read more on pages 12 to 13

Group strategy framework (focus on three key 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 26 to 27

Supply chain

Our relationships with our supply chain are 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 64

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 34

Our expertise

Land promotion

Hallam Land

- 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

HBD, Stonebridge

- 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 pre funding opens up opportunities. The businesses can commit to long term projects, such as complex multi-site regeneration schemes.

Construction

Henry Boot Construction, Banner Plant, Road Link

- Project delivery in both the public and private sector.
- Creating trusted relationships and repeat business.
- Supplying a wide range of plant equipment efficiently.

Our diversified business

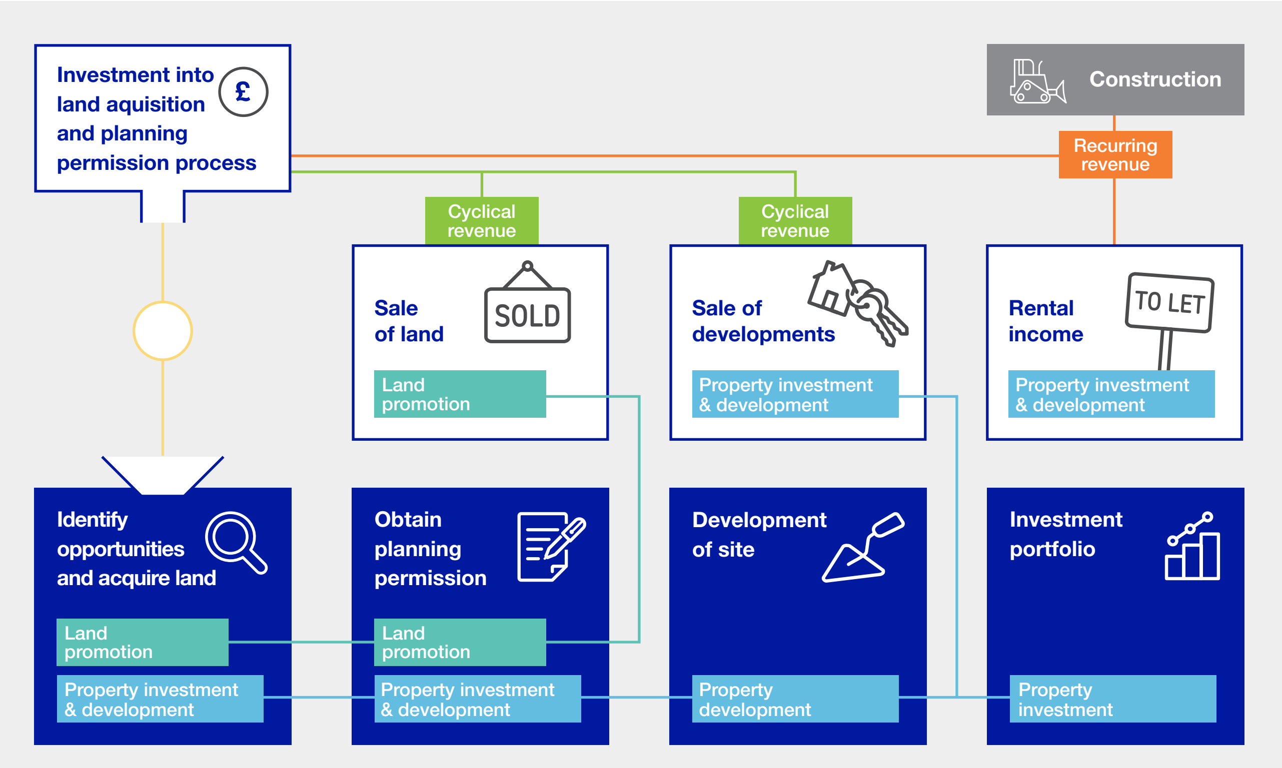
We balance the business in the following ways:

- Our land promotion business has an extensive portfolio which mitigates risk while planning permissions are obtained.
- Our property development and investment business self-funds some projects, while others are delivered as joint ventures or forward funded. Its portfolio generates a significant rental income, which facilitates investment in more diverse operational activities with higher returns.
- Our construction business also generates income that can be reinvested into a portfolio of land and property development projects.
- Finally, a significant amount of equity is retained in the business to lessen the need for external borrowing.

Our Capital Structure:

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 developments 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.



The impact we are making

UN Sustainable Development Goals

When creating our Responsible Business Strategy, we engaged our stakeholders to understand which of the UN Sustainable Development Goals (SGDs) 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.

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.

Our value generation

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 that 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 the 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 MARKETPLACE

In 2023 our three key markets were impacted by a slowing economy, stubbornly high inflation and rising interest rates. Whilst transaction volumes reduced in all our markets, they showed their resiliency with continued demand for our high-quality buildings and prime projects, albeit not at the same levels as previous years.

We still believe our markets are driven by long term trends such as retail moving online, population growth and the success of the main cities in terms of economic growth, education and health provision, leaving us with continued conviction that these markets will drive our growth and performance.

Key long term structural trends affecting our business

Urbanisation

According to the UN, the population of the UK 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 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. Research by Centre for Cities shows that being "close to restaurants/leisure and cultural facilities" is by far the biggest factor in determining city centre residents' location decisions.

Technology

The digital landscape is constantly evolving and will 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. In real estate, there has been greater use of property technology for data and analytics as well as to help automate and streamline tasks resulting in increased demand for warehouse space from third party logistics operators, online retailers and manufacturers. The emergence of AI also has enormous potential to reshape real estate including the emergence of new markets.

Demographics

The UK's population continues to grow, albeit at a slower rate than previously, with low birth rates and people living longer. 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 the need to reverse environmental degradation has created higher demand for energy efficient green buildings with a rising brown discount for buildings that do not offer such characteristics.

INDUSTRIAL AND LOGISTICS

Market Overview

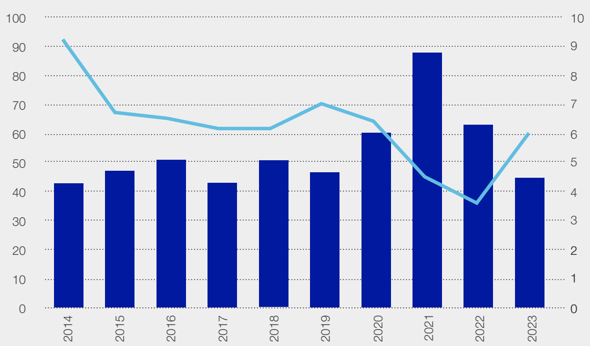
Warehouse take up has slowed over the last year, with volumes declining by c.30% to 44.5m sq ft in 2023 according to Gerald Eve. Whilst this is a reduction in demand from 2022, annual take up is now back in line with the pre-COVID levels of 2015-2019, after the pandemic sparked substantial demand for warehouses from online retailers due to a large spike in internet sales.

Gerald Eve believes that e-commerce remains a long term structural driver of demand for logistics space, with the emergence of other businesses that will also make an important contribution, such as green energy production and EVs as well as companies near shoring operations to improve supply chain resilience.

High street retailers are also looking to upgrade their logistics to more sustainable accommodation as well as increase their e-commerce offering.

Industrial rental growth remained strong in 2023, with the sector delivering rental growth of 6.9% according to the CBRE UK Monthly Index, which was the highest within the commercial property sector. Industrial property capital values also increased by 1.4% against value declines in both retail and offices, reflecting the limited supply of high-quality warehouse space.

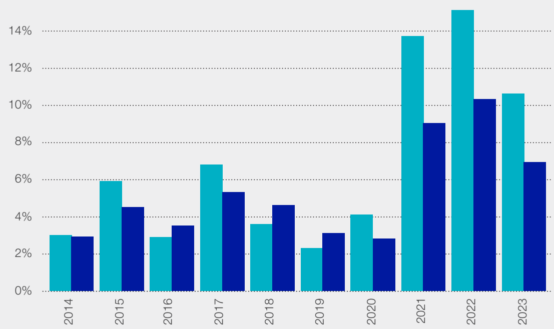
Warehouse take-up and availability



Take-up – m sq ft (LHS) Vacancy rate – % (RHS)

Source: Gerald Eve

Annual rental growth



Gerald Eve Prime Logistics rents
CBRE All Industrial rents

Source: Gerald Eve & CBRE

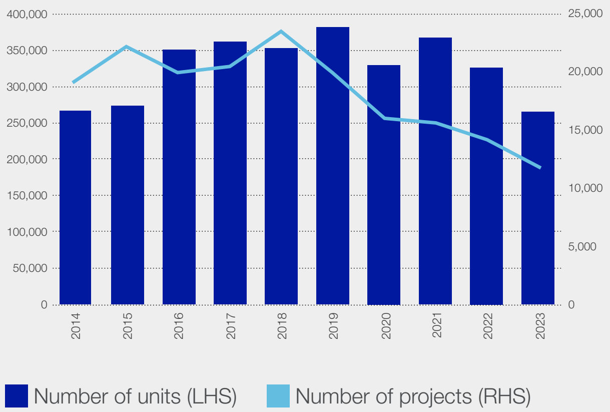
RESIDENTIAL

Market Overview

The latest housebuilding figures show that the Government has continued to fall short of its annual target to build 300,000 new homes in England, which reflects the delays and uncertainties caused by the planning system. According to Glenigan, in 2023 a total of 264,994 plots achieved planning permission, a decrease of 18% on the prior year. Whilst the Group has good levels of stock with planning permission to meet demand from housebuilders as the delays in achieving planning continue, the Government needs to carry out much-needed reform of the system. The complexity of the system not only affects the housing and commercial market, but also investment and productivity in the UK.

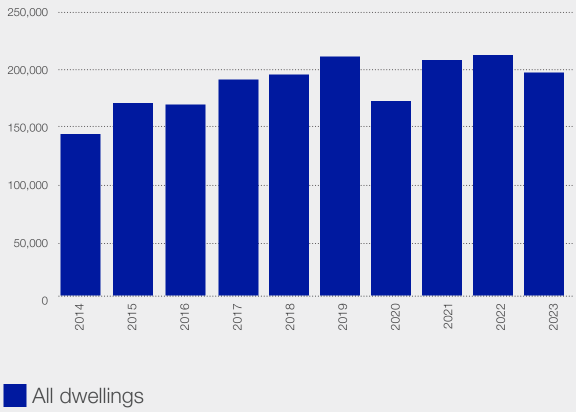
The UK housing market remained subdued during 2023 with house prices decreasing by 1.8% according to Nationwide. Lower volumes have been a symptom of the sustained rise in interest rates, which in turn increased mortgage rates resulting in affordability becoming more stretched for potential buyers. At the beginning of 2024, there have been encouraging signs that mortgage rates are edging down, which in turn should restore the confidence of home buyers.

Residential planning approvals in Great Britain



Source: Glenigan

Housebuilding: Permanent units completed in Great Britain



Source: Office for National Statistics

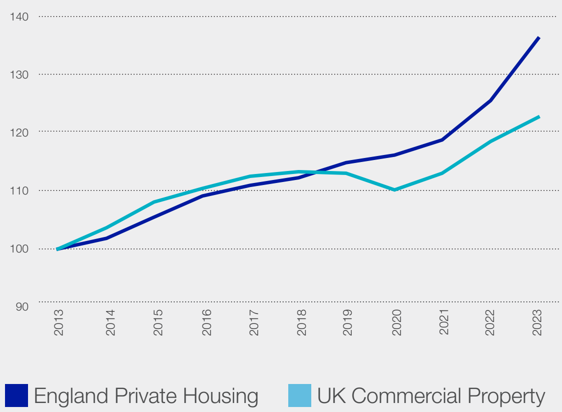
URBAN DEVELOPMENT

Market Overview

The Urban Development market suffered the biggest disruption as a result of COVID. Cities saw a reduction in footfall as people chose to retreat from them and businesses supported homeworking reducing the demand for office space. Nonetheless, we are now seeing a reversal of these practices, with cites becoming more appealing to people again and an array of businesses either encouraging people to return to offices or making it mandatory to return full time.

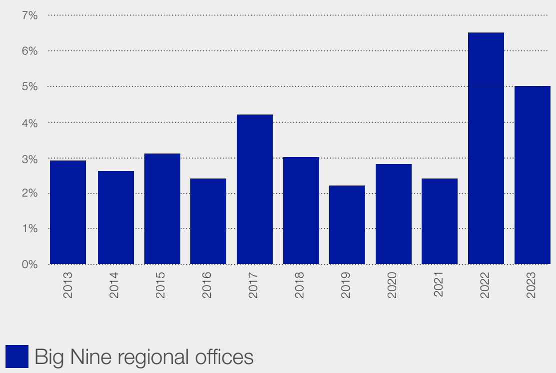
This is demonstrated as residential rents in 2023 saw a very healthy 8.3% rise according to ONS, supporting continued investor demand for BtR, with volumes remaining resilient at £4.3bn. Demand for prime offices in regional cities with strong ESG credentials has also picked up with rental growth of 5.0% in 2023.

Rental value growth (Dec 2013=100)



Source: Office for National Statistics and CBRE

Office rental growth



Source: Avison Young

OUR STRATEGY

Group strategic priorities

The Group set a medium-term strategy in 2021 to grow the size of the business through a 40% increase in capital employed to over £500m and a targeted focus on three key markets: Industrial & Logistics (I&L), Residential and Urban Development, while maintaining ROCE within a 10-15% range.

Our key metric of capital employed has risen to £417m (2022: £399m), and our ROCE at 9.9%, when rounded, was within our targeted range of 10-15%. Over the last two years we have delivered a ROCE of 10.8% p.a. which we believe to be a very credible performance given the decline in commercial property and land values of 22.1% and 8.6% respectively, from their mid-2022 peaks. We maintain our belief that we can achieve our main medium-term target of £500m capital employed, whilst continuing to generate attractive returns.

Key Strategic Pillars

Our strategy is shaped by four key strategic pillars and focuses on three long term markets

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 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 engages a diverse range of talent

Long term Markets

Industrial & Logistics | Residential | Urban Development

Value Delivery

Property Development & Investment | Land Promotion | Home Building | Construction

Returns

Grow Capital Employed to over £500m + Target ROCE 10–15% + Maintain a progressive dividend policy

Responsible Approach

People Strategy + ESG

Risk

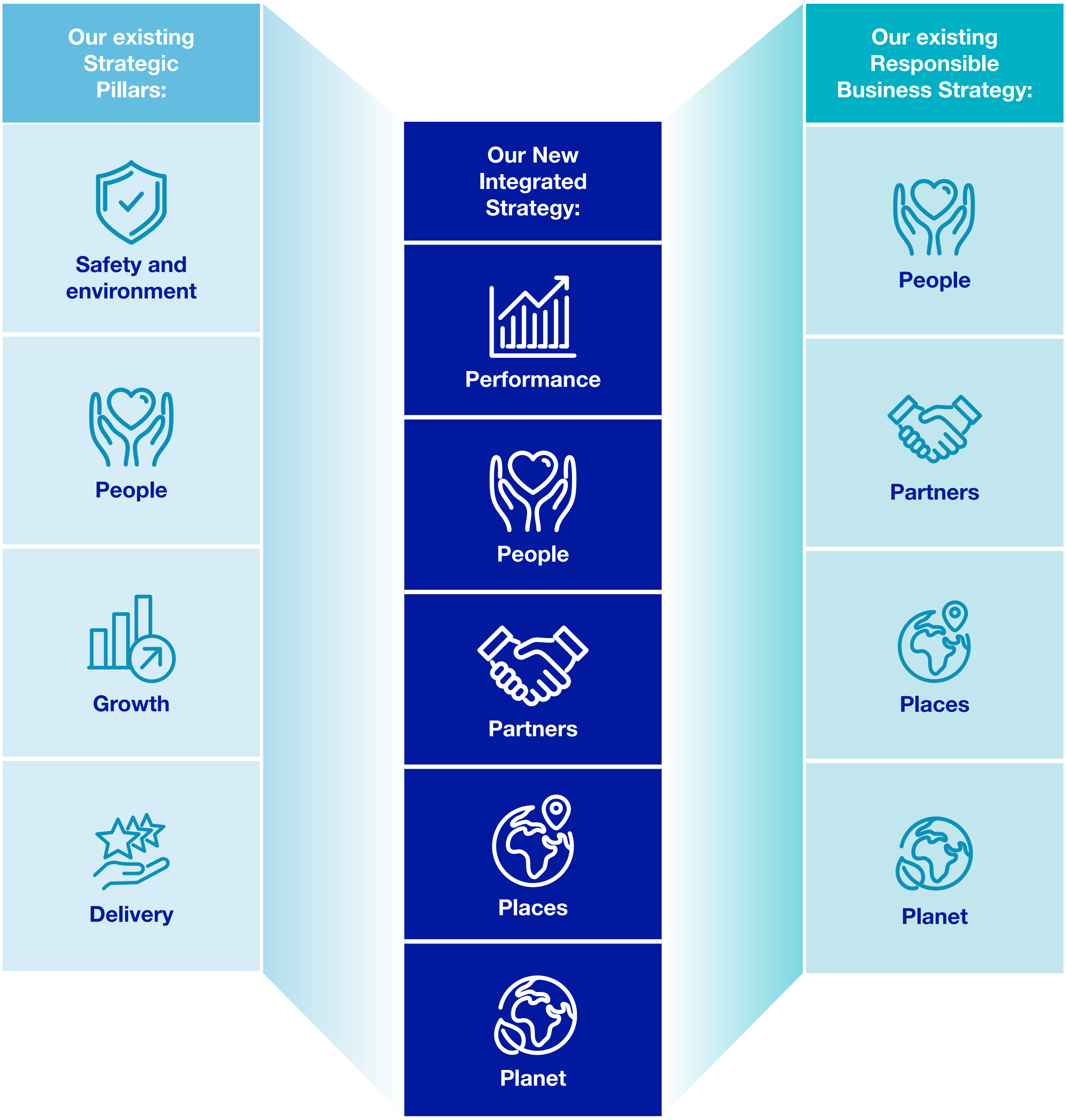
Optimum gearing of 10–20% + minimum 65% committed development programme pre-let/pre-sold

EVOLVING STRATEGY

Group strategic priorities

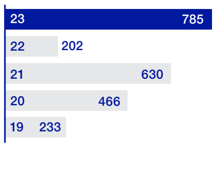
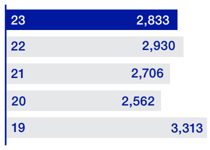
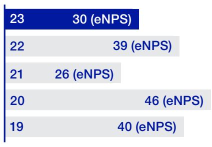
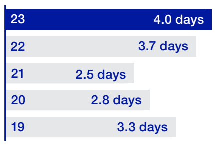
As the Group strategy continues to progress, we have evolved our strategic framework to embed our Responsible Business commitments. Whilst the fundamentals and the commercial medium term objectives of our strategy remain unchanged, we now also measure ourselves on five pillars: performance, people, partners, places, and planet.

Although the primary measure of success is financial performance, we know that we also need to make a wider impact on a variety of factors that will help ensure we remain the high performing, responsible long term business we want to be.



OUR KEY PERFORMANCE INDICATORS

Objective and Medium-term Target	KPI	Performance Commentary	Aim for 2024	Link to Strategic Pillars and Group Risk
To grow capital employed to £500m Medium-term Target £500m	Capital Employed 23 £417m 22 £399m 21 £376m 20 £365m 19 £352m	On track to grow capital employed to over £500m	To maintain capital employed growth in line with strategic target	Strategic Pillar Risks 3 5
To generate a ROCE of 10–15% Medium-term Target 10–15%	ROCE 23 9.9% 22 12.0% 21 9.6% 20 4.9% 19 14.8%	Lower operating profit reduced ROCE to be marginally out of our target range	To be around the lower end of stated target range, however we maintain our aim to be within 10-15% through the cycle	Strategic Pillar Risks 4 8 9 10 11 12 14
Grow Hallam Land's plot sales Medium-term Target c.3,500 pa	Plot Sales 23 1,944 22 3,869 21 3,008 20 2,000 19 3,427	1,944 plots in FY 23, with returns from the reduction in plots sold offset by a significant sale of freehold land	To exceed the current five year average of 2,850 plots pa	Strategic Pillar Risks 3 4 5 11 12 13 14
Grow HBD development completions Medium-term Target c.£200m	Development Completions 23 £111m 22 £83m 21 £69m 20 £55m 19 £404m	Increased development completions to £111m in FY 23 and begin the year with a committed programme of £159m (HB share)	In the current market, the committed programme has been reduced; however, we have optionality to build it back up from our future pipeline of £1.3bn	Strategic Pillar Risks 3 4 5 11 12 13 14
Grow investment portfolio value Medium-term Target £150m	Investment Portfolio 23 £113m 22 £106m 21 £126m 20 £92m 19 £70m	Value increased primarily due to retained I&L developments	To maintain progress towards stated target	Strategic Pillar Risks 3 4 5 11 12 13
Grow Stonebridge Homes house sales Medium-term Target c.600 units	Unit Completions 23 251 22 175 21 120 20 115 19 159	251 homes completed in FY 23, compared to delivery target of 250	Continue to target increased annual output in 2024, albeit at a slower growth rate at 275 homes	Strategic Pillar Risks 3 4 5 11 12 13 14
Henry Boot Construction order book secured Medium-term Target >65%	Order Book Secured 23 49% 22 68% 21 100% 20 80% 19 95%	Difficult market conditions impacting order book for 2024, which is 49% secured	In response to securing below target for 2024, the opportunity pipeline has been refocused, with £50m PCSA's in progress	Strategic Pillar Risks 3 4 8 13 14

Objective and Medium-term Target	KPI	Performance Commentary	Aim for 2024	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 increased due to Banner Plant not meeting their individual Health and Safety KPIs, which impacted the Group's overall incident rate	To reaffirm our robust health and safety approach, whilst launching new initiatives that will be implemented throughout 2024 to mitigate further incidents	Strategic Pillar Risks 4 8 9 10 11 12 14
Reduce directly controlled GHG emissions **Medium-term Target** 20% reduction	GHG Emission CO_2e 	Scopes 1 and 2 GHG emissions reduced by 14% against our 2019 baseline	To continue implementing NZC strategy across the Group	Strategic Pillar Risks 4 8 9 10 11 12 14
Seek high levels of employee satisfaction and engagement **Medium-term Target** 40 (eNPS)	Employee Net Promoter Score (eNPS) 	Whilst our eNPS reduced, the score is still considered very good, and higher than construction and heavy industry benchmarks	To address feedback that has arisen from the survey	Strategic Pillar Risks 4 8 9 10 11 12 14
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) 	The Group was within the stated target number of L&D interventions	To continue implementing a wide range of training opportunities to support a high performance culture	Strategic Pillar Risks 4 8 9 10 11 12 14

Key to Strategic Pillars

People Partners Places Planet Performance

Key to Group 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
14 Housebuilding

NOTES:

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 Property Return. Total Accounting Return.

More details can be found on page 47.

RESPONSIBLE BUSINESS STRATEGY

Our Responsible Business Strategy sets out medium-term objectives for the business, which we will aim to achieve by the end of 2025.

It incorporates the findings from our stakeholder engagement and our existing responsible business initiatives to provide clear guidelines on how we intend to deliver our commitments over the coming years. We will collaborate with our people and partners with passion and ingenuity to create long-lasting and genuine value and impact. Demonstrating our commitment regularly will be essential, so that we showcase our successes and the challenges we have overcome.

Our Material Issues

Material Issues	What are the risks?	Where do we see opportunities?
1 **Employee Health and Wellbeing**	We recognise the increasing pressure that our society faces and the challenges that poor physical and mental health pose. Without strategic intervention, we face the risk of increased employee absence and burnout negatively impacting our productivity and workplace culture.	Our Health and Wellbeing Strategy aims to embed a collaborative relationship between the Group and our people to promote a positive and open culture relating to wellbeing. We aspire to embed a culture of people-led leadership and review wellbeing at all levels of our business to ensure that we continue to invest in and protect our greatest asset – our people. Taking this approach provides us with the opportunity to evolve our workplace culture and attract a broader range of diverse talent to our business.
2 **Equality, Diversity and Inclusion (EDI)**	The built environment sector has traditionally struggled to attract, retain, and progress a diverse pool of talent. Continuing failure to do so poses a risk of increased skills gaps (particularly in operational roles) exacerbated by an ageing workforce, a restricted workplace culture, and limited opportunities for growth,	Our EDI Steering Group works closely with our senior management to collate feedback and review and implement initiatives aimed at ensuring Henry Boot is a welcoming, accessible and diverse workplace. Ongoing reviews of our recruitment processes and employee data are enabling us to identify areas for improvement and informing programmes to continue to engage with diverse talent. Taking this approach presents an opportunity to strengthen our business resilience, support our growth aspirations, and better represent the communities we serve'.
3 **Achieving our Net Zero Carbon (NZC) Target**	As our business aspires to grow and increase productivity, there is a risk that our direct GHG emissions could rise.	Our Group Climate Forum reports to our senior management team and aims to share knowledge and collaborate to reduce our direct GHG emissions. We continue to adapt our approach to reduce our impact and, in doing so, offer schemes that meet market and investor demand as well as attract talent to work for our business.
4 **Education Engagement**	It is increasingly difficult to attract diverse talent (particularly in operational roles) and a failure to do so could lead to skills gaps and reduced productivity and growth.	Our Group invests significant amounts of time and resources into providing leading careers education to a broad range of learners. We frequently engage and collaborate with education leaders and specialists to identify where we can create the greatest impact and aspire to create excitement about the opportunities in our business and industry.
5 **Community Investment**	We recognise the increasing challenges that our communities face as a result of the legacy of COVID, cost of living crisis and rising interest rates. Social Value continues to be an important consideration for the public sector when awarding work and a failure to demonstrate authentic investment and credentials risks the ability to win bids.	We are well underway to achieve our medium term target of generating £1 million of value for our community partners. We continue to invest significant funds, resources and time to create long lasting and genuine social value in the communities where we work. A collaborative approach enables us to showcase a sincere commitment and understand the issues our communities face. As a result we are well regarded for our social value performance.
6 **Responsible Consumption and Nature Stewardship**	Adapting to climate change goes beyond just reducing GHG emissions and also accounts for how businesses use resources and protect the natural world. We rely on the natural world to produce many of the materials required for our buildings and a failure to limit our consumption and protect natural habitats could affect our ability to procure the materials we require and remain compliant with evolving legislative and regulatory demands.	Our pledge to develop and implement a Nature Stewardship Strategy in 2024 demonstrates our commitment to protecting the habitats where we work and source our materials. We continue to engage partners and our supply chain to reduce our consumption of materials and utilise internal subject matter and external experts to shape our approach to ensure it is ambitious and collaborative.

Our strategy is to embed ESG into our commercial decision making

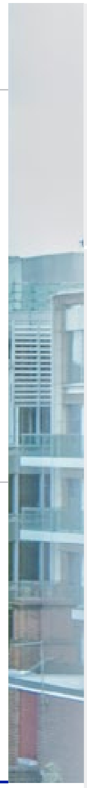
To read more about our **Responsible Business Report** please visit www.henryboot.co.uk

Our People Objectives	2025 Target	2023 Performance	Aligned UN SDGs
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.	The Health and Wellbeing Strategy and Programme was launched to the Group in February 2023 with a range of resources, activities and guidance delivered throughout 2023 including activities and case studies on mental health, neurodiversity, male health, the menopause, physical fitness, and pregnancy loss.	3 GOOD HEALTH AND WELL-BEING
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 in overall female representation of our overall workforce, which has increased to 28% (25% in 2022). Progress in increasing female representation of our management has aligned at 28% (24% in 2022).	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
	Reduce our gender pay gap to 20% (28% in 2020)	Our 2023 gender pay gap was 20.98% (21.43% in 2022).	
	Begin reporting on our ethnicity pay gap and set a 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 analysis of our employee data to begin reporting and establish a target to increase our ethnic diversity in 2024.	
	Deliver EDI training to 100% of our people.	We delivered expert-led EDI training to the majority of our workforce in 2022 and all new employees must complete a mandatory EDI e-learning module as part of our onboarding process. Our EDI Steering Group is currently reviewing our EDI training programme to ensure that we can deliver engaging and practical training for our people.	
	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 2024. 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.	All members of our Executive Committee have ESG related targets incorporated into their performance review.	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH
	Ensure that all Group Pension Schemes incorporate ESG factors in investment decisions and that our people are well informed about their investment choices.	ISIO, our pension scheme manager, conducts thorough reviews of ESG capabilities and reports performance against their ESG Manager Review Framework. The Group regularly shares information about pensions with employees.	

RESPONSIBLE BUSINESS STRATEGY
CONTINUED

Our Places Objectives	2025 Target	2023 Performance	Aligned UN SDGs
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).	We contributed over £225,000 to a range of our charitable and community partners including financial donations and sponsorship, employee fundraising, and expertise, time and resources and services provided pro bono.	3 Good Health and Well-Being; 11 Sustainable Cities and Communities
	Develop long term strategic partnerships both nationally and regionally, and align all Group charitable giving with our Charitable Giving Pillars – for maximum impact.	We concluded the relationship with our Group Charity Partner Place2Be having contributed over £55,000 to support their vital work. We also continued to develop existing and new strategic charity partnerships and to align all 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.	We contributed over 3,000 volunteering hours 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
Engaging learners	Engage 5,000 learners through careers initiatives, curriculum-focused activity, work experience, and mentoring.	We engaged approximately 2,280 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
	Offer 200 entry-level employment opportunities or work experience placements with a focus on those who traditionally struggle to access opportunities.	We offered 22 work experience placements and 10 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.	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 have been incorporated into our Early Careers Strategy, which has been approved by senior management for implementation in 2024.	

Our Planet Objectives	2025 Target	2023 Performance	Aligned UN SDGs
Reducing our greenhouse gas (GHG) emissions	Reduce Scope 1 and 2 GHG emissions by over 20% to support reaching NZC by 2030.	Our Scope 1 and 2 GHG emissions in 2023 were 2,833 tonnes (a 14% reduction against our 2019 baseline).	11 Sustainable cities and communities; 13 Climate action
	Replace 50% of van fleet with electric vehicles (EVs) or other sustainable alternatives (100% by 2030).	Banner Plant has commissioned the installation of new electric vehicle (EV) charging points and now have two electric vans undertaking pilots to identify challenges ahead of further electrification. The scale of ambition to transition our fleet has been challenging and we continue to introduce additional measures whilst the pilots are undertaken including further driver training and engagement and a review of alternative lower carbon fuel types.	
	Ensure that all our HGVs are EURO 6 compliant (30% to be replaced with EVs or other sustainable alternatives by 2030).	Banner Plant's HGV and crane truck fleet are fully EURO6 compliant.	
	Supply 50% of electricity demand for construction sites from renewable generators.	Henry Boot Construction made significant reductions in the volume of fuel consumed on their sites as reliance on traditional generator demand was increasingly replaced by mains electricity and they continue to trial sustainable generator solutions.	
	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 has completed audits of all our directly controlled offices and depots. Short term recommendations are currently being implemented.	
	Reduce non-sustainable business mileage by 20%.	Business mileage in 2023 was 20% less than the 2019 baseline.	
	Use biodiesel as we electrify our fleet.	We have continued to monitor the market for biofuels and the credibility of this fuel type and are engaging with a range of providers to assess potential options for investment.	
Consuming resources responsibly	Cut avoidable waste by 99% for all our construction sites (100% by 2030).	In 2023, 99% of avoidable waste was achieved on Henry Boot Construction's sites.	11 Sustainable cities and communities; 13 Climate action
	Reduce consumption of avoidable plastic by 50% and undertake Group-wide waste and water monitoring to establish reduction targets.	We are engaging with a number of waste management providers to assist the Group to baseline our use of plastic and creation of waste, with a Waste Management Plan due for implementation in 2024.	
	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 gains (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. Our Nature Stewardship Strategy will be developed and published in 2024.	3 Good health and well-being; 11 Sustainable cities and communities; 13 Climate action
	Deliver nature stewardship training to 100% of our people.	Teams from the business attended a biodiversity seminar with specialist industry speakers. A broader range of training and education will be provided across the Group in 2024.	



RESPONSIBLE BUSINESS STRATEGY
CONTINUED

Our Partners Objectives	2025 Target	2023 Performance	Aligned UN SDGs
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 has been engaged and an internal review is being undertaken of the requirements to secure membership.	3 GOOD HEALTH AND WELL-BEING; 11 SUSTAINABLE CITIES AND COMMUNITIES
	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 with our supply chain.	
	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 information from the Lighthouse Charity, and guidance on regulations and best practice. We continue to provide bespoke and extensive support to our sub-contractors to provide them with support during turbulent market conditions.	
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 with 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
	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 members to share knowledge and best practice. We were proud to be a founding member of the BITC EDI Yorkshire and Humber Steering Group.	
	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 are contributory members of the UK Green Building Council (UKGBC) and 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.	

COLLOCO – A 200,000 SQ FT OFFICE SCHEME LOCATED IN THE ST JOHN'S DISTRICT OF MANCHESTER CITY CENTRE, WHICH WILL COMPRISE 16 STOREYS OF HIGH-QUALITY FLEXIBLE OFFICES DESIGNED WITH THE AIM OF ACHIEVING HIGH SUSTAINABILITY CREDENTIALS.

NICK DUCKWORTH
HALLAM LAND MANAGEMENT LIMITED

> HLM performed well in 2023, selling 1,944 plots at seven locations and although the number of plots sold in the year decreased, average gross profit per plot increased to £15,480 due primarily to a significant freehold sale at Tonbridge, Kent, offsetting the volume reduction".

WE CONTINUE TO GROW ONE OF THE LARGEST STRATEGIC LAND BANKS IN THE COUNTRY

1,944
PLOTS SOLD
(2022: 3,869 PLOTS)

100,972
PLOTS IN STRATEGIC LAND PORTFOLIO (2022: 95,704 PLOTS)

HLM performed well in 2023, achieving an operating profit of £21.4m (2022: £17.3m) from selling 1,944 plots (2022: 3,869) at seven locations. Although the number of plots sold in the year decreased, average gross profit per plot increased to £15,480 (December 2022: £6,066) due primarily to a significant freehold sale at Tonbridge, Kent, offsetting the volume reduction.

UK greenfield land values decreased by 6.5% in 2023 according to Savills Research. Transactions slowed significantly relative to 2022, with downward pressures on land values reflecting a fall in housebuilders' new build sales rates. However, with 16% fewer homes granted planning consent in England during 2023 compared to 2022, there continues to be competition for available prime sites resulting in land values in those locations being more resilient.

HLM's land bank has grown to 100,972 plots (December 2022: 95,704 plots), of which 8,501 plots (December 2022: 9,431 plots) have planning permission (or a Resolution to Grant subject to S106). Although there continues to be delays and challenges within the planning system, the updates to the NPPF appear not to be quite as restrictive as anticipated. In short the updated NPPF incentivises local authorities to drive forward in preparing and publishing development plans, allowing them to allocate housing sites in their administrative areas and giving them a defence against speculative planning applications. Whilst HLM is not immune from the revisions of the NPPF, given that it generally pursues larger sites of c.500 plots or above, which normally results in sites being allocated in development plans more frequently than smaller sites, the business should benefit marginally from the quicker publication of development plans.

Last year, HLM gained planning permission on 1,014 plots, which is an increase from the 435 plots granted in 2022. During the period, there were 2,185 plots submitted for planning, taking the total plots awaiting determination to 13,468 (December 2022: 12,297 plots), with a further 8,227 plots having an allocation or draft allocation for housing (but with no application as yet). HLM's land bank remains well positioned to benefit from the delays and complexities in the planning system due to the high levels of stock in premium locations, both with planning and awaiting determination, the team's specialist skill set and its strategically placed regional coverage. Despite the challenges, the number of plots in the portfolio continues to increase, giving us confidence in the medium term that our stock levels with planning will rise.

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 in the balance sheet relating to any of the 8,501 plots with planning, and any gain will only be recognised on disposal.

Residential Land Plots

	With permission						
	b/f	granted	sold	c/f	In planning	Future	Total
2023	9,431	1,014	(1,944)	8,501	13,468	79,003	100,972
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

In relation to significant schemes:

- At Tonbridge, Kent, HLM sold 125 plots to national housebuilder Cala Homes. The site was originally contracted under option in 2004, with the freehold subsequently purchased in 2021. The scheme includes additional community benefits such as new cycle and pedestrian links to a local railway station and a contribution to improved public transport infrastructure. The deal was completed in two phases over H1 and H2 of 2023, resulting in an ungeared internal rate of return (IRR) of 25% p.a.
- At Coventry, the 2,400-plot site known as Pickford Gate, saw the sale of phase one, comprising 250 plots to Vistry in H1 23. Following this, in H2 23 HLM began to market phase two, which consists of 1,123 plots, and has received strong interest from several major housebuilders.
- Swindon is a site that was jointly held with Taylor Wimpey, where over 20 years ago HLM secured an option on the site which in August 2021 received outline planning consent for a total of 2,380 plots (HLM share 1,063 plots). In December 2023, a contract was exchanged to acquire the land whilst simultaneously exchanging contracts to sell 760 plots (HLM's share) to Vistry, generating an IRR of 10% p.a. The scheme is contracted for completion in two phases during H2 24 and H1 26. HLM will retain 304 plots for future sale. The wider scheme includes local community benefits such as a new primary school, community and sport buildings as well as woodlands and green infrastructure.

Since the start of 2024 HLM has already completed the disposal of 276 plots and exchanged on a further 793 plots for completion across 2024-2026, as well as having an additional 1,556 plots under offer. This shows that despite the slowdown in the housing and residential market the demand for strategic sites endures.

SEGMENTAL REVIEW
PROPERTY INVESTMENT AND DEVELOPMENT

EDWARD HUTCHINSON
HENRY BOOT DEVELOPMENTS LIMITED

DARREN STUBBS
STONEBRIDGE HOMES LIMITED

> Property Investment and Development, which includes HBD and SH, delivered a combined operating profit of £22.2m (2022: £25.7m)".

According to the CBRE UK Monthly Index, commercial real estate values declined by 3.9% in 2023. Industrial property was the best performing sector with values up 1.4% during the year, whilst values for both retail and offices declined by -4.2% and 11.5% respectively. The rate of yield expansion across all three sectors slowed during 2023 following the significant capital value correction in 2022. Whilst I&L take up has slowed from record levels during the COVID pandemic, the industrial sector delivered the highest rental growth in 2023 at 6.9%, due to the longer-term structural drivers and limited supply of high-quality space. At the same time, whilst BtR yields have risen from historic lows, the average rent for new residential lets increased by 8.3% during 2023 according to Zoopla, driven by continued strong demand and a lack of available units.

HBD has performed ahead of expectations, with continued growth of its completed schemes to a GDV of £126m (HBD share £111m, 2022: HBD share £83m), of which 100% was pre-let or pre-sold. In the year, HBD completed on the following developments:

- Three industrial schemes in Nottingham, Luton and Preston totalling 661,000 sq ft with a combined GDV of £104m (HBD share: £89m).
- A 40 bed state of the art care facility for The Disabilities Trust in York (HBD share: £22m GDV) which has achieved a BREEAM Excellent rating.

£111m GDV
DEVELOPMENT COMPLETIONS (2022: £83M)

251
UNIT COMPLETIONS (2022: 175 UNITS)

2023 Completed Schemes

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status
Industrial					
Nottingham, Power Park	54	54	426	–	Pre-sold
Luton, Diploma	20	20	85	–	Pre-let
Preston East, DPD & DHL	30	15	150	–	Pre-sold/ pre-let
	104	89	661	–	
Urban Residential					
York, TDT	22	22	N/A	–	Pre-sold
Total for the Year	**126**	**111**	**661**	**–**	

The committed development programme now totals a GDV of £299m (HBD share: £159m GDV) and is currently 50% pre-let, pre-sold or under offer, with 98% of development costs fixed.

2024 Committed Programme

Scheme	GDV (£m)	HBD Share of GDV (£m)	Commercial ('000 sq ft)	Residential Size (Units)	Status	Completion
Industrial						
Rainham, Momentum	120	24	380	–	Speculative	Q2 24
Southend, Ipeco2 and Cama,	20	20	156	–	Pre-sold	Q1 24
Walsall, SPARK Remediation	37	37	–	–	Forward funded	Q2 24
Leicester, TMS	10	10	29	–	Pre-sold	Q3 24
	187	91	565	–		
Urban Residential						
Birmingham, Setl	32	32	–	102	Speculative – 30% reserved	Q2 24
Aberdeen, Bridge of Don	12	1	–	TBC	Under offer	Q2 24
Aberdeen, Cloverhill	2	2	–	500	Pre-sold and DM fee	Q2 24
	46	35	–	602		
Urban Commercial						
Manchester, Island	66	33	91	–	Speculative	Q3 24
Total for the Year	**299**	**159**	**656**	**602**		
% sold or pre-let	**29%**	**50%***				

*This includes space under offer and units reserved at Setl– 01/03/24.

Within the committed programme there is 565,000 sq ft of I&L space (HBD share: £91m GDV), a total of 602 urban residential units (HBD share: £35m GDV) and 91,000 sq ft of urban office space (HBD share: £33m GDV). This comprises:

- At Momentum, Rainham (in an 80:20 JV with Barings), the four unit I&L development, targeting NZC, serving Greater London, works are on course for completion in Q2 24, with HBD now marketing the space to potential occupiers with the aim of having the majority of the scheme let within a year.
- In H1 23, two freehold design and build transactions totalling 156,000 sq ft, at HBD's 52 acre I&L scheme in Southend, Essex, were added at a combined value of £20m. A 129,000 sq ft headquarters facility will be developed for Ipeco, a supplier of aircraft seating. CAMA Asset Store, specialists in sustainable storage for the creative industries, will take occupation of a 27,600 sq ft warehouse facility with ancillary office accommodation. Both units are on track for completion in Q1 24.
- Setl, the 102 premium apartment scheme in Birmingham, is on track to be completed in Q2 24. After launching pre-sales in Q4 23, the full sales campaign was launched in mid-March. HBD has now secured reservations for 30% of the total units, as of March 2024, at the target price.
- At Island, Manchester a 50:50 JV scheme with Greater Manchester Pension Fund, delivering a 91,000 sq ft NZC office building is scheduled for completion in Q3 24. Marketing of the scheme has commenced and has attracted several enquiries on a floor-by-floor basis, with the aim of securing its first pre-let prior to completion.

HBD's future total development pipeline value is £1.5bn GDV (HBD share: £1.3bn GDV). All of these opportunities sit within the three key markets of I&L (59%), Urban Commercial (21%) and Urban Residential (20%). Within the development pipeline, we have c.200m near-term, occupier led schemes which have the potential to be added to the committed programme within the next twelve months comprising:

- Neighbourhood, Birmingham (HBD share: £123m GDV) - after securing planning approval in March 2023 for a 404-unit BtR development, HBD is continuing preparatory works and is now considering a number of options to progress to development including a forward funding for the scheme.
- Roman Way, Preston (HBD share: £43m GDV) - a planning consent was granted in Q4 23 to deliver c.700,000 sq ft of I&L space. In December 2023, HBD exchanged conditionally with Tilemaster to deliver a serviced plot of 10 acres that will accommodate a 150,000 sq ft manufacturing unit, which is set to commence works in Q2 24. There is also interest on a number of additional units.
- Spark, Walsall (HBD Share: £110m GDV) - HBD is set to complete remediation works in Q2 24 and are in talks to secure the scheme's first pre-let on a 250,000 sq ft I&L unit (£42.5m GDV).
- Welwyn Garden City (HBD share £20m GDV) – HBD is close to securing a pre-let on 25% of this 71,200 sq ft industrial scheme and subject to this being concluded, is targeting a start on site in Q3 2024.

Beyond the near-term pipeline, HBD is progressing on:

- Golden Valley, Cheltenham (HBD share of phase one: £155m GDV) - in December 2023, following the buyout of its JV partner, HBD became the sole developer of a £1bn GDV mixed-use campus, including the new National Cyber Innovation Centre. A £95m funding agreement with Cheltenham Borough Council for the delivery of phase one has now been secured as well as a £20m pledge from the Department for Levelling Up, Housing and Communities. Following planning, construction of phase one is expected to commence in 2025.

Investment Portfolio – key stats

	Dec 2023	Dec 2022
Market values – inc. share of JVs	**£112.9m**	£108.6m
Total area – '000 sq ft	**795**	856
'Topped-up' net initial yield	**5.8%**	5.8%
Reversionary yield	**6.5%**	6.5%
WAULT to expiry[1]	**10.8 years**	10.7 years
Occupancy[2]	**93%**	88%

1 Weighted average unexpired lease term (WAULT) on commercial properties
2 As a percentage of completed property portfolio estimated rental value (ERV)

The total market value of the IP (including share of properties held in JVs) has increased to £112.9m (December 2022: £108.6m). Whilst the CBRE UK Monthly Index showed commercial property values decreased by 3.9% during 2023, HBD's portfolio increased in value by 1.1% on a like for like basis driven by continued rental value growth for the industrial and logistics assets of 2.8% over the year. The portfolio total return of 6.7% was again ahead of the CBRE Index (1.7%) and over the past three years it has outperformed the index with a total return of 7.9% pa against a benchmark return of 3.5% pa. Occupancy increased during the year to 93% (December 2022: 88%) with the weighted average unexpired lease term now 10.8 years (December 2022: 10.7 years).

During 2023, we made further accretive sales of four investment properties along with Banner Cross Hall, the Group's former HQ, for a combined value of £12.7m, at an average 23% premium to December 2022 valuations. In addition to the sales, we retained three completed high quality developments at Luton, Markham Vale and Pool with a total value of £21.2m, which together with the valuation uplift were the main drivers of an increase in the value of the IP.

The Group is also committed to ensuring that all the properties within the IP have a minimum EPC rating of 'C'. Currently 73% of these properties have a rating of 'C' or higher, of which 42% of the total portfolio are rated 'A-B'. The majority of the remaining 27% of the portfolio that are currently below a 'C' rating, have redevelopment potential in the near-term with a target range of 'A' or 'B'.

The UK housing market remained subdued during 2023 as homebuyer demand continued to be impacted by higher mortgage rates. According to Nationwide UK, house prices decreased by 1.8% during 2023 and are now almost 4.5% below their mid 2022 peak. Whilst monthly housing transactions are running at c.10% below pre-COVID levels those involving a mortgage are down c.20%. There have been some encouraging signs for potential buyers recently with average earnings increasing in real terms and mortgage rates edging down over the last few months, whilst unemployment remains low by historic standards.

SH completed 251 homes during 2023 (171 Private / 80 Social) (2022: 175 - 124 private / 51 social), increasing its annual sales by 43% and performing in line with its medium term growth target of delivering 600 units.

The average selling price (ASP) for private units remained firm at £461k (2022: £503k) in-line with budget, however, the ASP reduced as the business expanded its sales outlets into its second region in the North East of England, where selling prices are slightly lower. In line with the UK new build housing market, the average sales rate for the year decreased, with SH securing 0.45 (2022: 0.51) units per week per outlet, for private houses. Notwithstanding this, sales rates in Q4 23 improved marginally to 0.46 homes per site per week (Q4 22: 0.36), as mortgage rates began to fall.

Whilst supply chain availability and cost pressures remained a key focus, both issues began to improve and moderate last year. SH expects build cost inflation to be around 3% in 2024, with discussions ongoing with both suppliers and subcontractors to assist in build cost savings.

SH total owned and controlled land bank increased materially to 1,513 plots (2022: 1,094) – of which 923 plots (2022: 872) have detailed or outline planning equating to 3.4 years' supply based on anticipated one-year forward sales. During 2023, SH added a further 670 plots over seven sites to its owned and controlled landbank, of which 302 plots have some form of planning and the remaining 368 plots with no form of planning have been secured under option agreements.

SH enters 2024 with the benefit of mortgage rates stabilising and cost pressures beginning to ease. Whilst not underestimating the current uncertainty in the UK housing market, SH has begun the year relatively well. In January and February 2024, an average sales rate of 0.51 (Jan and Feb 23: 0.46) houses per week per outlet was achieved, which has resulted in SH securing 50% of its sales target against a delivery target of 275 homes (206 private/ 69 social).

GOLDEN VALLEY, CHELTENHAM (HBD SHARE OF PHASE ONE: £155M GDV) - A £1BN GDV MIXED-USE CAMPUS, INCLUDING THE NEW NATIONAL CYBER INNOVATION CENTRE.

SEGMENTAL REVIEW
CONSTRUCTION

TONY SHAW
HENRY BOOT CONSTRUCTION LIMITED

JONATHAN FISHER
BANNER PLANT LIMITED

TREVOR WALKER
ROAD LINK (A69) LIMITED

Trading in the Group's construction segment was below expectations in 2023, as a result of deteriorating market conditions, achieving an operating profit of £6.5m (2022: £12.1m). UK construction activity slowed during 2023, with all new work decreasing by 2.1%, with the most significant reduction of 13.6% for new private housing.

HBC, the Group's construction business, traded below expectations, delivering a turnover of £70.1m (2022: £97.6m) having experienced difficult operating conditions in line with the UK construction market. However, the business has the lowest capital employed of any subsidiary of the Group and, therefore, the risk it poses to on Henry Boot's strategic growth plans remains limited.

Despite both schemes suffering delays, subcontractor and material availability issues, the Kangaroo Works, a £40m BtR scheme, completed in August 2023, with the Heart of the City, Sheffield Block H, a £42m urban development scheme, completing in phases between December 2023 and January 2024. In addition to the two significant schemes in Sheffield, a residential project at Clipstone, Mansfield also impacted HBC's 2023 performance, as the project's developer fell into administration, resulting in building costs not being fully recovered.

At HBC's largest active site, the Cocoa Works in York, after a significant variation for the Pavilion and Library buildings, the contract value of the residential development increased to £57m and the project is now expected to complete in late 2024.

At the beginning of 2024, HBC has secured 49% of its order book (94% of its costs have fixed price orders placed or contractual inflation clauses). The business remains cautious about difficult trading conditions, and while HBC is actively pursuing PCSAs of £50m across urban development and residential opportunities for 2024, it is expected that some of these opportunities could now fall into the 2025 order book as the business becomes more selective in the work it pursues.

As the business review and explore all the options to deal with the current commercial challenges, the difficult decision has been made to make operational changes which has resulted in a restructuring within the business. Whilst this is regrettable, it is being carried out to protect the long term future of HBC.

Banner Plant traded slightly below budget in 2023 and in response has adjusted its sales strategy. Road Link (A69) performed in line with management expectations as traffic volumes continue to increase.

> "Despite the construction segment being impacted by challenging trading conditions in line with the slowdown of UK construction activity in 2023, it pleasingly remained profitable."

£99.5m
CONSTRUCTION SEGMENT REVENUE (2022: £128.6M)

£6.5m
CONSTRUCTION SEGMENT OPERATING PROFIT (2022: £12.1M)

CAMBRIDGE STREET COLLECTIVE – THE PROJECT SAW THE HISTORIC BUILDINGS THAT FRONT THE SITE SENSITIVELY REFURBISHED AND SEAMLESSLY INTEGRATED INTO A CONTEMPORARY NEW STRUCTURE BEHIND- PART OF HEART OF THE CITY, SHEFFIELD (BLOCK H), A £42M URBAN DEVELOPMENT SCHEME.

FINANCIAL REVIEW

DARREN LITTLEWOOD
CHIEF FINANCIAL OFFICER

"Our focus on high quality land and development opportunities in prime locations across our three key markets continues to support the Group's resilience".

STRONG RESULTS DESPITE A CHALLENGING BACKDROP

£37.3m

PROFIT BEFORE TAX (2022: £45.6M)

306p

NET ASSET VALUE PER SHARE (2022: 295P)

Summary of financial performance

	2023 £'m	2022 £'m	Change %
Total revenue			
Property investment and development	**191.9**	169.0	+14
Land promotion	**68.0**	43.8	+55
Construction	**99.5**	128.6	-23
	359.4	341.4	+5
Operating profit/(loss)			
Property investment and development	**22.2**	25.7	-14
Land promotion	**21.4**	17.3	+24
Construction	**6.5**	12.1	-46
Group overheads	**(9.9)**	(8.6)	+15
	40.2	46.5	-14
Net finance cost and other	**(2.9)**	(0.9)	+222
Profit before tax	**37.3**	45.6	-18

The Group performed well in 2023, with only a 14% fall in operating profit despite the backdrop of an economy in a technical recession. Group profit before tax of £37.3m (2022: £45.6m) or £36.7m on an underlying profit basis[1] (2022: £56.1m) remains very credible and testament to the Group's resilience.

Our focus on high quality land and development opportunities in prime locations across our three key markets continues to support this resilience.

Our land promotion business Hallam Land traded well in the year disposing of 1,944 residential plots (2022: 3,869) at an increased average gross profit per plot of £15.5k (2022: £6.1k), generating an operating profit of £21.4m (2022: £17.3m) as demand for well located premium sites continued, despite falling house prices and volumes across the UK.

Property investment and development exceeded expectation with HBD successfully completing a number of significant development schemes, particularly in the industrial sector. It also made opportune disposals of property assets at a premium to book value and progressed three speculative schemes in Manchester, Birmingham and London. Meanwhile Stonebridge increased its output 43%, completing 251 homes (2022: 175) in line with its medium term growth target of delivering 600 units per annum. Together resulting in an operating profit of £22.2m (2022: £25.7m) from the property investment and development segment.

Consolidated Statement of Comprehensive Income

Revenue increased 5% to £359.4m (2022: £341.4m) as the land promotion business made disposals at a premium site in Tonbridge increasing the segment's revenue 55% to £68.0m (2022: £43.8m). The ongoing growth of Stonebridge (43% increase in output) resulted in a 38% increase in revenue to £97.2m (2022: £70.6m). Construction segment revenue declined £29.1m in a challenging market where clients are taking longer to make decisions. We continued to deliver urban development works in Sheffield and from a number of framework agreements, while becoming increasingly selective of future opportunities.

Gross profit of the Group reduced £4.8m to £76.8m (2022: £81.6m), a gross profit margin of 21% (2022: 24%) and reflects healthy returns across all our operating segments. Other income of £4.8m (2022: nil) relates to a legal settlement on a property development contract completed in 2016. Administrative expenses, including pension expenses, increased by £3.9m (2022: £2.2m) as we continued to invest in our people and processes to support future growth.

Property revaluation gains amounted to £0.4m (2022: £8.2m losses), incorporating £0.3m revaluation gains (2022: £4.9m losses) on wholly owned investment property and £0.1m revaluation gains (2022: £3.2m losses) on our share of investment property held in joint ventures.

Property revaluation gains/(losses)	**2023 £'m**	2022 £'m
Wholly owned investment property:		
- Completed investment property	**0.5**	(7.3)
- Investment property in the course of construction	**(0.2)**	2.4
	0.3	(4.9)
Joint ventures and associates:		
- Completed investment property	**0.1**	(3.2)
- Investment property in the course of construction	**–**	–
	0.1	(3.2)
	0.4	(8.2)

Profit on sale of investment properties of £0.7m (2022: £0.6m), relates to the disposal of legacy assets at Bath and Malvern and an industrial unit at Southend. Profit on disposal of assets held for sale of £1.6m (2022: £0.1m loss) relates largely to the disposal of the Group's former head office in Sheffield.

Share of profit of joint ventures and associates of £0.4m (2022: £9.1m) includes completion and sale of two industrial units in Preston and completion of a development in Wakefield, all by the property investment and development segment. Joint ventures continue to be a key part of our operating model however the timing of returns will vary.

Profit on disposal of joint ventures and subsidiaries were £nil (2022: 0.7m), with the prior year reflecting the Group's disposal of a long standing 50% interest in a joint venture entity in Huddersfield by the property investment and development segment.

Overall, operating profits decreased by 13.5% to £40.2m (2022: £46.5m) and, after adjusting for net finance costs, we delivered a profit before tax of £37.3m (2022: £45.6m).

The segmental result analysis shows that:

- Property investment and development operating profit decreased to £22.2m (2022: £25.7m) following a very strong result in 2022, 40% up on 2021, offset by an increase in Stonebridge housing unit disposals to 251 (2022: 175), and a valuation gain on wholly owned investment property of £0.3m (2022: £4.9m loss).
- Land promotion operating profit increased to £21.4m (2022: £17.3m) as we completed on disposals at seven sites, including a high margin site in Tonbridge that increased our average gross profit per plot in the year to £15.5k (2022: £6.1k).
- Construction segment operating profits decreased to £6.5m (2022: £12.1m) as our construction business experienced difficult operating conditions, with performance on two significant projects impacted by the availability of materials and the resultant delays. Plant hire and our PFI concession continued to generate healthy contributions to the segment.

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 £8.8m (effective rate of tax: 23.5%) (2022: £7.7m; effective tax rate: 16.9%) and is in line with (2022: lower) the standard rate of tax (2022: due to adjustments for joint ventures and associates reported net of tax). Current taxation on profit for the year was £6.7m (2022: £8.5m), deferred tax was a charge of £2.1m (2022: £0.8m credit).

Earnings per share and dividends

Basic earnings per share decreased 21% to 19.7p (2022: 25.0p) in line with the fall in profits attributable to owners of the Parent Company. Total dividend for the year increased 10% to 7.33p (2022: 6.66p), with the proposed final dividend increasing to 4.40p (2022: 4.00p), payable on 31 May 2024 to shareholders on the register as at 3 May 2024. The ex-dividend date is 2 May 2024.

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

ROCE[2] decreased in the year to 9.9% (2022: 12.0%), given current challenges in our markets this is expectedly toward the bottom end of the Group's target range of 10%–15% which we believe remains appropriate for our current operating model and the markets we operate in.

Finance and gearing

Net finance costs increased to £2.9m (2022: £0.9m) reflecting the increase in UK interest rates and higher borrowing levels 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 9 times (2022: 22 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 has agreed terms with lenders to refinance for a further five year period but while this facility is being formalised the Group has put in place an option to extend the existing facility for a further year to 23 January 2026 which provides security of funding throughout the going concern period. The Group had drawn £83.5m of the facility at 31 December 2023 (2022: £65.0m).

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 £14.7m of receivables under the agreement at 31 December 2023 (2022: £7.6m).

2023 year-end net debt[4] was £77.8m (2022: £48.6m) resulting in gearing of 19.0% (2022: 12.3%), at the upper end of our targeted range of 10%-20% following continued investment in our prime land portfolio, growing our premium housebuilder and delivering our high quality committed development programme.

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

Cash flow summary

	2023 £'m	2022 £'m
Operating profit	**40.2**	46.5
Depreciation and other non-cash items	**(1.1)**	(3.4)
Net movement on equipment held for hire	**(2.1)**	(4.1)
Movement in working capital	**(31.2)**	(55.6)
Cash generated from/(used in) operations	**5.8**	(16.6)
Net capital (investments)/disposals	**(16.4)**	16.6
Net interest and tax	**(7.4)**	(3.6)
Dividends paid	**(12.8)**	(12.4)
Dividends received from joint ventures	**0.9**	7.1
Other	**0.7**	0.8
Change in net debt	**(29.2)**	(8.1)
Net debt brought forward	**(48.6)**	(40.5)
Net debt carried forward	**(77.8)**	(48.6)

During 2023, the cash inflow from operations amounted to £5.8m (2022: £16.6m outflow) after net investment in equipment held for hire of £2.1m (2022: £4.1m), and cash outflows from a net increase in working capital of £31.2m (2022: £55.6m). Our increase in working capital arises from additional investment in housebuilder inventories, strategic land sales on deferred terms and the ongoing development of schemes in progress.

Net capital investment of £16.4m (2022: £16.6m disposals) arose primarily from investment in joint ventures of £13.4m (2022: £2.3m redemption) the prior year containing significant disposals of an industrial unit in Wakefield and a motorway service station in Kent.

Net dividends, totalled £11.9m (2022: £5.3m), with those paid to equity shareholders of £9.3m (2022: £8.4m), increasing by 10%, and dividends to non-controlling interests of £3.5m (2022: £4.0m), being offset by dividends received from joint ventures during the year of £0.9m (2022: £7.1m).

After net interest and tax of £7.4m (2022: £3.6m), there was an overall outflow in net cash of £29.2m (2022: £8.1m), resulting in net debt of £77.8m (2022: £48.6m).

Wholly owned investment properties increased in value to £100.6m (2022: £97.1m), following the retention of newly completed industrial assets in Luton and Pool with a combined book value of £19.0m. Offset by disposals of an office in Bath, a leisure asset in Malvern and an industrial unit in Southend, together they sold at a premium to December 2022 book value of £7.0m. Property revaluation gains amounted to £0.4m (2022: £8.2m loss), incorporating £0.3m gains (2022: £4.9m loss) on wholly owned investment property and a £0.1m gain (2022: £3.2m loss) on our shares of investment property held in joint ventures.

Intangible assets reflect goodwill of £1.0m (2022: £1.2m), being Road Link (A69) of £0.1m (2022: £0.3m) and Banner Plant depots £0.9m (2022: £0.9m) and the Group's investment in Road Link (A69) of £1.2m (2022: £1.7m). The treatment of the Road Link investment as an intangible asset is a requirement of IFRIC 12 and arises because the underlying road asset reverts to National Highways at the end of the concession period in March 2026.

Property, plant and equipment comprises Group occupied buildings valued at £4.7m (2022: £7.0m), leasehold improvements of £2.4m (2022: nil), and plant, equipment and vehicles with a net book value of £26.1m (2022: £22.8m), including £4.0m (2022: £1.0m) of right-of-use assets under IFRS 16.

Statement of financial position summary

	2023 £'m	2022 £'m
Investment properties and assets classified as held for sale	**100.6**	97.1
Intangible assets	**2.2**	2.9
Property, plant and equipment, including right-of-use assets	**33.2**	29.8
Investment in joint ventures and associates	**10.5**	10.0
	146.5	139.8
Inventories	**297.6**	291.8
Receivables	**129.3**	122.9
Payables	**(88.1)**	(113.6)
Other	**(5.2)**	(4.2)
Net operating assets	**480.2**	436.7
Net debt	**(77.8)**	(48.6)
Retirement benefit asset	**7.7**	6.2
Net assets	**410.1**	394.3
Less: Non-current liabilities and pension asset	**6.6**	4.8
Capital employed	**416.7**	399.1

Property, plant and equipment, along with right-of-use assets, have increased as new additions of £11.3m (2022: £3.8m) are offset by disposals, transfers and the depreciation charge for the year. Leasehold improvements and right-of-use assets have increased largely due to the lease of the Group's new head office in Sheffield.

Investments in joint ventures and associates increased £0.5m to £10.5m (2022: £10.0m), being the Group's share of profits of £0.4m (2022: £9.1m) (including fair value increases of £0.1m), additional investment of £1.0m (2022: £2.1m), less distributions of £0.9m (2022: £7.2m) and net disposals of £nil (2022: £6.2m). We continue to undertake property development projects with other parties where mutually beneficial.

Inventories were £297.6m (2022: £291.8m) as we increased our housebuilder land and work in progress to £96.2m (2022: £80.6m). We continue to invest in land, expand regionally into the North East and increase annual plot disposals. Property inventory decreased to £77.4m (2022: £91.2m) as the Group completed committed developments in York and Southend, and retained an industrial scheme which was transferred to investment property. In our strategic land business we continue to invest in owned land and land interests under promotion agreements at a lower capital cost amounting to £42.2m (2022: £28.2m). 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 £6.5m to £129.3m (2022: £122.9m) due to an increase in loans to joint ventures and associates and as we progress development schemes. 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 decreased to £88.1m (2022: £113.6m) with trade and other payables decreasing to £76.0m (2022: £100.0m), provisions decreasing to £4.4m (2022: £5.4m) as strategic land provisions unwind and we near the end of our PFI concession arrangement. Contract liabilities decreased to £1.1m (2022: £4.0m), as large construction schemes near completion.

Net debt included cash and cash equivalents of £13.0m (2022: £17.4m), borrowings of £86.5m (2022: £65.0m), including £3.0m other loans (2022: £nil) arising from sale and lease back, and lease liabilities of £4.3m (2022: £1.0m). In total, net debt was £77.8m (2022: 48.6m).

At 31 December 2023, the IAS 19 pension valuation was a surplus of £7.7m (2022: £6.2m surplus), driven by interest on the existing surplus and contributions paid by the Group to the scheme. 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 4.0% to £410.1m (2022: £394.3m), arising from retained profits less distributions to shareholders with NAV per share[3] increasing 3.7% to 306p (2022: 295p).

DARREN LITTLEWOOD
CHIEF FINANCIAL OFFICER

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 gains of £0.5m (2022: £7.3m losses) on wholly owned completed investment property and a gain of £0.1m (2022: £3.2m losses) on completed investment property held in joint ventures. This APM is used as it provides the users with a measure that excludes specific external factors beyond management's control 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/ordinary share capital.

4 Net debt is an APM and is reconciled to statutory measures in note 34.

5 Total property return is a metric that combines capital and income returns for the investment portfolio. It is calculated as the percentage value change plus net income accrual, relative to the capital employed and is calculated on a monthly basis and then indexed in line with the benchmark.

6 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.

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, supported closely by our advisors, 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 activity 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 of processes. 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 has, therefore, undertaken horizon scanning exercises that form key considerations in the Group's risk and strategic planning.

The rapid emergence of generative AI has been of particular note in 2023, with the Group proactively considering the transformative effect on our markets and the competitive advantage to be gained. Our consideration extends to the data and security risks that result from the use of generative AI, and the measures needed to actively mitigate against these.

Geopolitical and economic risk levels remain high, their impact is regularly discussed and have been considered across each principal risk area.

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 71 to 73.

The financial impact of the above is considered in the going concern and viability section on pages 54 to 55.

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

Established in 2022, the Group meets monthly to establish the Group's procedures and plans for management of continuity events.

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)

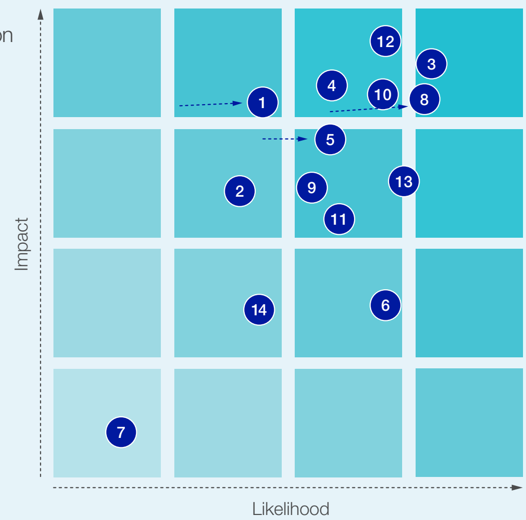
Risk heat map

The risk heat map illustrates the 14 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).

The risks associated with housebuilding continue to increase in line with the activity of our joint venture housebuilder Stonebridge Homes Limited. Existing principal risks such as safety, land sourcing and political have always included consideration of housebuilding activities, but the Board recognises that more specific risks associated with housebuilding such as supply chain, material availability and quality of product should now be reflected in a new principal risk of the Group.

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**
14 **Housebuilding**



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 for its 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.	Elevated risk of incidents in plant hire segment	
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 71-73)	• 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.		

Key

Change during the year

Increased Decreased No change

Group strategic priorities

People Partners Places Planet Performance

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 low 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.	↔	
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 works	• 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.	↔	
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	• New facility terms well progressed with banking partners, and are backed by investment property assets. • £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.	↑ Lack of development funding	
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.	↔	

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
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 position of the pension scheme worsens. Furthermore, the relationship between implied inflation and long term gilt yields has a major impact on the pension scheme position and the business has little control over those variables	• Operation of Trustee approved Recovery Plan and scheme now in surplus. • 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 has provided a cushion as interest rates have risen. • 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.	No change	People
8 **Construction contracts**	Changes in terms and conditions of standard contracts exposing the Company to major financial and design liability risks Supply chain failure and client risk	• 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, viability and client risk	Partners, Performance
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 £1.3bn pipeline of future opportunities. • Portfolio strategy actively managed and covenants regularly reviewed. • Investments in sectors with strong medium term tailwinds.	No change	People, Places, Performance

Key

Change during the year

Increased Decreased No change

Group strategic priorities

People Partners Places Planet Performance

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
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 £1.3bn pipeline of future opportunities. • Internal target of no more than 35% speculative development in the committed pipeline.	↔	
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 100,000 plots with aspiration to grow further. • Well respected name within the industry that demonstrates success. • Housebuilder land portfolio at 1,513 residential plots representing 5.5 years' land supply at one year forward sales target.	↔	
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.	↔	

Risk	Risk description	Mitigation	Change during the year	Link to Group strategic priorities
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.	No change	People, Partners, Places, Performance
14 **Housebuilding**	Increase in housing production or a breakdown within the supply chain may strain the availability of materials and trades resulting in increased costs and construction delays The quality of our product is key. If the Group fails to deliver consistently against these high standards, it could be exposed to reputational damage, the risk of reduced sales and increased costs	• Partnering arrangements in place for key trades. • Dual sourcing in place for critical supplies. • Regional supply chain events held to promote the business and its growth plans. • Regular monitoring of the supply chain. • Regular update meetings with supply chain partners. • 5 key stage quality inspection process. • Stonebridge quality standard manuals and best practice guides rolled out across the business. • Regular supply chain performance reviews. • Training on the New Homes Quality Code (NHQC). • Independent customer satisfaction surveys.	New Risk	People, Partners, Places, Performance

Key

Change during the year

Increased Decreased No change

Group strategic priorities

People Partners Places Planet Performance

Disclosures

In undertaking their going concern review, which covers the period to 31 December 2025, the Directors considered the Group's principal risk areas that they consider material to the assessment of going concern.

As the UK economy continues to prove challenging, 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 curtailment in activities. This downside scenario is based on a c.34% reduction in sales and c.87% reduction in operating profits from the base case in 2024.

The constituents for the reduction in sales and operating profits are:

- Construction and development activity only takes place where contracted;
- No Hallam Land sales are assumed in 2024 unless already contracted;
- 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.20%.

The downside model also 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 2024 with net debt of £77.8m, and with c.£83.7m net debt at 29 February 2024, against current 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 (see note 25 of the Financial Statements). The existing agreement runs to 23 January 2025 and, an option, entirely in management's control, to extend the existing facilities by a further 12 months to 23 January 2026 has been put in place. The extension maintains the existing facility terms other than for a racheted interest rate of between 1.60% and 2.00% above SONIA. Management has assumed the extension of the current facility within the going concern assessment.

While the option provides security of funding throughout the going concern period and has been used as the basis of the going concern assessment, the Group has also agreed terms with existing lenders on a new revolving credit facility, which is currently in the legal process and expected to be signed shortly. The new facility level will increase to £125m, for a period of three years and include options to extend by one year to 2028 and a further year to 2029. The facility terms are similar to the existing agreement and will be at a rate of 1.60% above SONIA. The agreement includes an accordion to increase the facility by up to £60m. The new facility is expected to complete in H1 2024.

None of the modelling undertaken by the Directors gives rise to any breach of bank facility covenants or liquidity breaches in the going concern period. 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, which is assessed half-yearly. We have performed a reverse stress test to determine at what point this covenant could be breached and it would require a further 15% reduction in EBIT, to the downside scenario, in December 2024. We consider this implausible as our downside modelling includes a c.34% reduction in revenue and c.87% reduction in operating profit from our base case for 2024 without a breach, and as such we consider any further reduction in revenue and operating profit to be remote. Furthermore, the Directors are satisfied that there are further mitigations that are in management's control and can be implemented quickly should the business require in order to satisfy a covenant test. We are satisfied that we are able to comply with covenants throughout the going concern period.

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 26 to 29 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 138-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 £38.8m per annum, added over £209m to net assets (an increase of some 104%) and paid 66.2p 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 2024 with 8,501 plots with planning permission which, at a five-year average disposal rate of 2,850 plots would imply that we have almost three years of sales already in hand and a property development pipeline of over £1.3bn 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 2025, as described in the Going Concern statement on pages 54 and 55 followed by an assumed return to planned levels of activity for year three. Our modelling assumes that deferred land sale debtors falling due of c.£85m as at 29 February 2024 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 considers 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 that, 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, pre-let or pre-sell 65% of the committed development pipeline and secure 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.

SECTION 172 STATEMENT AND STAKEHOLDER ENGAGEMENT STRATEGY

Introduction

It is the aim of our Board and its Committees 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 key decisions in 2023, 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.

As part of our ongoing work to refine the Henry Boot brand, we will review the stakeholders to ensure they remain appropriate and consider any new potential groups.

Board Information

- Our Board and senior leaders regularly engage with stakeholders as described on pages 57 to 58
- 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 considers 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

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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 each annual set of 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

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Decision making

- The Company's culture is a core consideration when making decisions. The Board reflects on whether the action aligns with our culture and our values
- Actions directly brought about as a result of Board engagement – some examples are set out in the Employee Engagement section on pages 94 to 96
- 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 and we report our engagement activities in the table below. It is important to note that the disclosure 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 the Board engaged in 2023	How 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.	• The Remuneration Committee undertook consultation with our major shareholders on the new Remuneration Policy and implementation for 2024 • 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	• Validation of the draft Remuneration Policy • 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 94 to 96, 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
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 • Increased focus on customer insight strategy with survey results for each subsidiary being shared more frequently with the Board. • Adoption of a new CRM system will enhance the Board's oversight of customers during 2024	• Introduction of structured customer feedback initiatives within each subsidiary • Inclusion of customer feedback mechanisms within wider Marketing and Communications Strategy was considered at the Strategy Days
Pensioners	As former employees of the business, pensioner engagement ensures we maintain focus on our investment outcomes and returns.	• Pensioners' lunch is arranged annually by the Company; with invitations extended to Board members and attended by the Chair • Ad hoc attendance by Board members at ad hoc events for pensioners and family members • Pensions report presented at every Board meeting in addition to quarterly performance updates	• 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 the Board engaged in 2023	How 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 contains 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 pages 30 to 34 • Matters Reserved for the Board reports from Group subsidiary companies contains sections on stakeholder engagement including communities • Tim Roberts chairs the Sheffield Pride of Place Board established by BITC with the aim of focusing efforts on Sheffield's community priorities	• Community partnership targets included within the Responsible Business Strategy – see pages 30 to 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 contains 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 and are invited to relevant Responsible Business Committee meetings to share updates	• Environmental targets included within the Responsible Business Strategy – see pages 30 to 34 • Responsible Business Committee approved adoption of Climate Change Framework – more detail on this within the Responsible Business Committee Report on page 116
National / Local Media	To promote the Henry Boot brand and manage its reputation.	• Tim Roberts has regular meetings with our PR agency and has undertaken interviews with various media outlets • Updates provided to the Board as part of the CEO Report	• Panel speaker slots being addressed for 2024 for CEO and other business leads • Non-Financial Communications Agency appointed and will co-ordinate opportunities for Board members
Regulators	To build a two way dialogue and influence potential decisions that may affect the Group.	• Work to be carried out in 2024 to identify which regulators to engage with	• Work to be carried out in 2024 to identify relevant regulators with which engagement should be undertaken • Engagement to be undertaken with RICS on careers
Professional Associations	To liaise with these groups to understand best practice, industry updates and build relationships.	• Engagements with BITC, the CBI and UK Green Building Council to provide training and understand latest trends and regulations	• Work to be carried out in 2024 to identify relevant professional associations with which engagement should be undertaken

SECTION 172 STATEMENT

CASE STUDY

Evolving our brand

As referenced on page 7, the Company commenced a rebrand exercise during 2023 to better understand what 'value' we provide to our stakeholders and use this feedback to refresh our brand identity.

The BVP (brand value proposition) project focused on what Henry Boot means to our external stakeholders and the EVP (employer value proposition) looked internally at what value we provide to our employees, above and beyond their remuneration.

Under the Matters Reserved for the Board document, the Board retains responsibility for the Group's marketing, branding and communications strategy, and the Board has overseen the process from its inception to final approval of BVP, EVP and the new brand architecture. Along this journey, the Board felt it important to engage with our stakeholders, and incorporate their views to create an outcome that is authentic, genuine and resonates with our audiences.

Consideration of s.172 factors

Likely consequences of decisions in the long term
As a business with over 138 years of history, the Board recognises the need to embrace change and keep evolving to remain relevant and to achieve our long term ambitions. We want our brand to appeal to our customers, the communities we work in, and attract new generations of talent.

Interests of the Company's workforce
People from all levels of the organisation were involved with the BVP and EVP projects with their feedback collated and presented to the Board through regular updates from the Group Marketing and Communications Director and our external consultants.

BVP

- Input was sought from ExCo at all stages of the process and bi-monthly project updates were given
- A BVP Steering Group was established with seven senior managers from across Henry Boot
- 65 of our people from a variety of roles, locations and tenure attended one of three workshops held over three days at three different locations. This represented c.16% of the workforce at that time

EVP

- Monthly updates and development sessions with ExCo
- Dedicated sessions with senior managers and the HR Director
- An EVP Steering Group was established (with different individuals to the BVP group)
- Two workshops were held over two days with 24 of our people

Need to foster relationships with suppliers, customers and others
As part of the BVP project, we held 44 interviews by phone with many of our external stakeholders. This included investors, our brokers, suppliers, contractors, commercial property agents, professional advisory organisations, local government, funding partners, journalists, private sector developers and construction partners. Gathering insight from our business contacts was important to understand external perceptions of Henry Boot to help shape the future direction of the brand.

Impact on community and environment
In a challenging economy, modern businesses need to consider their impact on others and what they contribute to society beyond financial results. We measure the impact of our work on our people, our partners, our places and our planet. By consulting with local media, government, higher education providers and community partners, we have listened to their expectations of us as a business. We hope our new proposition and branding clearly resonates with our stakeholders as we continue to work alongside them in a responsible way.

Stakeholders engaged:

- Shareholders
- Employees: current and prospective
- Customers
- Suppliers
- Communities
- National Media
- Local Media
- Professional Associations

OUR PEOPLE

Our Approach

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

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

We continue to develop our Agile Working Framework, originally launched in 2021 and to enshrine the learnings we adopted from COVID 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. The framework is designed to be adaptable as working trends and people's expectations and needs evolve in the post-COVID landscape.

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.

Did You Know?

We have undergone a project within our Construction business (HBC) to explore how we can bring more flexibility and agile working to site-based colleagues. This involved working alongside Timewise, introducing an agile working toolkit and briefing sessions for managers to build their knowledge and skills on how to support our people to think and work differently.

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 on their experience of working at Henry Boot, 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 39 questions that were used to measure progress when compared with the responses within our previous surveys conducted over the last two years. Some questions were based on those posed previously to allow for statistical analysis of change; however, other questions were more focused on 2023 and specifically how we have, and continue to, adapt to develop our people's experience of working at Henry Boot.

77%

RESPONSE RATE (INCREASE OF 6% FROM 2022)

Our Findings

The survey results show that our people have remained resilient during a challenging economic year, are optimistic and open to change. Working together as teams they maintain delivery of 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, as well as across our Senior Management teams throughout the Group to identify any areas where there is scope for increased engagement with, and support for, our people.

VERY GOOD GROUP eNPS SCORE OF

30

A decrease of 9 points from 2022, however, still benchmarked above industry standard and considered a very good score.

8.7

We received an 8.7 employee engagement score when our people were asked whether they have good relationships with others in their team.

8.2

We received an 8.2 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 involved in reviewing the results of the survey. In 2023, they focused on increasing collaboration across the Group.

Key Outcomes

Working collaboratively

Our eNPS of 30 (39 in 2022) was slightly lower than last year. We believe this remains a positive indicator of our people's experience at Henry Boot. The actions we took focused on three key themes:

- feeling valued for my contribution
- ensuring a healthy work-life balance
- reward and recognition.

Wellbeing

Wellbeing was again a key theme in the 2023 survey and we have been working hard to support the health and wellbeing of our people (see page 62 for more information). We recognise that our people experience pressure and we remain committed to developing our Health and Wellbeing Strategy. 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.

In relation to employee engagement more widely and the role of the Board in this, please also see our Employee Engagement section on pages 94 to 95.

OUR PEOPLE
CONTINUED

Reward Strategy

We continue to embed our Reward Strategy which launched in September 2022 and aims to ensure that all our people are fairly rewarded. The pay and progression structures across the Group have been aligned and communicated, 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 integral to this is our bonus structure which provides everyone with an earnings opportunity linked to performance.

Our Reward Strategy can be summed up in these five principles, which we continue to be guided by:

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 our 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 has continued to be developed throughout 2023 by a newly formed Health & Wellbeing group led by our HR team and including people from across the business. 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 an employees' 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 the providers online portal and the Hub.

Did You Know?

We recognised the impact that the cost of living and financial crisis could have on our people's financial security and wellbeing. To further complement previous direct financial support, we introduced the ability for our people to access their next pay early, through an app called Early Pay.

We have continued to support financial wellbeing of our people as a key part of our Health and Wellbeing Strategy with access to external sessions to develop knowledge and understanding and will continue with this in 2024.

In October 2023 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 2023 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, 64.2% 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.

Did You Know?

In 2023, we launched 2 new networks for our people in areas they felt passionate about, SheNetWORKS (our female led network), and Family Matters (our parents and carers network). In 2024, we are launching two further employee led networks focusing on Neurodiversity and the LGBTQ+ community.

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).

Our forthcoming Early Careers Strategy (due to be published in 2024) will aim to excite and engage a diverse range of learners about employment opportunities in our industry and guide us to provide a top-class experience for all of our people in early career roles.

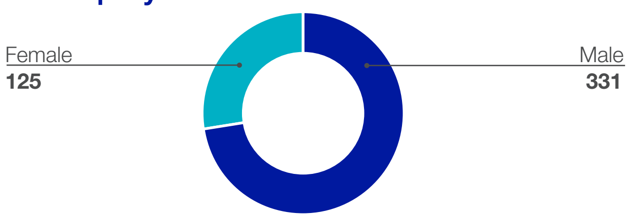
We support our people wherever possible, whether they are new to the Group or have been with us for some time. Our opportunities for learning, career development, and promotion are inclusive to all our people. We are proactively engaging with external stakeholders (including local government and special 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 102 to 108. Our gender pay gap (when measured as a median average) is currently 20.98%. This continues to reflect the current ratio of men and women employed rather than an issue relating to how we pay our people.

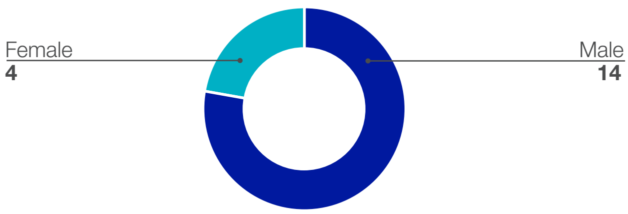
Our Responsible Business Strategy sets out ambitious targets for us to increase our workforce diversity and we recognise that further improving our gender diversity in our workforce and management teams will support us to further reduce this gap. We are also currently undertaking the necessary preparations 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*



Direct workforce (not including Road Link (A69) or Stonebridge Homes)
*Statutory directors that are not on the PLC Board

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 2023 was 15.7%. 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 456 at the end of 2023.

We recruited a further 4 apprentices in 2023, which brings our total number of current apprentices to 25 with a further 4 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 2023, 5 of our people completed their education programmes and a further 3 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 2023, we also hosted a further cohort of our Leadership Development Programme (LDP) which has been attended by 6 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 rolled out our previously piloted, Management Development Programme (MDP) which aims to provide Line Managers in the business with enhanced people focused skills and behaviours. 23 of our Line Managers completed the MDP programme in 2023.

We delivered 1,865 learning and development days (an average of just over 4 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 that 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 2023, we continued our approach to have a more open and transparent conversation about performance against SMART objectives. We also implemented our performance ratings process, focused not only on operational tasks but also values and behaviours. Our new HR system has supported the development of this process, which will see a more streamlined PDR approach, where focus is placed on the conversation rather than process alone.

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

OUR PEOPLE
CONTINUED

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

In 2023 the Group's Accident Incidence Rate (AIR) was 785 (2022: 202). The increase in our AIR score was a result of Banner Plant not achieving their Health and Safety KPIs, which instigated several improvement initiatives that will be implemented throughout 2024 to mitigate further incidents within in the business. Despite this, the rest of the Group maintained robust Health and Safety standards and made gains towards their individual Group Health and Safety targets and KPIs.

Throughout the year, the Group has invested in various software packages to facilitate and improve efficiency. Our performance is tracked and reported to the Board to ensure Health and Safety performance is discussed and driven from board level.

KPMG also completed an external Health and Safety audit, focusing on the risk management aspect relating to Health and Safety across the Group. In total there were six audit findings, necessitating minor improvements.

Lastly, we have completed the Group's annual Health and Safety reports for all operating subsidiaries reflecting on the year's performance. Each report has resulted in recommendations that have been debated by each subsidiary Executive Leadership Teams and approved for investing during 2024 to ensure Health and Safety remains embedded in how the Group operates.

The Building Safety Act 2022 is having a significant impact in industry, and we have developed various guidance and systems to ensure we are able to fulfil the requirements of the Act.

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.

OUR RESPONSIBLE BUSINESS

Report on the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD)

Compliance Statement

Over the course of 2023 Henry Boot has continued to implement the recommendations of the Taskforce 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 the 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 section and the wider Annual Report where further detail can be found. We expect that over the course of 2024, we will continue to look at areas where we can carry out further work, more notably on the scenario planning aspect where our approach is in its infancy. 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 2024 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.

Assessment Table

Provision	Consistency Level	Achieved to Date	Future Developments	More Information
Governance				
Board oversight of climate-related risks and opportunities	F	• As set out under 'Governance' below.	• Development of the Board and ExCo Sponsorship roles to provide additional leadership and visibility. • Further training and upskilling sessions to be held with Responsible Business Committee, Executive Committee and other senior leaders within the business during 2024. • Internal subject matter experts to routinely report to the Board to ensure their understanding of operational delivery is consistent and up to date.	– Page 70 below – Responsible Business Committee Report, pages 114 to 118 – Governance Structure, page 88 – Directors' Remuneration Report (pages 119 to 141) – Risk Report (pages 48 to 55)
Management's role in assessing and managing climate-related risks and opportunities	F	• As set out under 'Governance' below.	• Development of the Board and ExCo sponsorship roles to provide additional leadership and visibility. • Increased amount of ESG updates to subsidiary businesses, ExCo and Board planned for 2024. • Further training and upskilling sessions to be held with Responsible Business Committee, ExCo and other senior leaders within the business during 2024.	– Page 70 below – Responsible Business Committee Report, governance arrangements page 118 – Responsible Business Committee Report, management roles on committee and groups page 117

Key:

F Fully consistent P Partially consistent, progress made B Beginning of the journey, plans are in place to address

Provision	Consistency Level	Achieved to Date	Future Developments	More Information
Strategy				
Climate-related risks and opportunities identified over the short, medium, and long term	F	• These have been identified and are as set out in the table within this report below.	• 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 below.	– Risk Report (pages 48 to 55)
Impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	P	• The overarching objective of the Responsible Business Strategy is to embed ESG into the Group's commercial decision-making processes. • In 2023, we aligned the framework of our commercial strategy with the structure of the Responsible Business Strategy to create an integrated strategic framework incorporating our approach to risk. • The Strategy Days 2023 incorporated assessment of climate-related risks and opportunities into strategies presented, and 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 was not completed prior to the 2023 Strategy Days to enable these to be reflected within the strategy documents. Further work to be carried out to implement the best approach to this. • Scoping of the remaining scenario modelling work will take place during 2024 to determine whether this can be concluded in time for the 2024 Strategy Days or whether it will be concluded in 2025.	– Pages 71 to 74 below
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 12 months to quantitative scenario modelling and how this could further impact on strategic considerations and further financial planning. Scoping of the remaining scenario modelling work will take place during 2024 to determine whether this can be concluded in time for the 2024 Strategy Days or whether it will be concluded in 2025.	– Risk Report (pages 72 to 74)

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 as against the other principal risks identified, and our assessment of their materiality, over the course of 2024.	– Pages 71 to 74 below
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.	– Pages 71 to 74 below
How processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	P	• The Group undertakes an annual review of its principal risks as documented in pages 48 to 55 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 is 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.	• We will continue to deepen our exploration of how these risks are prioritised as against the other principal risks identified, and our assessment of their materiality, over the course of 2024.	– Risk Report (pages 48 to 55)

Key:

F Fully consistent   P Partially consistent, progress made   B Beginning of the journey, plans are in place to address

Provision	Consistency Level	Achieved to Date	Future Developments	More Information
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 pages 30 to 34 and for further information see our separate Responsible Business Strategy Report. • GHG emissions reduction target supported by sub-targets focused on reduction of business travel, fleet electrification, sustainable generator usage and reduction of waste and water usage. • Remuneration related targets on greenhouse gas emissions have been incorporated into the bonus objectives for the Executive Committee and were also incorporated into LTIP objectives for 2023 and 2024.	• Scoping of the remaining scenario modelling work will take place during 2024 to determine whether this can be concluded in time for the 2024 Strategy Days or whether it will be concluded in 2025. Further work will be required in that process 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 and to adopt a fully holistic approach to climate change adaptation.	– Responsible Business Strategy (pages 30-34) – Directors' Remuneration Report (pages 119 to 141) – Net Zero Carbon Framework at henryboot.co.uk
Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	P	• Scope 1 and Scope 2 greenhouse gas emissions are set out below. • Also find below a summary of the work carried out to date on assessing our Scope 3 GHG emissions.	• The risks related to these have not been fully quantified and will be the subject of further review and assessment. • Further work to be carried out to review the setting of a baseline and target for Scope 3 GHG emissions. This work is continuing during 2024 to determine whether this can be set during 2024 or whether it will be concluded in 2025.	– Pages 71 to 76 below – Responsible Business Strategy (pages 30-34)
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 pages 30 to 34 and for more information see our separate Responsible Business Strategy Report.	• 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. • Further work to be carried out to review the setting of a baseline and target for Scope 3 GHG emissions. This work is continuing during 2024 to determine whether this can be set during 2024 or whether it will be concluded in 2025.	– Responsible Business Strategy (pages 30-34)

OUR RESPONSIBLE BUSINESS
CONTINUED

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. The Responsible Business Committee receives regular reports regarding the progress of achievement against all ESG-related metrics and targets, and these are also reviewed annually by the Board. 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. The Responsible Business Committee ultimately provides 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.

In addition, there are a number of other measures in place to ensure the best governance of all Responsible Business-related activities, including:

- Reporting within the Strategy Days assessed how the business as a whole and the individual subsidiaries assessed its climate related risks and opportunities, based on a 2 degree and a 4 degree pathway, with detail about how the strategies would respond in these scenarios (details of which are set out on page 72 to 74 below). All strategies include wider ESG-related objectives, and achievement against previous ESG metrics and targets.
- Remuneration Committee has oversight of the incorporation of ESG-related metrics into Executive remuneration.
- Skills and experience in climate issues forms appropriate part of Non-executive Director recruitment and are assessed in the Board skills assessment.
- Training and engagement sessions held with industry climate experts and Responsible Business Committee.
- Climate related risks and opportunities forms part of the annual risk management procedures. Twice a year, the Audit and Risk Committee reviews and discusses the principal risks to the business, including climate related risks (as captured in the table on pages 72 to 74 below), to determine whether they are appropriate and sufficient, as informed by the views of the subsidiary assessments. In addition to this, at the annual Strategy Days climate-related risks and opportunities, and their impact on subsidiary strategies, were reviewed by the Board and Executive Committee. Where individual schemes and projects are brought for approval as Matters Reserved for the Board, the Board reports relating to these also contain an assessment of climate-related impacts and mitigations, and any environmental factors that have been taken into account when recommending a particular course of action.
- Budgeting process accounts for all ESG-related expenditure required for achievement of Responsible Business Strategy.

In relation to the role of senior leaders and managers within the organisation, other measures include:

- 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 and annual Responsible Business Plans.
- The ESG Steering Group (comprising 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 ESG Steering Group assess climate related risks and opportunities both directly associated with the delivery of the CCF and more broadly with regards to our key markets, stakeholder expectations, and compliance. It regularly engages the Managing Directors of the subsidiary businesses to assess their short, medium and long-term climate related risks (and mitigation measures) and opportunities which are then incorporated into their commercial strategy. It then provides recommendations or requests for input from the Responsible Business Committee, on measures such as property improvements, energy saving initiatives or fuel usage, and the impacts these can have on greenhouse gas emissions, together with any associated financial outlay required.
- The Group Climate Forum – comprised of subsidiary representatives from around the Group, together with Board and ExCo sponsors – implements a number of initiatives relating to climate change, and provides knowledge transfer and impact on Group strategies. This results in recommendations to the ESG Steering Group, and ultimately the Responsible Business Committee, on areas where environmental improvement activities can be made and innovative measures initiated.
- The appointment of a Climate Change Research Assistant provides additional climate change focus to the activities planned by management, and facilitates knowledge transfer with Sheffield Hallam University.
- Senior leaders within the business have established a relationship with the UK Green Building Council, to provide insights specific to the built environment.
- 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 and interactions with subsidiaries and the Executive Committee. By chairing the ESG Steering Group, the Chief Executive Officer provides Executive direction and accountability for environmental undertakings by the Group and provides recommendations to the Responsible Business Committee, as well as a steer to subsidiaries on action they should be taking.

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 focused 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 below. 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 have carried 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 also focused on 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 is modelled to impact on strategic direction, as well as the opportunities that each part of the business should focus on in developing their strategies. This was then considered within the subsidiaries' and Group's strategies for the Strategy Days in November 2023. A summary of the results of this strategic review is set out under 'Strategy' below on page 74.

In relation to the timeframes considered for the risks and opportunities identified below, 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. For this reason, 'short term' relates to our Group for this period of more certain financial planning. Due to the nature of our business, often property and land schemes can be in development or the planning stages for over ten years, and so this translates into a 'medium-term' timescale being to 2040, when some of these schemes may come to fruition. Very few schemes would be currently in development or planning beyond that period, and so 'long term' for our business means beyond the foreseeable scope of our current pipeline of opportunities. 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 and approach to take into account changes in the regulatory and legislative landscape and the evolving technological response and availability.

Risks

Low emissions scenario: 2°C warming	Transition Risk	Potential financial impact	2030	2040	2050
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**			
	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**			
	Market	Demand for sustainable assets rapidly increase/reduced appetite for assets that do not meet sustainability criteria. Subsidiaries affected – **HBD, BP** and **HBC**			
	Policy and legal	Government legislation designed to reduce emissions (such as emissions trading schemes/carbon tax requirements, biodiversity net gains or Future Homes standards) changes specifications and increases costs of schemes impacting viability. Subsidiaries affected – **HLM**, **HBC** and **SBH**			
		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**			

High emissions scenario: 4°C warming	Physical Risk	Potential financial impact	2030	2040	2050
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**			
	Heat stress	Design criteria evolved to combat overheating. Construction site conditions and practices will need to ensure worker health and safety and wellbeing. Subsidiaries affected – **HBC, SBH** and **HBD**			
	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**			

Unmitigated Risk	**Subsidiary**	
Significant risk	**HBC** = Henry Boot Construction	**BP** = Banner Plant
Elevated risk	**HLM** = Hallam Land Management	**SBH** = Stonebridge Homes
Low risk	**HBD** = Henry Boot Developments	**RL** = Roadlink (A69)

Response	Impact on strategy
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.	In terms of accommodation units, loss of scrap value due to climate change and evolving practices means exploration of alternative modern construction methods and initiatives such as container villages, which can result in a better return. Investment in plant and fleet which addresses other challenges (colder weather/frozen ground, ventilation, ground preparation equipment) is factored into the strategy.
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 supply chain (through sharing knowledge and resources) to a low carbon economy.	Opportunities are to be assessed more thoroughly based on technology and scheme profile. Supply chain liaison will be undertaken to understand capability and offering to support altered requirements as well as any higher risk materials/supplies to value engineer where possible.
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.	Adjustments to plant and fleet procurement strategy are underway, replacing diesel-powered vehicles with hybrid or electric options. By 2033, a significant proportion of our fleet will be eco-friendly. Investments in hydrogen or electric HGV vehicles will be made when available. For development activity, increasing our knowledge of how to achieve class-leading ESG outcomes for refurbishment as well as redevelopment will look to address the retrofit agenda. HBD is already increasing the number of developments that will achieve the highest environmental standards and disposing of properties where high standards cannot be achieved. On construction schemes, evaluations will include bid/no bid criteria around site location/characteristics and allocation of risk with clients within contracts, as well as customer capacity to cover increased costs.
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 targeted return levels.	Residential activity has adopted a follow strategy rather than lead position so the most cost-effective and proven material and technology designs can be utilised without incurring early adopter risk. Modern methods of construction to be explored further rather than traditional build methodology, where design adaptability can be more easily achieved and on-site weather-related delays can be more easily mitigated.
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.	Viability of ongoing projects remains under constant scrutiny to understand the impact on profit per plot of evolving climate change requirements in order that S106 obligations can be appropriately negotiated, infrastructure provision phased and where necessary viability assessments mounted at application stage to assist in the maintenance of profit per plot. Emerging policies to be monitored, so as to 'future proof' longer-term schemes against changing and increasing environmental requirements, and any impacts on sites not yet within the portfolio.

Response	Impact on strategy
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.	Ongoing viability pressures will increase and will continue to be appropriately monitored and mitigated against, through appraisals, supply chain/customer liquidity checks and appropriate contractual mechanisms.
The Group remains mindful to develop sustainable assets and of the health and wellbeing impact on our people. Whilst some costs will inevitably be passed on to the end user, there will clearly also be some financial impact on the Group.	On construction schemes, evaluations will continue to include more sophisticated bid/no bid and appraisal criteria around site location, characteristics and allocation of risk with clients within contracts, as well as customer capacity to cover increased costs.
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.	Land appraisals will be ever more focused on the optimum size of site which should be promoted, mindful of maximising profit when set against the environmental agenda and the emerging need to accommodate biodiversity and flood measures on site.

OUR RESPONSIBLE BUSINESS
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Identified on the previous spread are the primary risks to the Group assessed in relation to likelihood and impact – 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
- the ability to attract and retain a talented workforce who are committed to climate change adaptation and
- increase in insurance costs.

Opportunities

In addition to the opportunities presented through the adaptation of our strategies as set out in the table above, a summary of the principal overarching opportunities we have identified is set out below.

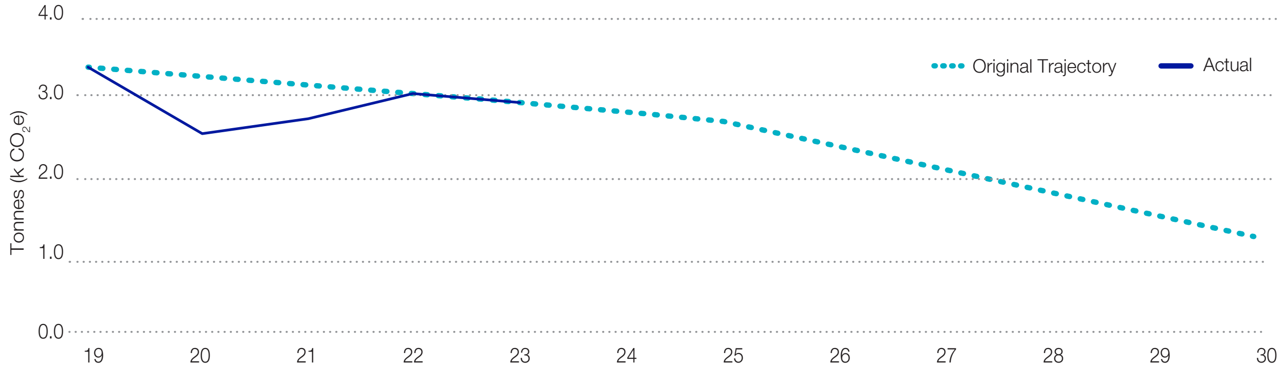
Opportunities	Description	Response
Resources	Recruitment of modern and progressive people	The Group's delivery on ESG matters, and in particular climate change, has already impacted the recruitment process with candidates often reflecting on this as a reason they join Henry Boot.
Financial	Availability 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 that are operationally net zero and BREEAM excellent. This opportunity will be progressed as we recycle and develop assets, including the Group's investment property, enabling us to appeal to a diverse range of tenants.
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

For the Strategy Days held in November 2023, each of the main subsidiary businesses within the Group assessed its own climate related risks and opportunities, based on a 2 degree and a 4 degree pathway, with detail about how the strategies have responded in these scenarios, both in terms of mitigation and also in order to benefit from opportunities presented. A selection of the most relevant items identified is set out below in the final column of the 'Risks' table set out on the previous page. The 2 degree and 4 degree pathways have been selected as being the most appropriate in the absence of our scenario modelling having being completed; representing as they do a more probable scenario and then a less probable but more extreme and catastrophic outcome. By carrying out this exercise, each of the subsidiary businesses has ensured that the resilience of its respective strategies has been improved by modelling the impacts of the identified risks and opportunities within their plans. It ensures that products and services are fit for purpose, and any anticipated trends have been catered for when thinking about the longer term future of the various businesses. We also recognise the importance of our approach on environmental issues to future talent acquisition and monitor any impact this is having on our recruitment activities. When scenario modelling is concluded and a more detailed set of assumptions and trends can be explained regarding the scenarios considered, this will be included within the relevant disclosures.

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 net zero carbon 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 net zero carbon.



	2019	2020	2021	2022	2023	2024	2025	2030
Total direct emissions – Scope 1 and 2 (tonnes of CO_2e)	3,313	2,562	2,706	2,930	2,833			
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	3,897			
Total energy consumed – Scopes 1, 2 and 3 (MWh)	n/a	11,551	12,600	13,647	13,636			

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 forecasts 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 COVID 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.

In alignment with our decarbonisation trajectory, we saw a decrease in our direct GHG emissions in 2023. This is positive evidence that our internal processes and collaboration with our partners is leading to a reduction in direct GHG emissions.

Our energy usage (not including Stonebridge Homes) decreased, with 39% less gas and 23% less electricity used when compared with our 2019 baseline. Business travel in the year moderately increased but is 20% lower than our 2019 baseline. We trialled a number of innovative technological solutions (including sustainable site-based generator solutions), which we anticipate 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 have undertaken a project to analyse our indirect emissions ahead of establishing a reduction target and action plan. The setting of this target will require significant collaboration with our people, supply chain and customers to ensure we take a collaborative approach to reaching NZC, and will be an activity that is considered over the course of 2024. Scope 3 emissions reported on by the Group within total energy consumed include transmission and distribution losses from electricity, well to tank emissions from all fuels and employee transport.

In addition to our decarbonisation targets, we have also established a range of additional targets (see page 33) focused on the reduction of waste, water and plastic usage and creation. 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.

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Henry Boot Group CO_2 Footprint by source

Henry Boot Group CO_2e emissions	2023 Tonnes	2022 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities (Location based)	**2,300**	2,453	Fall
Combustion of fuel and operation of facilities (Market based)	**2,300**	2,453	
Scope 2: Electricity, heat, steam and cooling purchased for own use (Location based)	**533**	477	Rise
Electricity, heat, steam and cooling purchased for own use (Market based)	**107**	–	
Total direct emissions	**2,833**	2,930	Fall
Total direct emissions per employee[1]	**5.1 tonnes CO_2e**	5.5 tonnes CO_2e	Fall
Scope 3: Upstream and downstream indirect emissions (Location based)[2]	**1,064**	1,028	Rise
Upstream and downstream indirect emissions (Market based)	**970**	906	
Total emissions (Location based)	**3,897**	3,958	Fall
Total emissions per employee[1,3]	**7.0 tonnes CO_2e**	7.4 tonnes CO_2e	Fall

1 Employee numbers are based on the monthly average for the year.
2 Scope 3 includes transmission and distribution losses from electricity, well to tank emissions from all fuels and employee transport.
3 100% of emissions and energy consumed are within the UK and offshore area.

Carbon Emissions by Segment

Henry Boot Group energy usage	2023 MWh	2022 MWh	Trend
Total energy consumed (Scopes 1, 2 and 3)	**13,636**	13,647	Fall

Henry Boot Group CO_2e emissions	2023 tonnes of CO_2	2023 intensity ratio tonnes of CO_2e	2022 tonnes of CO_2	2022 intensity ratio tonnes of CO_2e	Intensity basis	Trend of intensity
Property investment and development	**1,003**	**3.20**	1,089	9.29	per 1,000 sqft of investment property with communal areas	Fall
Land development	**54**	**1.39**	33	0.94	per employee	Rise
Construction	**2,709**	**27.22**	2,740	21.12	per £1m of turnover	Rise
Group overheads	**131**	**1.39**	96	1.17	per employee	Rise
Total gross controlled emissions	**3,897**		3,958			

Our carbon emissions for the year ended 31 December 2023 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 decreased by 11% when compared with 2019. When compared to 2019 pre-COVID levels the Group has reduced direct GHG emissions by 14%; this equates to a decrease of 0.69 tonnes per employee.

Non-financial and Sustainability Information

The following table sets out where stakeholders can find relevant non-financial and sustainability information within this Annual Report, further to the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. Where possible, it also states where additional information can be found that supports these requirements.

Reporting requirement	Relevant Henry Boot policies and procedures	Where to read more in this report	Page
Business model		Business Model	20 – 21
Principal risks and impact of business activity		Risks and Uncertainties Audit and Risk Committee Report	48 – 55 109 – 112
Non-financial KPIs		Strategy Key Performance Indicators	26 – 29
Employee engagement	Board Diversity Policy Board Stakeholder Policy	Our Responsible Business Our People Corporate Governance Report	30 – 34 60 – 64 78 – 141
Human rights	Modern Slavery Statement and Policy Rights to Work Whistleblowing	Our People	60 – 64
Social matters	Board Stakeholder Policy	Our Responsible Business	60 – 64
Anti-bribery and corruption	Anti-bribery and Corruption Policy	Our People	64
Environmental matters	Board Stakeholder Policy Climate Change Framework	Our Planet TCFD	33 66 – 69