

Principal ESG risks and uncertainties register

Instigated in late 2022, the Double-materiality review sets out our Principal ESG Risks and Uncertainties. The review was conducted with the aims of a) understanding perceptions of Hill's current approach to sustainability; b) determining the relative importance of key ESG issues and thus the priority areas for Hill in the short-medium term based on an analysis of: what impact does Hill have on an ESG issue?; and what potential impact could an ESG issue have on Hill's financial performance? and c) identifying priority actions to address these issues. The analysis was conducted through a combination of desktop review and surveys, completed by a number of different stakeholder groups and over 400 people, including employees, consultants, investors/lenders, local authorities, Registered Providers and supply chain members.

We will monitor our progress against each of the priorities every quarter through the Sustainability Leadership Group (SLG). Given our structured approach to innovation, we believe our risk profile is at a manageable level compared to sector peers – albeit the reduction of costs and developing supply chain capacity and resilience are short and medium-term areas of focus. Our 2030 ESG Roadmap defines the short to medium-term priorities in the leadup to the introduction of the Future Homes Standard (FHS) in 2025. Thereafter our priorities are less defined, albeit improved clarity will evolve as the FHS, and net zero trajectories are consolidated.

ENVIRONMENTAL					
SDG	ESG ISSUE	POTENTIAL IMPACT	MITIGATION	COMMENTARY	HILL FOCUS GROUP
Sustainable Cities and Communities	Air Quality	Stakeholder well-being and asset value may be affected by poor air quality in a location or building. It is possible that the Group's brand value will be affected if new residential-led mixed-use buildings and places are not built to regulatory standards.	Our schemes are situated in low- and high-density areas and often close to transport infrastructure. We have been working towards meeting the air quality protocols and requirements that are implemented in London and increasingly other regional locations.	In 2021, we began pivoting towards low carbon electricity supply to new developments, to power heat pumps and to end the use of fossil fuels (gas-fired) systems, to improve efficiency and air quality. Our company wide Environmental Management Systems (ISO14001:2015) are effectively deployed and inform dust suppression techniques to also improve air quality. In London, we ensure compliance to the NRM Low Emission Zone to ensure the progressive reduction of pollutant engines. In 2022, we pivoted from white diesel to HVO in all plant and generators on site. Its 100% hydrocarbon and renewable properties reduces particulate production during combustion and similarly improves air quality.	E2 Taking care of our natural resources (E2)
Climate Action	Climate Change	The climate emergency presents an unparalleled challenge of reducing all greenhouse gas emissions to net zero by 2050. Failure to respond urgently and comprehensively to this challenge may have an adverse impact on Hills reputation as a preferred partner.	Our voluntary commitment to achieving net zero carbon by 2030 is a significant challenge for the Hill Group and supply chain. However, given the climate emergency, there appears to be no other choice but to act earlier than what is mandated by national policy trajectories. This is why we have made the commitment to reach net zero carbon emissions by 2030.	Our 2030 roadmap indicates a journey towards Net zero carbon in our business operations and the homes we build by 2030. We are becoming more conscious of predicted physical and transitional risks and opportunities, this is recognised in our inaugural Task Force on Climate-related Financial Disclosures (TCFD) analysis. To better understand our upstream supply chain and end of life impacts of our completed homes, we will be reviewing Science Based Targets (SBTs) in 2023 to better understand our upstream supply chain and end of life impacts of our completed homes (demolition and reuse), e.g., our scope 3 emissions and impacts. At specific projects we are undertaking research and development in preparation for the FHS. We also continue to engage with a strong advocacy network including the Future Homes Hub (FHH), to ameliorate our scope 1,2 & 3 emissions and to support a Just Transition. In addition, annual GHG reduction trajectories are required as part of our Sustainability Linked Loan (SL).	E1 Creating NZ Homes (E1) E2 E3 Reducing our environmental impacts (E3)
Life on Land	Land & Biodiversity	To find suitable locations, where optimal planning consents can be obtained, new land opportunities must be identified. Preference is given to brownfield development, although sustainable greenfield development is required to meeting local needs. Remediating contaminated land and safeguarding the asset involves significant risks.	A strong land appraisal process ensures that each project is financially feasible and aligns with the Group's business strategy. By utilizing our Environmental Management System (EMS) ISO14001:2015, we manage potential incidents of land degradation and pollution.	The Environment Act sets out a 10% Biodiversity Gain (BG) for new projects being processed through planning from late 2023. Through the FHH, we will liaise with stakeholders to help identify and address any issues with upcoming BG compliance. As defined by our SL, we achieved a BG commitment of 15% by 2022 and to date, we are on target to meet 30% objective by 2025. Where on-site targets cannot be met, there may be recourse to offsetting strategies. When developing on brownfield sites, we will use the Urban Greening Factor Tools (UGF) in response to the London Plan. Each approach is preparing us for the Task Force on Nature Related Financial Disclosure (TNFD) compliance, coming into effect in 2024.	E2
Responsible Consumption and Production	Resource use, including waste	The cost and availability of materials may be negatively impacted by intricate global supply chains. While industry-accepted policies and established procurement tools have previously helped to minimize risks, the COVID-19 pandemic has introduced unparalleled challenges. In order to address these risks and prevent similar issues in the future, collaborative efforts across various sectors will be pursued.	We will uphold our dedication to environmental sustainability by maintaining our EMS and implementing sustainable procurement policies and procedures. Our procurement processes will be supported by pre-qualification tools such as Constructionline. We are committed to enhancing transparency in our supply chain.	ESG impacts when specifying and sourcing products is considered, notably through our EMS certification and other relevant UK legislation. As stated in our 2030 Roadmap, we aim to send zero non-hazardous waste to landfill by 2025. We also produce circular economy and whole life carbon (WLC) assessment insights, and endeavour to create WLC and Environmental Product Declaration (EPDs) pattern books to better understand and reduce our resource use. We support local buying strategies and maximise the reuse of materials where possible. In 2023, we will also undertake quarterly reviews of waste, water and energy data on SMARTWaste to ensure that data is robust and to also share good practice.	E3
Climate Action	Sustainable homes	As the built environment has a substantial impact on the climate emergency, there is an urgent need to develop buildings and places that are resilient to climate change. Research indicates the performance gap in new buildings may have negative consequences for the quality of life of residents, users, and asset owners in both the short and long term.	Our innovation commitments in delivering Passivhaus, Active Homes and equivalent standards homes is positioning us to deliver the FHS from 2025>. We have published our inaugural TCFD statement, and are producing WLC case studies, conducting BREEAM Very Good (as a minimum) assessments.	In 2020, we voluntarily decided to design new schemes with an enhanced "fabric first" approach – trialling Passivhaus, Active Homes and equivalent standard assessments. We have successfully incorporated sustainable design in many of our new homes, such as passive enhanced thermal design (meeting part L and F and L 2021), overheating (in response to CIBSE TM:54, 59 and Part O) and daylighting strategies – such approaches are informing our company pattern-books. Other good practices include pivoting to air-source heat pumps. Homes also include photovoltaic to provide renewable energy, electric car charging points, cycle storage, and green roofs to reduce rainwater runoff and help promote biodiversity. By adopting these best practices, we are committed to creating schemes and homes that are future proofed.	E1
Clean Water and Sanitation	Water	The ongoing effects of climate change, such as hotter and drier summers and erratic rainfall patterns, are expected to heighten the risk of drought and potential water scarcity in the UK. With less predictable rainfall, water resources may become strained, leading to increased drought risks and possible water shortages. Additionally, population and housing growth in flood-prone areas may exacerbate the risk of flooding, potentially causing severe damage to infrastructure and property.	We recognise the importance of water conservation and flood risk mitigation. In addition, we work to acquire land in sustainable locations and mitigate flood risk by implementing appropriate measures such as Sustainable Urban Drainage Systems (SUDs). We strive to design water-efficient developments and homes, to reduce water consumption, and aim to proactively reduce water usage across our operations.	We are engaging with the FHH to achieve greater water efficiency in new developments, exploring new technologies and innovative water systems. With this in mind, all Hill homes are being designed to optimise 105lpppd (significantly lower than 151lpppd for typical UK residents and 125lpppd in the Building Regulations approved Document Part G). In water stressed areas, we aim to achieve 100lpppd by 2025 and 90lpppd by 2030, as well as water neutrality by 2030, as seen in our 2030 roadmap commitment. Furthermore, we will manage and measure progress against our targets by undertaking quarterly reviews of water usage, on the BRE SMARTWaste system.	E2

SOCIAL					
SDG	ESG ISSUE	POTENTIAL IMPACT	MITIGATION	COMMENTARY	HILL FOCUS GROUP
Sustainable Cities and Communities	Build Quality	Inadequate build quality and performance gaps in buildings can have a detrimental impact on the well-being of its users and increase running costs. Additionally, the emergence of negative reporting on smart building digital and social media platforms may have a significant effect on Hills' reputation as a preferred partner and its potential for business growth.	As we look towards the future of the industry and anticipate the emerging details of the FHS, we recognize the importance of raising our design and build quality standards and incorporating where appropriate innovative smart building technologies. We recognize that the FHS will be transformational in moving the sector towards a more sustainable and energy-efficient built environment, and we are committed to playing an active role in meeting these requirements.	Set within rapidly changing customer expectations, we have maintained for the sixth consecutive year our five-star customer satisfaction rating, as defined by the NHBC and the House Builders Federation (HBF) National New Homes Customer Satisfaction Survey. In addition, we monitor Trustpilot, whereby we achieve an average of 4.8 stars, ranking us as Excellent rating. We have also received positive feedback from customers via HomeViews. We are committed to deploying varying forms of MMC. Such commitments drive innovation, and coupled with our growth ambitions, was a material reason, for the strategic acquisition of Fusion Steel Framing (Fusion) during 2022. As part of our Digital Transformation strategy, we are committed to the implementation of integrated design, procurement, and production through the application of a 'golden-thread' through the Building Safety Act compliance and Building Information Modelling (BIM) systems.	Hill Board E1
Sustainable Cities and Communities Good Health and Well-Being	Community Impact during construction	The construction process can have adverse impacts on the local residents within the neighbourhoods of our projects. Environmental degradation, such as noise, dust, and disruption, may negatively impact the community's quality of life. If these issues are not adequately managed, it can lead to negative public perception of our Group, which can result in potential project delays, budget extensions, and ultimately affect our reputation.	Set out in our social value strategy, we prioritise having a positive impact on every community where we operate. Our focus is on promoting safety and fostering cohesion by actively engaging with and supporting these neighbourhoods and places. We aim to build long-lasting relationships within the community and continue to be a considerate constructor.	Our company wide EMS is effectively used to minimise disruption, noise, dust, and pollution during construction. Community belonging is at the heart of Hill's engagement and delivery plans, primarily achieved through local school and community fun days, events and projects. Importantly, our Social Value & Community team provide a single point of contact for our stakeholders, ensuring our projects delivers reciprocal benefits for each invested party. Additionally, we are committed to the implementation of the Considerate Construction Scheme (CSS) on every project, our average score is 42/50 - this represents good industry practice.	Health, Safety, Environment & Quality (HSEQ) Committee
Good Health and Well-Being Decent Work and Economic Growth	Cost of living crisis	The UK is facing a significant cost of living crisis, with dramatic energy and daily cost increasing and affecting our customers. In addition, the crisis may affect employees and sub-contractors directly, causing mental health worries and potential supply chain viability concerns.	Employing and rewarding our staff appropriately and collaborating with an integrated supply chain, is an imperative in delivering sustainable places and homes. New homes are typically energy efficient, have lower running costs and provide comfortable living through the seasons.	Our well-designed, energy-efficient new homes offer a range of benefits, including improved well-being for residents, lower running costs (by up to £2600 per annum, according to the HBF Watt save report HBF Report- Watt a Save), and the potential for longer-term asset appreciation, which we believe will create a new sustainable homes premium. Hill is committed to supporting its staff and small and medium-sized enterprises (SMEs), local businesses, and minority-owned enterprises within the Building Environment sector's supply chain. Sustainable development can only be achieved by striking the right balance between economic, environmental, and social components, for our staff, supply chains and communities. We are demonstrating this balance through our inaugural Just Transition statement.	E1 & E2
Sustainable Cities and Communities Reduced Inequalities	Homes for all	If we fail to address local economic development opportunities and the provision of some 300,000 new homes per annum, it will have a significant negative consequence for society and business. Mixed tenure homes that address the climate emergency and inform sustainable living lifestyles is an imperative.	The planning and delivery of mixed-tenure homes and mixed-use projects, brings vibrancy to local areas and helps diverse social community infrastructures. Sustainable development brings significant socio-economic and environment benefits to communities and residents.	Our well-designed mixed-tenure energy efficient new homes provide complimentary benefits of improved well-being for residents and lower running costs, and what we believe will be an increasingly longer-term asset appreciation - a new sustainable homes premium. In response to the homelessness crisis, in 2019, Hill made a Foundation200 pledge to gift £15m towards the donation of two hundred SoloHaus (modular homes) to people in need. To date, 104 of the 200 homes have been allocated. During 2022, we delivered in excess of 2100 new homes, with some 46% being of an affordable tenure - this proves our joined-up approach to delivering a Just Transition.	E1, E2 & Communities & Customers (S2)
Sustainable Cities and Communities Good Health and Well-Being	Placemaking	Hill Groups ability to acquire land, gain planning permissions, manage its reputation, and address the demand for sustainable living will be severely hindered if placemaking and community well-being is not addressed.	As set out in our vision, we are committed to providing exceptional homes and sustainable communities for our clients, partners, and customers. We work with external advocacy structures, architects, ecologist, and qualified engineers on all our schemes who have a proven track record in placemaking, integrated blue and green infrastructure solutions to improve nature and residents' well-being.	We evidence this through achieving the HBF/NHBC 5-star homebuilder customer satisfaction for the sixth year - with a score of 92%. In addition, we monitor Trustpilot, whereby we achieve an average of 4.8 stars, ranking us as Excellent rating. We have begun to use the HomeViews survey during the reporting period for a range of schemes to gain live insights into our customer experience. Hill is scoring above the Build to Sale benchmark for Developer recommend ratings. We have adopted and applied the building a healthy Life (BfHL) design tool across three varied schemes. BfHL is also fully ingrained in our design and sustainability briefing documents and processes - to ensure 100% of all projects are being well designed. We focus on creating communities where people can live well together in a healthy way, with amenities that encourage social interaction and cohesion. According to Design for Homes, a BfHL should offer a higher quality of Life and be a better long-term investment.	S2
Quality Education Gender Equality	Social value	At the core of an organization's identity should be well-defined social value metrics and deliverable community programs. Neglecting to prioritize and deliver on social value could result in lost work opportunities and negatively impact on the company's reputation as an employer. This, in turn, can exacerbate the skills gap and further hinder the company's ability to succeed.	In 2021, we released our Social Value Strategy until 2025, to create real, tangible social value that leaves a positive, lasting impact on communities now and in the future. In addition, it outlines the strategies we will use to involve our supply chain in delivering social value, thereby maximising our impact on the community and leaving a lasting legacy.	During 2022 we delivered £358,802,656 of social value. As members of the 5% club, we demonstrate our commitment to earn and learn opportunities, whether through apprenticeships, graduates and sponsored students. We are members of Women in Construction (WiC). Hill have also supported the first cohort of the Future of London Emerging Talent programme, an inclusive, cross-sector group for Black Asian and Minority Ethnic (BAME) entrants to the built environment sector, specifically housing and regeneration.	S2

GOVERNANCE

SDG	ESG ISSUE	POTENTIAL IMPACT	MITIGATION	COMMENTARY	HILL FOCUS GROUP
<p>Reduced Inequalities Gender Equality</p>	<p>Equity, diversity & inclusion</p>	<p>A lack of equity, diversity and inclusion (EDI) in the workplace can cause reputational and cultural damage. By not creating working environments and cultures where every individual can feel safe, has a sense of belonging and is not empowered to achieve their full potential, can also negatively impact profitability.</p>	<p>With the application of our EDI policy, and engagement in external advocacy networks and groups, we aim to foster an inclusive and diverse culture.</p>	<p>During 2023 we will set out a new EDI strategy for the remainder of the business plan to 2025 and beyond to support the Just Transition. Upon joining Hill, all our staff are mandated to complete EDI e-learning courses. As a business, we support Building Equality's initiatives. Building Equality is an alliance of construction organisations and professionals who are passionate about working together and harnessing their collective power to drive LGBTQ+ inclusion in the construction, engineering and built environment industry.</p>	<p>People come 1st (S1)</p>
<p>Decent Work and Economic Growth</p>	<p>Supply chain standards</p>	<p>The Hill Group recognises that the efficient and timely delivery of projects is crucial for maintaining profitability and reputation. However, achieving these goals can be challenged by factors such as commodity prices, availability of responsibly sourced materials and labour, which can impact project deliverables.</p>	<p>We closely monitor our supply chain by using pre-qualification tools such as Constructionline. Our company Modern Slavery Statement is available on our website. In 2023, we will publish a revised sustainable procurement policy and WLC pattern books.</p>	<p>Since the introduction of the Modern Slavery Act 2015, we have publicly disclosed our commitment to discourage forced labour, labour trafficking and related mistreatment of people entering our supply chain. Through Constructionline, we prequalify our supply chain to ensure those companies with a turnover of more £36m meet the requirements of the Modern Slavery Act. Upon joining Hill, all our staff are mandated to complete modern slavery e-learning courses. Hill are also passionate in supporting SMEs. To help achieve our commitment, we hold a variety of engagement fora including meet the buyer and regional supply chain events and awards ceremonies to recognise our partners ESG programmes.</p>	<p>S2 & E3</p>
<p>Decent Work and Economic Growth</p>	<p>Health, safety & well-being</p>	<p>If the Group's health and safety standards decline, it could endanger the well-being of employees, contractors, site visitors, and / or the public, resulting in legal action or fines that harm our reputation.</p>	<p>Maintaining high standards involves investing in employee training, promoting health, safety, and well-being for all staff, and implementing comprehensive policies and procedures. The Group has a specialized health and safety team that performs routine audits of health, safety, and environmental practices, and an external advisor provides additional support.</p>	<p>In 2022, we published our Five-year Health and Safety strategy and vision, to achieve class-leading and uncompromised high standards across the business, creating safe and healthy working environments for all. Through the ISO45001:2018 certified management system, the Group maintains an ongoing focus on health and safety to manage the risks. We are constantly focused on ensuring the well-being of all people working for the Hill Group, the local environment, and its neighbours - we are dedicated to the CSS. We have also been signatories to the Building a Safer Future Charter since 2021 which aids our delivery of a positive culture and behaviour change in building safety. Our "People Come First" Focus Group enables support programmes & initiatives, including health and well-being, training, and volunteer programmes.</p>	<p>HSEQ Committee & S1</p>
<p>Peace, Justice and Strong Institutions</p>	<p>Operating ethically</p>	<p>Operating unethically poses a significant risk to the reputation of a company. This is because such behaviour can result in various legal and regulatory penalties, which could result in financial losses and long-term damage to the company's brand image. Additionally, such actions could also negatively affect customer and employee perceptions of the company.</p>	<p>As seen in our 2030 roadmap, we are committed to respecting and protecting the rights of those affected directly and indirectly by our operations. We have policies and procedures in place to ensure high ethical standards are maintained.</p>	<p>Annually, we employ a Anti Bribery and Corruption Policy to guarantee that we conduct business in an honest way without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Just Transition can only be achieved by balancing economic, environmental and social components, including supply chains and communities. We continue and aim to go the extra mile to ensure we maximise our social outreach, reduce environmental impacts and improve and strengthen our governance.</p>	<p>S1</p>
<p>Peace, Justice and Strong Institutions</p>	<p>ESG/ Sustainability Governance</p>	<p>Without ESG/sustainability governance in the housebuilding industry, there can be negative impacts on the environment, society, finances, and stakeholder confidence. Companies may also miss opportunities and fail to meet regulatory requirements. Therefore, ESG governance is crucial to support a license to operate.</p>	<p>We have established a clear 2030 Roadmap and key performance indicators (KPIs) to integrate ESG into our operations and effectively measure and report on performance. Our strategy is also consolidated around the FHS, external advocacy groups, and TCFD requirements and the Double Materiality Review.</p>	<p>To achieve ESG reporting transparency an independent third-party assurance of our work and related data is undertaken. The publication of our first TCFD statement is a crucial step in publicly disclosing our Climate Change risk management and corporate commitments. As an output of the Double Materiality Review, we appraise how we can provide project data to clients and partners. Our ESG strategy coalesces around the FHS and Companies House requirements. The NextGeneration benchmark compares industry performance. We are pleased to note that we improved our ranking to fifth place in 2022 compared to sixth in 2021. We aim to annually improve our score by 2.5% in accordance with the SLL.</p>	<p>SLG</p>
<p>Gender Equality Decent Work and Economic Growth</p>	<p>Fair treatment of employees & subcontractors</p>	<p>Failing to treat employees and subcontractors properly can lead to poor quality work, customer dissatisfaction and high staff turnover rates which will undoubtedly cause delays in project completion. There may also be legal and financial risks if regulations are not met, as well as negative publicity and reputational damage.</p>	<p>We are committed to treating employees and subcontractors fairly. We have established clear policies outlining expected standards, provide adequate training and regularly monitor our practices to ensure we are compliant with industry laws and standards, and we abide by prompt payments conditions.</p>	<p>As set out in our 2030 roadmap, we aim to become a Real Living Wage accredited employer in 2024. This is a voluntary rate paid by employers who choose to go above and beyond the government minimum. In accordance with our EDI Policy, we aim to foster an inclusive and diverse culture. During 2023, we will set out a new EDI strategy for the remainder of the business plan to 2025 and beyond to support the Just Transition. Our Gender Pay Gap report can be seen at Sustainability - Sustainability - Our Sustainable Housebuilding Ethos Hill</p>	<p>S1</p>