

Principal ESG risks and uncertainties register

Instigated in late 2022, the double materiality review set 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, including clients, consultants, employees, investors, and our supply chain. In summer 2023, we launched our second double materiality review by re-engaging with registered providers and Homes England, to better understand their priorities across a range of existing and future UK legislation and industry best practice.

Their feedback emphasised a need for further co-design, participatory engagement, customer satisfaction levels, reducing embodied and whole life carbon impacts, a requirement for incorporating nature within our schemes and minimising overheating. Each of these recommendations were recognised and their increased importance is incorporated into our plans. Each is also recognised in the Future Homes Hub, Future Homes, the One Plan framework – all of which we support. 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 developments supply chain capacity and resilience are our short and medium-term areas of focus. Our 2030 ESG Roadmap defines the short to medium-term priorities in the lead up to the introduction of the Future Homes Standard (FHS) in 2026. Thereafter our priorities are less defined, albeit improved clarity will evolve as the One Plan and net zero trajectories are consolidated.

ENVIRONMENTAL					
Sustainable Development Goal (SDG)	ESG Issue	Potential Impact	Mitigation	Commentary	Hill Focus Group
Sustainable Cities and Communities	Air Quality	Stakeholder wellbeing 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 developments are situated in urban areas often close to commercial and transport infrastructure. We have been working towards meeting the air quality protocols and requirements that are implemented in London and increasingly in other regional locations.	Since 2021, we pivoted towards low-carbon electricity supply to new developments, primarily heat pumps 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 NRMM Low Emission Zone to ensure the progressive reduction of pollutant engines. In 2022, we began transitioning from white diesel to HVO in all plant and generators on site. Its 100% hydrocarbon and renewable properties reduces particulate production during combustion and improves air quality. Each approach is helping to annually reduce our scope 1, 2 & 3 greenhouse gas emissions (GHG) and supports regulatory compliance.	E2 Taking care of our natural resources
Climate Action	Climate Change	The climate emergency presents an unparalleled challenge of reducing all GHG 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 its 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.	The Hill 2030 Roadmap sets out our journey towards net zero carbon (NZC) in our business operations and the homes we build by 2030. We are endeavouring to mitigate our predicted physical and transitional risks and opportunities, as explained in our second 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 have commenced the benchmarking of our GHG emissions compared with the Science Based Targets (SBTs). In addition, we are collaborating with the Future Homes Hub (FHH) and the Carbon Trust who are creating a sectorial NZC pathway aligned with the SBT. Across our business we are undertaking research and development on projects to prepare us for the FHS and One Plan - as we began pivoting to zero carbon ready homes back in 2021, we are ready to achieve the residential options set out in the Future Homes and Buildings Standards:2023 consultation. In addition, annual GHG reduction trajectories are required as part of our Sustainability Linked Loan (SLL). Each of these pathways are helping mitigate the climate crisis and are supporting a just transition.	E1 Creating NZC Homes (E1), E2 & E3 Reducing our environmental impacts
Life on Land	Land, biodiversity and nature	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 meet 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 ISO14001:2015 systems, we manage potential incidents of land degradation and pollution.	We operate a balanced brownfield first operating model, are risk-adverse when remediating contaminated land and are investing in reversing the decline in nature. The Environment Act sets out a 10% biodiversity gain for new projects being processed through planning from February 2024. As defined by our SLL, we achieved a BNG commitment across our portfolio of >20% during 2023/4. Where on-site targets cannot be met, we are planning to invest in high quality local offsetting strategies. When developing on brownfield sites, we employ Urban Greening Factor Tools (UGF), for example in response to the London Plan. Each approach is preparing us for the Task Force on Nature Related Financial Disclosure (TNFD) reporting in 2025-26. In addition, we believe environmental net gain will rise in prevalence during the decade.	E2 & E3

ENVIRONMENTAL

Sustainable Development Goal (SDG)	ESG Issue	Potential Impact	Mitigation	Commentary	Hill Focus Group
Responsible Consumption and Production	Resource use, including waste	<p>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 minimise risks, the global socio-economic challenges, and net zero has embedded unparalleled challenges (and opportunities) for the sector.</p> <p>In order to address these risks and prevent similar issues in the future, collaborative efforts are being instigated through the FHH to help bring cross-sector planning and consistency of requirements to future proof the supply chain.</p>	<p>We will uphold our commitment to environmental sustainability by maintaining our EMS and implementing sustainable procurement policies and procedures. Our procurement processes are supported by pre-qualification tools such as Constructionline. We are committed to enhancing transparency in our supply chain.</p>	<p>ESG impacts when specifying and sourcing products is considered, notably through our ISO14001 certified EMS 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 producing circular economy (CE) and Whole Life Carbon (WLC) assessment for a range of projects to improve our knowledge, and to meet our 2030 Roadmap ambitions, and to develop supply chain capacity and resilience. Through collaboration with the FHH, we are also calling for the sector's supply chain to gain Environmental Product Declaration (EPDs) for their products to underpin our CE and WLC assessments transparency. We support local buying strategies and aim to optimise the reuse of materials where possible. During 2023/24, we have undertaken quarterly reviews of waste, water, and energy data on SMARTWaste, to ensure that data is robust and to deliver operational efficiency.</p>	E3
Climate Action	Sustainable homes	<p>As the built environment has a substantial impact on the climate emergency, there is an urgent need to develop homes 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.</p>	<p>Our innovation commitments in delivering Passivhaus, Active Homes and equivalent standards homes is positioning us to deliver the FHS from 2026. We have published our second TCFD statement, and are producing a library of WLC case studies, conducted BREEAM Very Good (as a minimum) and Excellent assessments to create resilience in our customers' homes and communities.</p>	<p>In 2020, we voluntarily decided to design new developments 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 passive enhanced thermal design (meeting part L 2021), overheating (in response to CIBSE TM:54, 59 and Part O) and daylighting strategies – these approaches are informing our company pattern-books. Other good practices include pivoting to air-source heat pumps from 2021. Homes also include photovoltaics 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 homes that are future proofed and are FHS ready. Hollymead Square, Essex, in partnership with Octopus Energy and Latimer (part of Clarion Housing Group) features 5-year Zero Bills' homes across all tenures.</p>	E1
Clean Water and Sanitation	Water	<p>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 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 surface flooding, potentially causing severe damage to infrastructure and property.</p>	<p>We recognise the importance of water conservation and flood risk mitigation. We strive to design water-efficient developments and homes, to reduce water consumption and promote sustainable practices. In addition, we work to mitigate flood risk by implementing appropriate measures such as Sustainable Urban Drainage Systems (SUDs). We aim to proactively reduce water usage across our operations.</p>	<p>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 e.g. Cambridge, 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.</p> <p>Furthermore, we will manage and measure progress against our targets by undertaking quarterly reviews of water usage, on the BRE SMARTWaste system.</p>	E2

SOCIAL

Sustainable Development Goal (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 wellbeing 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 Hill's 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 and the One Plan, we recognise the importance of raising our design and build quality standards and incorporating where appropriate innovative smart building technologies. We recognise that the FHS will be 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 seventh consecutive year our five star customer satisfaction rating, as defined by the House Builders Federation (HBF). In addition, we monitor Trustpilot, whereby we achieve an average of 4.9 stars, ranking us as the highest rated housebuilder. We have also received positive feedback from customers via HomeViews. We are committed to implementing varying forms of MMC to drive innovation and paired with our growth ambitions, was a key reason for the strategic acquisition and continuing investment in Fusion Steel Framing (Fusion) during 2022. As part of our Digital Transformation strategy, we are committed to the deployment 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, compliance with COBie.	Hill Board E1
Sustainable Cities and Communities Good Health and Wellbeing	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 ISO14001:2015 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 and Community team provides a single point of contact for our stakeholders, ensuring our projects deliver reciprocal benefits for each invested party. Additionally, we are committed to the implementation of the Considerate Construction Scheme (CCS) on every project, our average score is 43/45 - this represents good industry practice. Please find our health, safety and environmental strategy here . Our average score is 43/45.	Health, Safety, Environment and Quality (HSEQ) Committee
Good Health and Wellbeing 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 subcontractors 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, provide comfortable living through the seasons, and supports a just transition.	Our well-designed, energy-efficient new homes offer a range of benefits, including improved wellbeing for residents, lower running costs (by up to £1600 per annum, according to the HBF Watt save report (Watt_Energy_Efficiency_New_Homes_finalv2.pdf(hbfc.co.uk)), 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 chain and communities. We are demonstrating this balance through our second 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 complementary benefits of improved wellbeing 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 Foundation 200 pledge to gift £15m towards the donation of two hundred SoloHaus (modular homes) to people in need. To date, 201 SoloHaus (including Foundation 200) homes have been delivered. During 2023, we delivered 2,886 new homes, with some 75% 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 Wellbeing	Placemaking	The Hill Group's 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 wellbeing 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 and urban designers, ecologists, and qualified engineers on all our developments, who have a proven record of accomplishment in placemaking, integrated blue, green and grey infrastructure solutions to improve nature and residents' wellbeing.	We evidence this through achieving the HBF/NHBC 5-star homebuilder customer satisfaction for the seventh year - with a score of 95%. In addition, we monitor Trustpilot, whereby we achieve an average of 4.9 stars, ranking us as Excellent rating. We also receive positive feedback from HomeViews surveys to gain live insights into our customer experience. Through our community engagement policy we aim to create a positive, long-term vision for both new and local existing communities and residents. We recognise the benefits that co-design and participatory engagement can bring during regeneration projects, such as the Teviot Estate and Basingstoke West. Building for a Healthy Life (BfHL) is 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. Looking ahead, we aim to undertake comprehensive Post Occupancy Evaluations (POEs) on a significant brown and greenfield development with registered provider partners.	S2
Quality Education Gender Equality	Social value	At the core of an organisation's identity should be well-defined social value metrics and deliverable community programmes. Neglecting to prioritise 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 2023 we delivered £528,285,593 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. Please find our social value strategy here .	S2

GOVERNANCE

Sustainable Development Goal (SDG)	ESG Issue	Potential Impact	Mitigation	Commentary	Hill Focus Group
Reduced Inequalities Gender Equality	Equity, diversity and inclusion	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.	With the application of our EDI policy, and engagement in external advocacy networks and groups, we aim to foster an inclusive and diverse culture.	During 2023 we implemented a new EDI roadmap to 2025. Upon joining Hill, all our staff are mandated to complete EDI e-learning courses. As a business, we support a diverse range of initiatives.	People come 1st (S1)
Decent Work and Economic Growth	Supply chain standards	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 geopolitics, commodity prices, availability of responsibly sourced materials and labour, which can impact project deliverables.	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 published a revised <i>sustainable procurement policy</i> .	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 than £36m meet the requirements of the Modern Slavery Act. Upon joining Hill, all our staff are mandated to complete modern slavery e-learning courses. 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.	S2 & E3
Decent Work and Economic Growth	Health, safety and wellbeing	If the Group's health and safety standards decline, it could endanger the wellbeing of employees, contractors, site visitors, and / or the public, resulting in legal action or fines that harm our reputation.	Maintaining high standards involves investing in employee training, promoting health, safety, and wellbeing for all staff, and implementing comprehensive policies and procedures. The Group has a specialised health and safety team that performs routine audits of health, safety, and environmental practices, and an external advisor provides additional support.	In 2022, we released our five year Health and Safety Strategy, and the 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 wellbeing of all people working for The Hill Group, the local environment, and its neighbours - we are dedicated to the CCS. 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.	HSEQ Committee & S1
Peace, Justice and Strong Institutions	Operating ethically	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.	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.	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 aim to maximise our social outreach, reduce environmental impacts, and improve and strengthen our governance.	S1
Peace, Justice and Strong Institutions	ESG/ Sustainability Governance	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 license to operate.	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 One Plan, external advocacy groups, and TCFD requirements.	To achieve ESG reporting transparency an independent third-party assurance of our work and related data is undertaken. The publication of our second 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 One Plan and Companies House requirements. The NextGeneration benchmark compares industry performance. We are pleased to note that we maintained our fifth placed ranking improve our score by 16% - we are the highest ranked private developer.	SLG
Gender Equality Decent Work and Economic Growth	Fair treatment of employees and subcontractors	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.	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.	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 beyond the government minimum. In accordance with our EDI Policy, we aim to foster an inclusive and diverse culture. During 2023, we set out a new EDI roadmap 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 - <i>Sustainability - Our Sustainable Housebuilding Ethos Hill</i>	S1