STRATEGIC REPORT

The Directors present the Group Strategic Report for the year ended 31 December 2020.

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 01 to 65 has been approved by the Board and signed on its behalf by

Tim Roberts
Chief Executive Officer

16 April 2021

Darren Littlewood
Group Finance Director

16 April 2021

Chief Executive Officer Update

"The safety and welfare of our people, customers, supply chain, and the communities in which we operate, have been the key priorities in Henry Boot's response to the CV-19 outbreak."

Tim Roberts
Chief Executive Officer

WELL PLACED FOR THE FUTURE

Just over a year into my new role and I find myself very proud of the way our people have responded to the pandemic, along with many other institutions, businesses and communities across the country.

It gives me added confidence that we are not only well placed in the three key markets we serve, together with our strong financial position, but that we also have a team that shows it can cope with significant change and uncertainty.

The safety and welfare of our people, customers, supply chain, and the communities in which we operate have been the key priorities in Henry Boot's response to the CV-19 outbreak and I'm relieved to say that the safety procedures we have installed have allowed us to continue operating safely. We have monitored infection rates closely using lateral flow testing, including in our largest construction site at Barnsley, and there is no data to suggest that the people who have been working on site and in our depots have been at greater risk. Whilst I want to thank everyone at Henry Boot, I would like to give special thanks to those who have worked on site or in our depots so effectively, away from the relative safety of home working.

The Group utilised the Government's CJRS due to the initial reduction in construction, housebuilding and plant hire activity but only ever had a minority of people on furlough, with the business topping their pay up to 100%. We stopped using the CJRS by August 2020 and paid back all furlough grants claimed under the scheme in February 2021, as we are confident activity levels have now stabilised.

The Group also made various adjustments in response to further support the business during the pandemic. This included: reducing the Board's executive and non-executive pay by 20% for six months; paying a reduced final dividend to shareholders for 2019; and only paying 50% of bonuses to employees and directors for the full year of 2019 in 2020. We also made the difficult decision to restructure our construction division, which included making some redundancies.

In terms of operations, HLM performed well after the housing market recovered and was unexpectedly buoyant in H2. We sold 2,000 plots (2019: 3,427) on nine sites, achieving a profit per plot of £6,456, and exchanged on 1,744 plots that will provide profit for the Group in 2021. We invested £10.0m in our land bank growing it to 16,607 acres (2019:14,898 acres) and ended the year with over 15,000 plots where we have planning secured.

Henry Boot Developments adjusted to the uncertain environment by slowing down development but still successfully completed on a total GDV of £58m (our share £55m), with 100% of these schemes either sold or let (£41m) or retained (£17m) in our investment portfolio. Towards the end of 2020, we started to increase our developments, particularly in response to growing industrial demand with commitments on 206,100 sq ft of industrial and logistic space. In H2 2021 we will complete on our 533-unit BTR Kampus scheme in Manchester, which has been forward-funded with us retaining a 5% equity stake. We also purchased two opportunities at a combined price of £12.6m during the year, Mabgate in Leeds, and St John's College in Manchester with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. We also entered into a development agreement on Phoenix 10 in Walsall, which adds a further 620,000 sq ft to our industrial and logistic offering. Committed development currently stands at £312m (Henry Boot Developments share £85m) and our development pipeline has been maintained at £1.4bn (Henry Boot Developments share £1.1bn), 78% of which is in industrial & logistics.

Our jointly owned housebuilder, Stonebridge Homes, achieved 115-unit sales (2019: 159 sales), which was ahead of our target and, with a buoyant housing market, maintained a strong sales rate of 0.61

88,070
Strategic land plots
(2019: 77,144)

Henry Boot Developments Pipeline GDV
£1.1bn
(2019: £1.1bn)

Stonebridge Homes Total Land Bank
1,119 plots
(2019: 1,023)

2021 Construction Orderbook
£80m
(2020: £86m)

units per site per week during the year. 2021 has started well with sales already agreed on 69 units to date, well ahead of the business plan. However, growth in Stonebridge has been hampered by a slow process for getting planning on our land bank, partly caused by CV-19. We are addressing this by taking a more portfolio approach in planning terms to our 1,119 plot landbank (2019: 1,023 plots), helped by securing a site just before Christmas in Wakefield with planning for 149 plots. We are determined to grow this business so that it benefits from more operational scale and becomes a multi-regional premium housebuilder.

Henry Boot Construction Limited delivered revenue of £86.2m (2019: £89.7m), which was significantly ahead of our expectation despite earlier disruptions from CV-19. During the year, we successfully secured a £40m contract to deliver a BTR scheme, and post year-end we started work on a £42.5m mixed use scheme both in the 'Heart of Sheffield'. As a result, we now have a full construction order book for 2021, and with our public sector bias, expect to play our part in the Government's plans to Build Back Better.

Our balance sheet has remained rock solid, with no stranded assets needing to be written down. With £38.5m of cash in the bank (as at 28 February 2021), as well as committed and undrawn facilities of £75m, we are in a very strong position to fund our growth plans. However, like all businesses, we need to be clear about our strategic objectives, and there are also areas where we can develop our approach and skills. In this respect, I set out a summary of our evolving strategy together with a new approach to ESG in the next two sections, followed by the normal business review. I am confident that with a greater strategic focus on our three key markets, the growth prospects driven by existing opportunities within our portfolio, our strong financial resources, plus our highly engaged people, the outlook is very encouraging.

Pictured: MV55 is a 55,000 sq ft warehouse located at Markham Vale, a 200-acre industrial and logistics development located at Junction 29A of the M1 in Derbyshire.

Chief Executive Officer Update

Responsible Business

As a 135-year-old business, we understand sustainability and long-term value creation. This year, we will formalise and coordinate our approach to ESG as we launch our new ESG Strategy. This will guide our business to deliver an ambitious and strategic approach to ESG and align all our current and prospective responsible business activities with a clear focus. Henry Boot would not be here today without sustainability being at our core. The new ESG Strategy will see us formalise ESG factors in our discussions of business risks and opportunities and will allow us to measure our progress against clear ESG objectives. We understand that now is a time for action and for driving and communicating clear progress on these important factors.

The implementation of our ESG Strategy will take a two-phase approach and will clearly align our responsible business ambitions with key societal issues, with particular focus in the first phase on how we will achieve Net Zero Carbon (NZC) and develop increasing equality, diversity and inclusion in our business and the sector we represent.

135 Henry Boot is phase one of our ESG Strategy. This strategic framework will guide us as we launch three long-term initiatives:

1. Our Pathway to NZC and enhancing our environmental stewardship
2. Our new Equality, Diversity, and Inclusion Strategy
3. Our Community Partnership Plan to provide funds, time, resources, and expertise to support our community partners

135 Henry Boot will see our business build on our strong foundations of responsibility and create engagement with all of our stakeholders as we address and respond to crucial issues faced by our communities and environments.

Phase two of our ESG Strategy will launch in January 2022 and will be influenced by further consultation and engagement with our people and partners. This will ensure we focus on the most material issues and will have regard to the United Nations Sustainable Development Goals that we believe we can impact most positively. It will incorporate all of our existing responsible business initiatives and guide us to achieve long-term ambitious targets and create long-lasting and meaningful social value and impact. We will also be ensuring alignment with the requirements of the Taskforce on Climate-Related Financial Disclosures in preparation for the enhanced reporting requirements, that will apply fully to our activities for the 2021 Annual Report and Accounts onwards.

To provide oversight and support to the Group's ESG ambitions and commitment, we have established a new Board Committee. The Responsible Business Committee will support the business to embed ESG factors into our Commercial Strategy. The Committee will be chaired by Non-executive Director Peter Mawson. Our timeline for key initiatives is:

Responsible business strategy timeline

MARCH 2021
Phase 1 of our Responsible Business Strategy – Launch of 135 Henry Boot and the Community Partnership Plan

APRIL 2021
New Equality, Diversity, and Inclusion Strategy.

JUNE 2021
Our Pathway to Net Zero Carbon and enhancing our environmental stewardship.

JANUARY 2022
Phase 2 of our Responsible Business Strategy

Whilst formulating our long-term ESG Strategy, I am pleased to report that we have maintained our focus on supporting our people and communities in the unprecedented circumstances of CV-19. Amid the challenging working environment of a pandemic, we have:

- supported and maintained regular communications with our people; our Employee Net Promoter Score (eNPS) has increased to an outstanding score of 46;
- continued to provide support to, and work closely with the communities in which we operate;
- collaborated with regulatory bodies including the Construction Leadership Council, National Federation of Builders, Confederation of British Industry and UK Government Ministers, to ensure our services continue to adhere to best practice and guidance;
- directly supported the NHS Nightingale Hospital programme, as a unit at our joint venture development scheme in Sunderland, the International Advanced Manufacturing Park, was selected for conversion into a temporary hospital, and
- our charitable giving programme donated a total of nearly £68,000 to 28 organisations who needed support during the pandemic.

We recognise this approach is a unique way to deliver our ESG ambitions. However, we believe it will enable us to successfully embed ESG factors within our business decision-making and activities and to engage with our people and partners, in order to create a meaningful strategic approach to responsible business and the social value created through our operations. It is the Henry Boot Way!

Looking Forward

As I write, there are reasons to be cautiously optimistic; the successful ongoing national roll out of the vaccine, infection rates falling and the Government's road map setting out some form of social and economic recovery. Importantly over the last year, we have shown that our business has adjusted and, whilst not immune, still offers a resilient, viable and relevant business model.

As for the immediate outlook I am encouraged. We start the year with strong forward sales and very healthy order books. Land plots pre-sold last year, and sold at the start of this year, total 2,039, our committed developments of £312m (HB share £85m) are already 88% presold or let (HB share 69%), sales have now been agreed on 57% of our housebuilding target for 2021, plus the year's orderbook for construction is fully secured. Just as importantly, with cash on the balance sheet, together with a portfolio rich with opportunity, we are ready to respond to signs of increasing demand in our key markets.

Moreover, our strategy focuses on growth in three long-term markets – industrial & logistics, residential and urban development – that are driven by long-term trends, which in a post pandemic world, we are confident will endure. We also have a good record of serving public sector clients in key regional construction areas, at a time when the Government is looking to invest money in the regions.

We remain committed to working with our clients and various stakeholders in building on the good start to the year and in realising our long-term strategy.

Tim Roberts
Chief Executive Officer

Pictured: Phoenix 10 is a 44 acre site located in Walsall. The £114m project, including a £40m remediation contract, will deliver up to 620,000 sq ft of employment space. Remediation works are set to begin in 2021, subject to planning permission. Development is expected to start in 2023, with completion in 2027.

Business Model

1

KEY RESOURCES AND RELATIONSHIPS

Our people are at the heart of what we achieve

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.

Group strategy framework

In 2018, we developed our Group strategy framework to ensure there was an overarching and consistent business plan in place. Since then, using the existing framework, the Group has reviewed and refocused its strategy to concentrate on three key markets, which underpin the business model. The strategy is still flexible to our subsidiary's different operational expertise, but it improves upon synergies and efficiencies within the Group, whilst still focusing on creating value for all our stakeholders.

Read more about **Our New Strategy** on pages 30 and 31

The 'Henry Boot Way'

Our culture and behaviour are guided by The 'Henry Boot Way'. This allows us to create and sustain an open culture, where our people can grow and thrive, upholding the standards that are so important to all of us. It inspires excellence in everything we do for our customers, and our colleagues and aims to provide satisfaction for all our stakeholders.

Read more about **'The Henry Boot Way'** on page 05

Effective governance

We align our dynamic business model with robust governance systems to ensure we operate transparently and openly. We set ourselves very high standards and strictly follow best practice in all of our operations.

Read the **Governance Report** on page 77

2

GROUP OPERATING MODEL

1 Identify opportunities and acquire land

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

2 Obtain planning permission

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

Hallam Land Management promotes land for residential, commercial and retail consent.

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

3a Sale of land

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

3b Development of site

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

4a Sale of property

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

4b Investment portfolio

A number of the finished property developments are retained and managed by the **Property Investment and Development** segment. The property investment portfolio of **Henry Boot Developments** is worth over £80m and generates a sizeable amount of rental income each year.

Construction

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

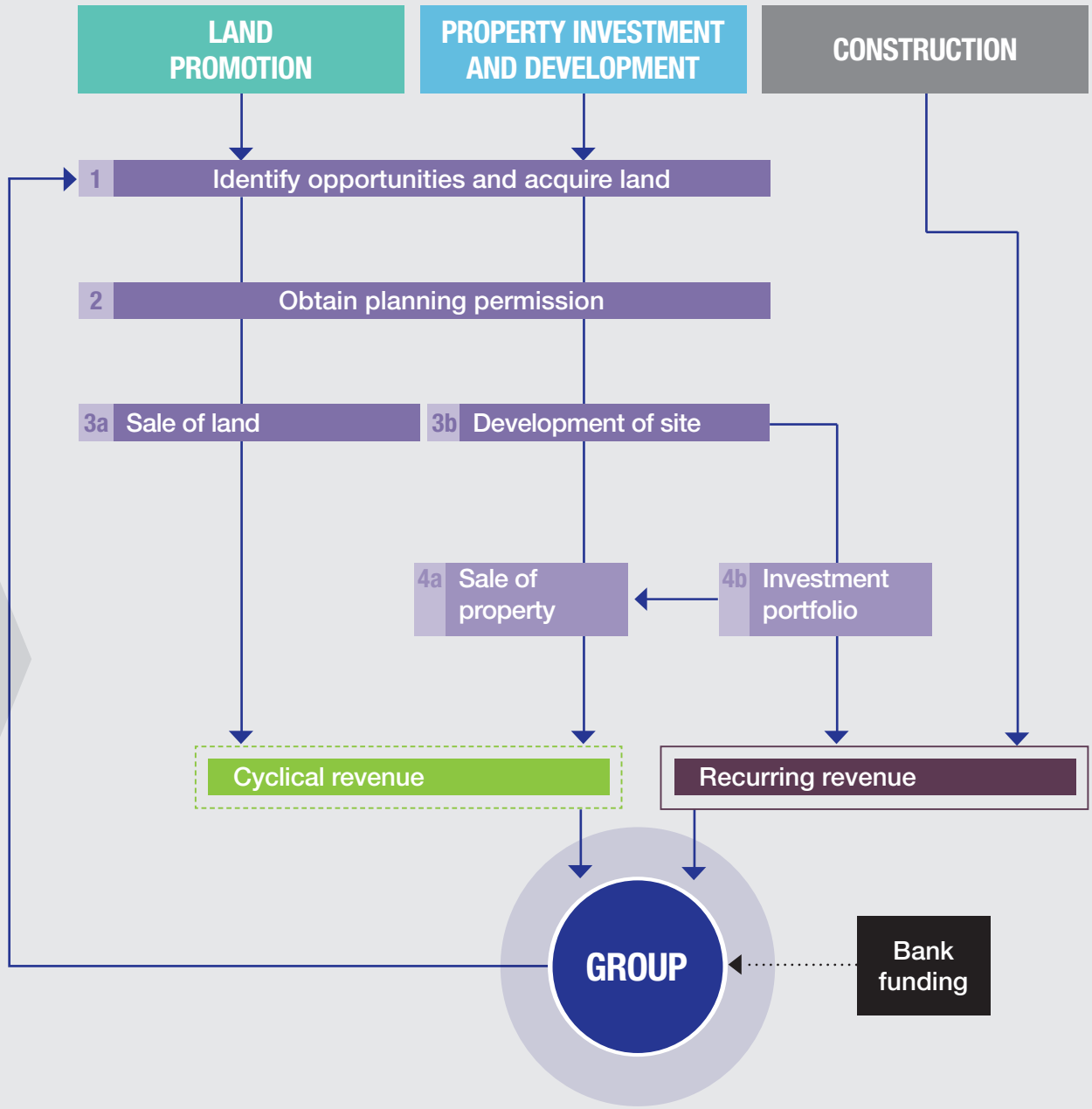
Banner Plant offers a wide range of services, and a high quality inventory of equipment for hire and sale, such as temporary accommodation, powered access equipment, tools and non-man operated plant.

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

3

BUSINESS MODEL

View the video explaining **Our business model** on our Corporate website



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.

4

OUR EXPERTISE

LAND PROMOTION

Businesses: Hallam Land Management

- Identifying land with future potential.
- The use of agency and option agreements, as opposed to buying all land outright, means less expenditure on each asset, allowing us to maximise the number of land opportunities that we are promoting 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 probability of making a return on the capital invested.
- Taking land through the complexities of the planning system.

PROPERTY INVESTMENT AND DEVELOPMENT

Businesses: Henry Boot Developments and Stonebridge Homes

- Acquiring and developing brownfield land or under-performing property assets.
- Operating in focused 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 urban development schemes.

CONSTRUCTION

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

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

GROUP

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

5

OUR VALUE GENERATION

Our people

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

Communities

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

Customers

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

Shareholders

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

Business Model

OUR COMPETITIVE ADVANTAGES ENSURE LONG-TERM VALUE GENERATION

Our long lasting relationships

Our culture, 'The Henry Boot Way', means that we have a unique and cohesive approach to doing business.

Creating lasting relationships with clients, partners and customers is fundamental to the way we do business. We ensure landowners are guided through the planning system, work with key property advisers to become aware of potential opportunities and deliver on time to create repeat business in each of the Group's segments. Our reputation and success are built on the relationships we create, and we take great care to ensure we build on these for the future.

Capital structure

The property investment portfolio of Henry Boot Developments generates rental income each year, which allows us to borrow against the investment portfolio at attractive rates. The Construction segment is self-funded and cash generative. We reinvest the cash generated from these activities into strategic land and property development. The revenues generated from the sale of land and property development is not regular recurring income, and it would not be possible to directly fund these activities through borrowings. Our financial structure allows us to invest in these more profitable areas of the business to maximise the value generated while maintaining prudent gearing levels.

Diversified businesses

The Group's three business segments operate across the whole property value chain. Each segment is involved in multiple sectors – residential, leisure, retail, industrial, office and civil engineering – which means that we are not overly exposed to one area of the market. This enables us to weather economic fluctuations and deliver on our key objective of maximising stakeholder value.

Market Context

OUR MARKET SEGMENTS

Henry Boot is focused on three sustainable markets, where the Group already has a strong presence and significant expertise: industrial & logistics, residential and urban development. Long-term trends such as population growth, rising numbers of households, shopping moving online and near-shoring of supply chains, suggest these three markets will continue to perform well, albeit at different rates of growth over time. In effect they benefit from structural tailwinds.

Our key market segments

- Industrial & logistics
- Residential
- Urban Development

CV-19 impact

CV-19 has had a direct and indirect impact on all of our markets. In particular, industrial & logistics saw positive growth, resulting in strong demand for prime warehouses and the residential market remained buoyant and recovered well in H2 2020.

Read more about our response to **CV-19** on page 44

KEY LONG-TERM STRUCTURAL TRENDS IMPACTING OUR BUSINESS

Urbanisation

By 2050 approximately 90% of the UK population is expected to live in towns and cities of at least 300,000 inhabitants. Better job prospects have continued to drive urbanisation in the UK over the long term, with immigration strongest amongst those aged 20–35 before some young families start moving out prioritising space and schooling. 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, culture and public transport.

Demographics

In 2020 the total population of England was estimated to be 56.7m and this is expected to rise by 7.9% over the next 20 years to 61.2m. At the same time, by 2040, the number of people aged 65 or above is expected to increase by 38.3% to 14.5m, accounting for 23.8% of the total population. The most significant change in the working age population over the next 20 years is for 20 to 30-year-olds who are expected to increase by 6.3% over the period. Demographics therefore provide positive support for senior living and BTR aimed at young professionals.

Technology

Advances in technology over the past decade have caused disruption to how we live, work, shop and communicate, resulting in many businesses needing to rethink their digital strategies and offering. The emergence of new technology impacts on a series of issues relating to not only how businesses deliver their services, but also the environment in which they do it in. This increases the requirement for property businesses to be flexible and deliver services to their customers as well as simply delivering a product to rent or own.

Environment

Growing energy, water and food demands, alongside climate change and health events show the need to reverse environmental degradation. In 2019, the UK became the first major economy to legislate its commitment to produce net zero carbon emissions by 2050. The built environment contributes an estimated 40% of the UK's carbon emissions, which increases the pressure on businesses in that industry to adapt their operations to become more sustainable.

INDUSTRIAL & LOGISTICS

The industrial & logistics sector performed with remarkable strength in 2020

Market overview

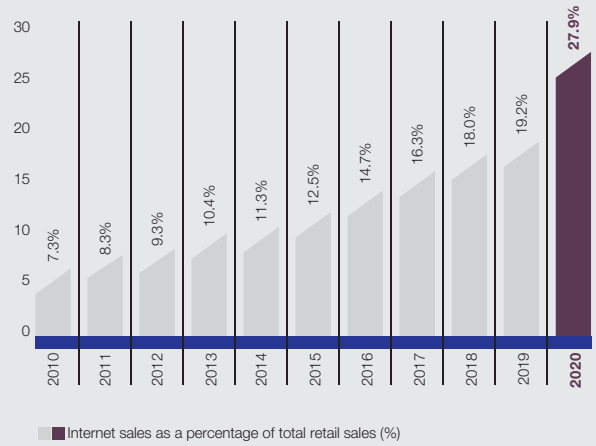
In 2020 the UK industrial take up was over 50m sq ft, a record performance for the sector. Despite CV-19, there was still strong demand for big box warehouses, with the pandemic having a direct impact on take-up with increased demand for space from online retail companies as well as for storage space from a range of occupiers. The sector has been supported by online retail sales over the past decade, and after seeing a large increase in 2020 and the uncertainty of high street stores reopening due to CV-19 restrictions, businesses look set to push ahead their digital expansion plans.

Read more about **Our New Strategy** on page 30

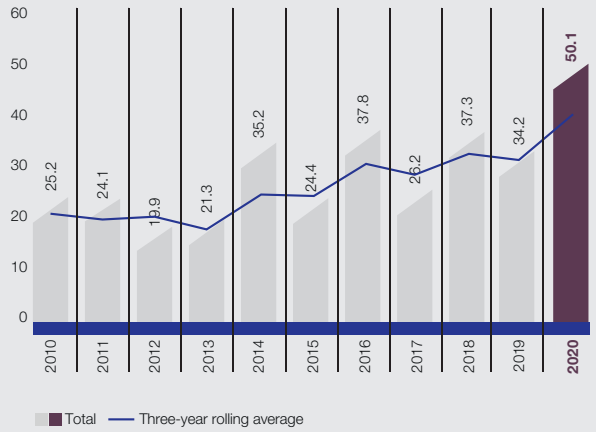
What does Henry Boot have to offer:

- A long standing reputation and expertise in the sector, in particular the Group's 2,000,000 sq ft flagship scheme, Markham Vale has been offering industrial & logistics solutions since 2004
- In response to the continued occupational demand, the Group has committed to speculatively develop over 200,000 sq ft of industrial and logistic space and in total is committed to developing £67m GDV across five sites in 2021
- Industrial & logistics represents 78% of Henry Boot's £1.1bn development pipeline with the potential to deliver approximately 10,000,000 sq ft of space
- Two further schemes were secured in 2020, Phoenix 10 Walsall, which has the potential to deliver units ranging from 21,000 to 415,000 sq ft, and Wakefield Hub, a joint venture to develop a 2,000,000 sq ft distribution warehouse, which is subject to planning

Internet sales as a percentage of total retail sales (ratio) (%)[1]



Big Box take up – million sq ft[2]



1. Source: Office for National Statistics
2. Source: Savills

Market Insights

RESIDENTIAL

The UK residential market recovered well in the second half of 2020

Market overview

After the initial disruption caused by the pandemic, the UK residential sector recovered strongly in the second half of 2020. According to Savills, annual housing price growth hit a six-year high of 7.3%, whilst UK greenfield land values remained resilient with a modest 0.6% decrease in the year. Low mortgage rates have continued to support housing affordability with the average mortgage payment at around 30% of people's take-home pay, the lowest in a decade. After the Government extended the stamp duty holiday in England to June 2021, and with the rollout of the vaccination programme, the outlook for the UK residential market looks encouraging with the land demand from housebuilders supporting this.

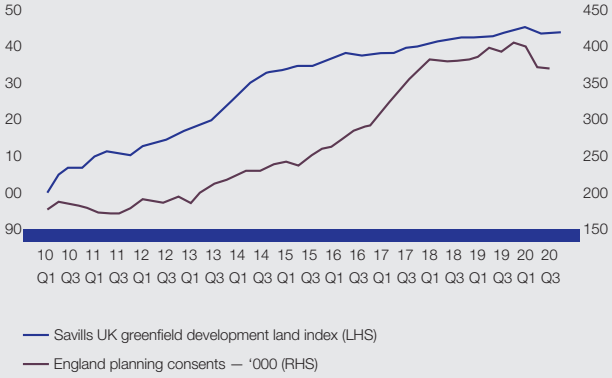
Read more about **Our New Strategy** on page 30

Land

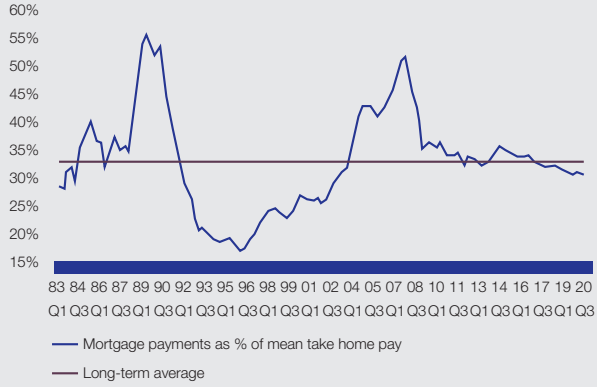
What does Henry Boot have to offer:

- Hallam Land Management has six offices located across the country and is well established and experienced in the complexities of the UK planning system
- The Group has a strategic land bank of 16,607 acres, which has the potential to deliver around 88,070 residential plots
- Stonebridge Homes, the Group's jointly owned housebuilder, offers further residential capabilities, with a total land bank of 1,119 plots of which 59% has either detailed or outline planning consent (657plots)

Land Values & Planning Consents[1]



First time buyer affordability[2]



1. Source: Savills
2. Source: Nationwide

Market Insights

URBAN DEVELOPMENT

90% of the UK population is predicted to be living in urban areas by 2050

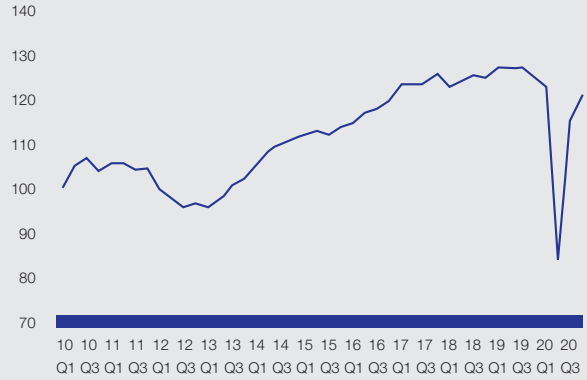
Market overview

People are choosing to live in rental accommodation in prime urban areas, not only for work reasons but for better lifestyle options, with 56% of private renters aged between 25 and 44 years old. The BTR sector can capitalise on good rental growth prospects within the Private Rented Sector (PSR), which currently represents only 2% of total PRS stock. Construction has also seen an emergence in BTR and after CV-19 severely reduced construction output in Q1 2020, the largest contributor to the recovery was private new housing. Take-up of regional office space in 2020 was 40% below the five-year average reflecting the impact of CV-19. However, gains in supply in some markets were offset by falls in others as the overall vacancy rate remained relatively stable at 7.5%, comfortably below the five-year average of 8.1%.

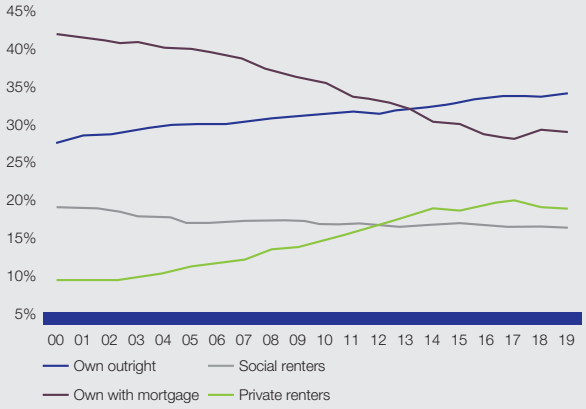
What does Henry Boot have to offer:

- The Group has a strong presence in key cites identified as target areas for BTR schemes
- In 2021, Henry Boot's flagship 533-unit BTR development in Manchester, Kampus is set to be completed
- Henry Boot Construction has secured two BTR schemes in the city centre of Sheffield. Both schemes will commence work in 2021 and we will continue to seek and secure further opportunities within this market

Construction output in Great Britain: volume seasonally adjusted[1]



Changing trends in tenure[2]



1. Source: Office for National Statistics
2. Source: GOV.UK

Our Strategy

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Safety			
Continual review of our systems, ongoing training and development, adoption of best practice and keeping abreast of change.	During the Group's initial operational pause at the outbreak of CV-19, we engaged and consulted with contractors and our supply chain to enable our operations to continue safely and to maintain our robust health and safety standards. The Group's 2020 accident frequency rate did very marginally increase to 0.10, but our rate is still in line with competitors and regulatory standards.	6 7	1 2 4
People			
Offer a wide range of long-term career and development opportunities which attract new and retain employees.	Despite CV-19 presenting challenges to our training and development offering, there was still a total of 1,420 personal development days. The total was reduced from 2019 due to readjusting our training offering to virtual capabilities, but as we enter 2021, we now have a balanced offering which reflects our commitment to developing and nurturing our people.	6 7 8 10	3 4 13

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Delivery			
Maintaining a maximum gearing level of 30%, utilising available capital efficiently.	The Group maintained its strong financial position throughout 2020 and after making selective investments in our three focused markets, the business ended the year in a net positive cash position and nil gearing.	4 5	3 5 13
To dispose of an annually increasing number of residential plots while market conditions are supportive.	Land promotion successfully completed the sale of 2,000 plots in 2020. Whilst CV-19 did materially impact our performance, there was a resiliant demand for land from housebuilders as the housing market recovered. This has meant we began 2021 in a strong position, having already exchanged contracts for the disposal of 1,744 plots.	L1 L5 L6	3 5 11 12 13
To pre-fund and pre-sell our development opportunities to mitigate risk and secure delivery.	In 2020 all completed schemes were 100% either pre-sold or pre-funded.	D1 D2 D5	3 5 9 10
Constantly monitor the customers and markets in which we operate, to compete effectively and appropriately balance our workflows within these markets.	Construction activity did decrease due to the disruption caused by CV-19 whilst we paused to install the correct safety procedures on sites and depots. However, activity did increase to 95% on both construction sites and depots by the end of the year, performing in line with our revised expectations.	C1 C2	3 5 8 13
To maintain a high level of service and delivery, whilst tracking the performance measurements in place to review level of customer satisfaction.	In 2020 we scored 9.13 out of 10 for 'how satisfied the client was with the service of the main contractor', which was a slight improvement from 2019. Whilst the KPI data published by Constructing Excellence has now concluded, we have continued to benchmark our performance against existing data, this score places us in the higher Upper Quartile performance.	C1 C2 C4	1 4 8

Our Strategy

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Growth			
Target a dividend cover of over three times to grow net assets and profitability through reinvestment in strategic land and development opportunities.	To protect our financial position and to ensure the Group was well placed to deal with the uncertainty of CV-19, the Group rebased its final 2019 dividend payment. After considering our financial performance the business has continued to pay a dividend at a maintainable level, which ensures we have sufficient working capital and are able to be opportunistic in our markets whilst recognising the importance of continuing to pay a dividend to our shareholders.	1 2 3	3
To increase the scale and investment in land acres and plots over time, with a focus on increasing our investment in owned land in those parts of the country which create the highest returns on capital employed.	Whilst we did increase the total number of plots we have with planning permission, the pandemic did delay some projects whilst planning authorities transitioned to Virtual Committee meetings. However, we continued to invest in new opportunities increasing our land portfolio to 16,607 acres, with over 60% being located in prime market areas in the South and have continued to secure sales at pre-CV-19 prices.	L2 L3 L4	3 5 11 12 13
Explore new investment opportunities, such as logistics and distribution, with the primary focus remaining on residential and mixed use opportunities.	Residential markets continue to be our primary focus. We still have an interest in exploring new opportunities, particularly in industrial & logistics where we will look to do so on a partnership basis with our sister company Henry Boot Developments.	L2	3 5 11 12 13

Strategic Priority/Objective	Performance in 2020	Link to key performance indicators (see pages 42 and 43)	Link to key risks (see pages 50 to 53)
Growth			
To deliver at least one long-term strategic employment / industrial site from each of our regional bases.	In 2020 industrial & logistics formed 90% of our completed schemes, and with the sector continuing to see strong demand throughout the pandemic, we have committed to complete a further £85m GDV in 2021.	D3 D4	3 5 6 11 13
Invest in our housebuilding residential land portfolio to ensure we have sites available to deliver quality in design and build while providing a first class customer experience.	The housing market remained buoyant in 2020 and against resilient demand for new housing we completed on 115 housing completions, which was slightly ahead of targets. There were also a further 211 plots secured in the landbank, leaving us in a strong position to achieve our growth aspirations although planning has become notably more difficult.	D6 D7	3 4 5 12 13
Focus on investing into a variety of sectors for new development to minimise the risk and maximise the return.	At year-end, the investment portfolio had increased by £12.7m, after retaining completed developments at Huyton (£4.8m retail) and Luton (£12.2m industrial).	D1 D2	5 9 10
To actively pursue contract values of between £5m and £15m to benefit from improving economies of scale.	Our average contract size for 2020 was £13.6m, which was primarily supported by securing a £40m contract to deliver the Kangaroo Works, a 364-unit residential build-to-rent project, part of the Heart of Sheffield redevelopment scheme.	C1 C5	3 5 8 13

Our New Strategy Going Forward

OUR STRATEGY IS DRIVEN BY LONG-TERM STRUCTURAL TRENDS

Our strategy is focused around three key markets: industrial & logistics, residential and urban development. These markets are driven by positive long-term structural trends which we expect to give momentum to our future operational and financial performance.

In this regard, the population of the UK continues to grow with the number of households rising, accentuated by the average size of households dropping. Supply of housing generally fails to meet the Government target of 300,000 new homes a year. At the same time, and whilst CV-19 might temper the trend short term, people are moving to large urban centres not just for work but also the lifestyle on offer. 90% of the UK population is predicted to be living in urban areas exceeding 300,000 population by 2050. This will create demand for good quality schemes for people to work and live in. BTR will be an important element of supply. Pre-CV-19 there has been a growth in demand for industrial & logistics, but with online sales up by *c.*40% over the last 12 months or so, take up, especially in big boxes, has been at record highs. This is likely to be accelerated by more onshoring.

With focus on our three key markets, and within the framework of our existing four strategic pillars of Growth, Delivery, People and Safety, we have reworked our strategic priorities. Our values, which were developed as part of The 'Henry Boot Way', endure, and shape our culture.

We have extremely skilled, experienced, and highly engaged teams focused on our three key markets. The vast majority of our £365m of capital is already employed in these markets and our aim is to gain greater scale by growing our capital employed to over £500m through achieving the following key medium-term objectives:

- **Land Promotion** – Grow our market-leading land promotion business to sales of 3,500 plots per annum (currently 2,039 plots) with increasing emphasis on the Midlands and the South. Through a blend of freehold purchases, planning promotion agreements and options to purchase, we will leverage the significant expertise within HLM to unlock value through the planning process.
- **Development** – Grow our development activities to £200m per annum with a broad split of two-thirds industrial and one-third urban residential (including BTR). We continue to manage market risk through pre-funding/sales/lettings and JVs. In the short term, we will be selective in committing to urban development, as markets adjust to a post CV-19 world. We remain positive that over the longer term, population growth will continue, and cities will outperform in terms of GVA output.
- **Investment** – Double the size of our property investment portfolio to around £150m (currently *c.*£80m), again with a focus on our key markets. This will be achieved through a mix of buying income-producing buildings, with redevelopment or refurbishment potential and retaining certain of our own high-quality developments. The aim will be to create a recurring, resilient income stream with the added potential for capital growth which will show a total return of 6.0% p.a.
- **Housebuilding** – Grow our premium housebuilding operations to an output of 600 units per annum, extending our regional presence from Yorkshire into the North East and the Midlands. To support this growth, we will build up a three to four-year landbank of sites, primarily via options to purchase, but also through selective freehold acquisitions.
- **Construction** – Grow a profitable, cash generative business focused primarily on public sector projects in our existing regional markets. We believe we can play a valued role in the Government's Levelling Up agenda and its Build Back Better plan for growth. Our emphasis will remain on repeat work generating above industry margins. We aim to start each financial year with a minimum of 65% of our order book secured.

There are significant opportunities to grow in each of our three key markets and we have embedded value within our conservatively valued balance sheet. With over 16,000 acres of strategic land, a development pipeline of £1.4bn (Henry Boot Developments share £1.1bn), and £18m of developments we have identified for our investment portfolio, plus 1,119 plots in Stonebridge's landbank, we have all the building blocks to deliver our ambitious plans for growth.

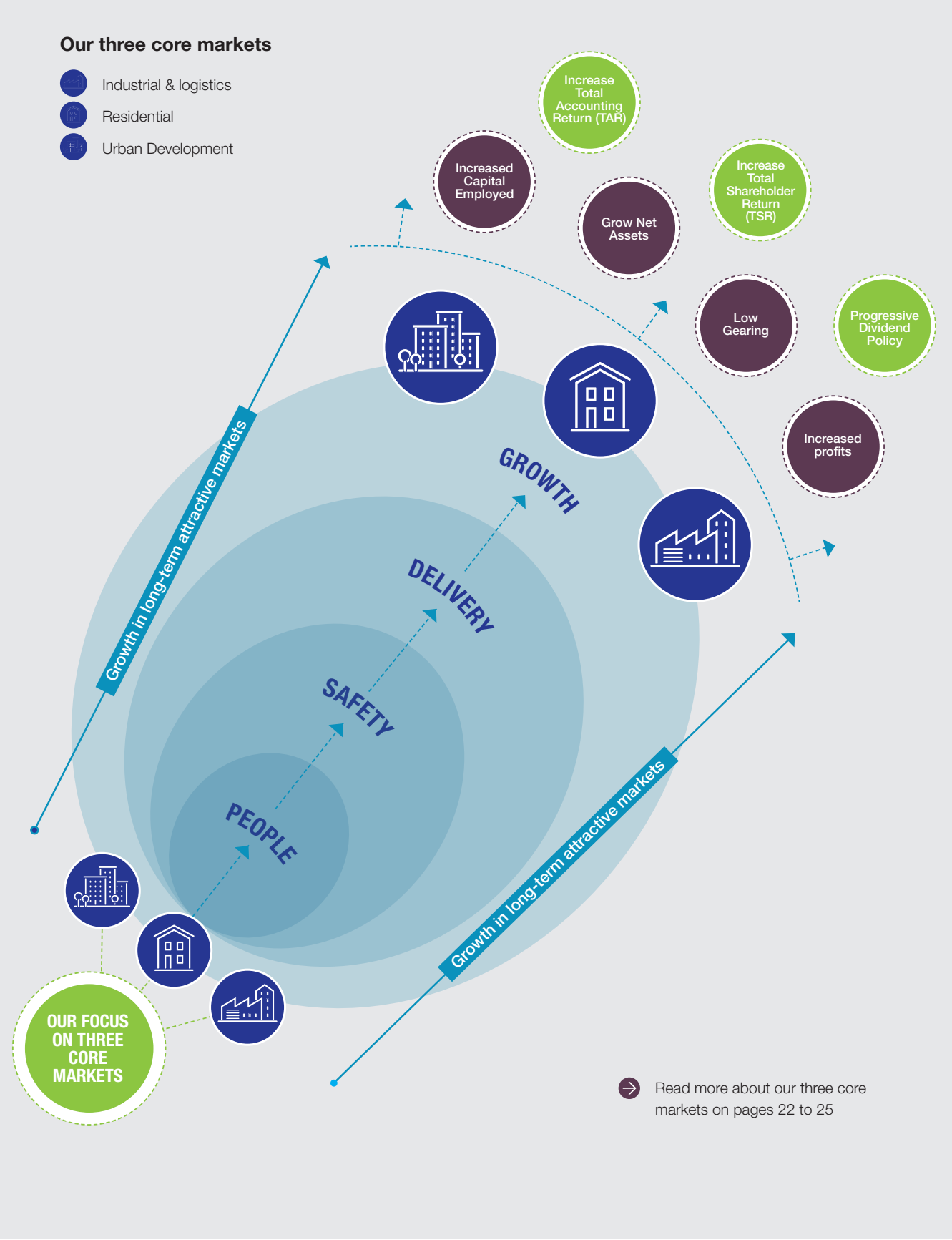
We have a long track record of managing our gearing levels well. With a strong balance sheet, net cash of £38.5m (as at 28 February 2021), committed debt facilities of £75m and material retained earnings we are in a strong position to fund our growth strategy and, if required, will look to take a conservative approach to gearing, in a range of 10% to 20% of net assets.

We are confident our strategy can generate attractive market returns (average ROCE between 10–15% p.a.), without high levels of financial gearing, and will lead to growth in our profits to beyond pre pandemic levels, enabling us to continue with a progressive dividend policy.

Each of our divisions has a clear focus and is driven by specific financial and strategic targets. We have also established an Executive Committee (Ex Co) to facilitate greater collaboration and the development of existing cross-functional expertise serving our key markets. In addition, we have identified and intend to take advantage of opportunities to create further synergies and efficiencies in how we operate as a Group.

As a modern, open, and progressive business, our aim is to attract, retain and develop a diverse range of talent. Our people strategy is at the heart of our business and together with the formation of Executive Committee (Ex Co) as a high-performing senior leadership team, it will allow us to continue to build on our positive culture and our strong operational record.

Henry Boot celebrates its 135th anniversary this year and we are proud of our heritage. We have grown over the years with a clear culture of looking after our people and stakeholders, and in return, levels of team engagement within the business are very high. We understand the need for further commitment to deal with issues at the heart of ESG. We have also launched 135 Henry Boot, phase one of our ESG approach, which will be an integral part of the Group's strategy going forward.



Read more about our three core markets on pages 22 to 25

Segmental Review
Land Promotion

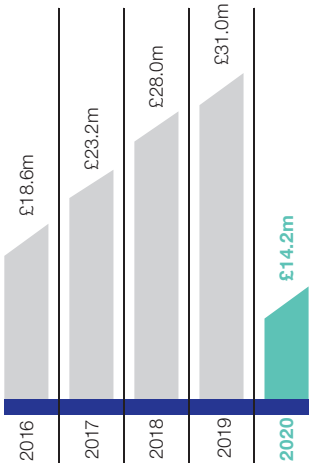
Nick Duckworth
Hallam Land Management Limited

HLM performed well, achieving a £14.2m operating profit (2019: £31.0m) from selling 2,000 plots (2019: 3,427 plots), at an average of £6,456 per plot (2019: £10,000 per plot).

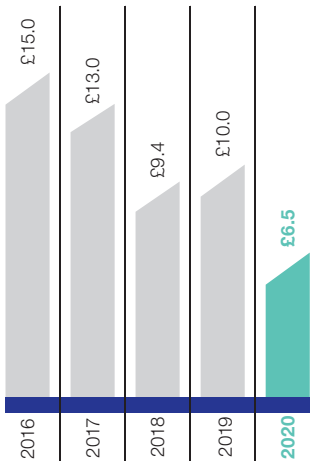
During 2020, UK greenfield land values remained relatively stable with a decline of 0.6% in the year according to Savills Research. After suspending land buying in H1, the majority of the major national and regional housebuilders re-entered the market in H2 with land values increasing by 0.3% in Q4. This followed a strong recovery in new housing sales, leading to continued demand for our land, where encouragingly we received bids at pre-CV-19 prices.

In 2020, disposals were made at various locations including, Wellingborough (600 plots), Lubbesthorpe (258 plots), Hatfield (189 plots), Ripley (200 plots) and Warton (109 plots). In addition, we also sold land in Buckingham for a Care Home and Doctors' Surgery, and in Faversham for a Care Home and food store. Later in the year, we also disposed of an interest in a joint venture site in the Midlands, which made a major contribution to HLM's performance.

Operating profit
£14.2m



Profit per plot £'000s
£6.5k



Significant strides forward were achieved at Didcot with Oxfordshire County Council securing an important infrastructure funding package which enabled it to reaffirm its support for our 2,170-plot scheme. We are hopeful that the final planning consent will be secured in 2021. Furthermore, we continued to make good progress at Eastern Green, Coventry where in November a resolution to permit planning permission was secured for 2,400 plots, 37 acres of commercial development, plus a primary school and community centre. This scheme requires a grade separated junction on the A45 to effect access, and a loan from the Homes and Infrastructure Fund (HIF) has been secured, with delivery expected during 2021/22.

HLM secured further opportunities in its land bank during the year, increasing it to 16,607 acres (2019: 14,898) with just under 60% located in prime market areas in the Midlands and the South of England. Exciting new projects were secured including at Bicester with potential for *c.*2,300 plots, community centre and ancillary uses, Milton Keynes, Thirsk, Selby, Worksop, New Ash Green and Whitstable. In total, we invested £10m on acquiring positions in new sites and at the year-end held interests in land capable of delivering just over 88,000 potential residential plots.

Region	Plots
Scotland	8,855
North	7,260
North Midlands	20,929
South Midlands	17,646
South East	11,782
South West	21,598
Total	**88,070**

The pandemic did slow the preparation of local plans which, in turn, slightly delayed some projects, as local authorities were unable to process plans through to publication and public consultation. Nonetheless, planning authorities transitioned to virtual Committee meetings during the year, allowing HLM to continue to make progress on planning applications.

We secured new planning consents (or consents subject to s106 Agreements) for a total of 2,708 plots during the year, which resulted in our consented portfolio increasing to 15,421 plots at the year-end (2019: 14,713 plots) and we also had 8,312 plots the subject of planning applications (2019: 10,665 plots). By the year end, our housebuilder customers had returned to the acquisition trail, so that we entered 2021 with 1,744 plots unconditionally exchanged for 2021/22 completion (2019: 1,268 plots).

Pictured top: Hallam Land Management's New Lubbesthorpe site, located in the Blaby District on the edge of Leicester. The site has planning permission for 4,250 plots, schools, community facilities and employment, and Hallam have promoted the site alongside Barratt, David Wilson, Davidsons and landowners the Drummond Family and Trustees. A further sale of 258 plots were completed in 2020.

Residential Land Plots

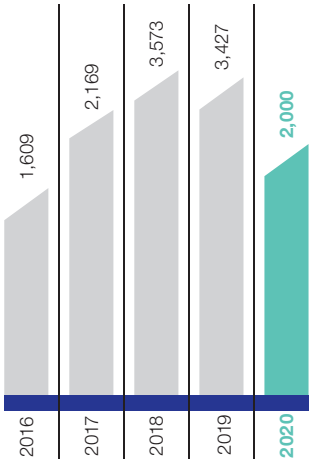
	With Permission						
	b/f	Granted	Sold	c/f	In Planning	Future	Total
2020	**14,713**	**2,708**	**(2,000)**	**15,421**	**8,312**	**64,337**	**88,070**
2019	16,489	1,651	(3,427)	14,713	10,665	51,766	77,144
2018	18,529	1,533	(3,573)	16,489	11,929	44,051	72,469
2017	16,417	4,281	(2,169)	18,529	7,982	40,844	67,355
2016	12,043	5,983	(1,609)	16,417	10,452	32,630	59,499

At Chatteris (1,000 plots), which previously had received a minded to grant permission, we signed the s106 and secured outline planning consent. Bridport, which also had previously achieved Outline Planning Consent, cleared a Judicial Review in relation to our 760 plot and 10-acre commercial scheme, this site now being the subject of sale negotiations. Planning applications covering a further 1,171 plots were also submitted during the year.

2021 has started well. In addition to the 1,744 plots exchanged, we have also unconditionally exchanged 450 plots at Worcester to Taylor Wimpey and Redrow, and completed the disposal of 115 plots at Warton, Fylde. During January 2021, the Government published its next steps on the enhancement of Building Regulations, the Future Homes Standard, and this will doubtless feature in future land negotiations. Nevertheless, as evidenced by our Worcester transaction where returns were in line with expectations, plus the high element of forward sales, we are confident about our prospects for 2021.

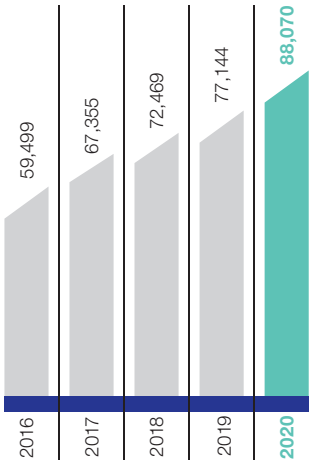
Plots sold

2,000



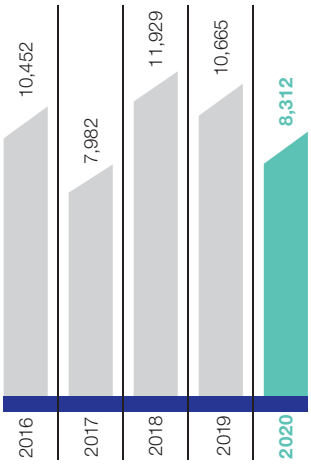
Residential land plots

88,070



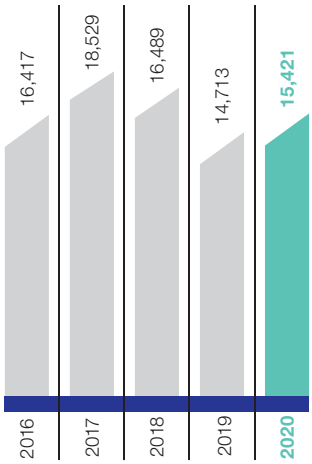
Plots in planning process

8,312



Plots with planning permission

15,421



Segmental Review
Property Investment and Development

Edward Hutchinson
Henry Boot Developments Limited

Darren Stubbs
Stonebridge Homes Limited

Property Investment and Development delivered a combined operating profit of £4.9m (2019: £17.8m).

In 2020, there was an acceleration in the recent divergence in property market performance with non-food retail and leisure assets severely impacted by trading restrictions for much of the year. According to the CBRE UK Monthly Index, commercial property values declined by 7.6% in 2020. Industrial was the only sector to deliver positive capital returns with investors attracted by secure income and continued rental value growth.

In 2020, Henry Boot Developments completed on developments with a GDV of £58m (Henry Boot Developments share £55m), with £41m of these schemes having been sold and £17m having been let and retained in the Group's investment portfolio. Industrial & logistics development formed 90% of our completed schemes and despite the pandemic, the UK market experienced high demand throughout 2020 with record annual take up. We have responded to this demand by committing to speculatively develop a total of 206,100 sq ft at Luton, Preston and Enfield. Additionally, we exchanged contracts on two new projects Phoenix 10; Walsall, which has the potential to deliver industrial and logistic units ranging from 21,000 to 415,000 sq ft, and Wakefield Hub, to jointly develop a 2,000,000 sq ft occupier led distribution depot, which is subject to planning.

In total, the committed development pipeline includes nine schemes with a GDV of £312m (Henry Boot Developments share £85m) and 2,611,000 sq ft, of which 88% is either pre-sold or pre-let. This includes our 533-unit BTR scheme in Manchester known as Kampus, which is due for completion in Q3 2021 as well as approximately £67m (Henry Boot Developments share £52m) of new industrial & logistics space. All of the schemes are either already on site or are expected to commence in Q1 2021 and are all due for completion before the end of 2021.

Committed Schemes

Scheme	GDV (£m)	Share of GDV (£m)	Commercial (sq ft)	Residential (units)	Status
Industrial					
Enfield	16	8	56	–	Speculative
Markham Vale, Orion	22	22	297	–	Pre-sold
Wakefield Hub, Kitwave	8	4	65	–	Pre-let
Preston	7	4	67	–	Speculative
Luton	14	14	82	–	Speculative
	67	52	567	–	
Residential					
Manchester, Kampus	216	11	44	536	Pre-sold
	216	11	44	536	
Land and other					
Wakefield Hub, Mountpark	15	8	2,000	–	Pre-sold
Skipton,	14	14	–	184	Pre-sold
	29	22	2,000	184	
Total for year	**312**	**85**	**2,611**	**720**	
% sold or pre-let	**88%**	**69%**			

Despite the challenges of CV-19, we have been successful in securing a number of new development opportunities. We have acquired sites at Mabgate in Leeds and St John's College in Manchester for a combined price of £12.6m with existing buildings of 60,000 sq ft and 27,000 sq ft respectively. Both sites are fully occupied and offer good short-term income returns whilst providing excellent medium-term redevelopment opportunities in strong urban regeneration settings. Adding to our industrial & logistics pipeline we have secured a position on 83 acres of land at Todwick just off J31 of the M1. The site has been secured under a promotion agreement with a view to creating over 1,000,000 sq ft of space, with a GDV of approximately £90m.

In addition to our committed schemes, we have a short to medium-term development pipeline with a total GDV of £1.4bn (Henry Boot Developments share - £1.1bn). All of these opportunities sit within our three core sectors of industrial & logistics (78%), urban residential (11%) and urban commercial (11%). The immediate focus on our development pipeline will be to commence remediation works at Phoenix 10, Walsall, capable of delivering 620,000 sq ft of industrial space and starting construction of our 95-unit build for sale residential scheme in Birmingham known as Cornwall House. At Wakefield Hub, we have submitted a joint application with our development partner to develop a 2,000,000 sq ft unit that will be pre-let prior to start on site, which we anticipate commencing on site in Q3 this year. Also, on this scheme post year-end, we will deliver a 260,000 sq ft pre-let industrial unit on behalf of a German pharmaceutical company. Subject to securing planning in mid-2021, work is expected to start on site in the second half of 2021 with the total GDV in excess of £30m.

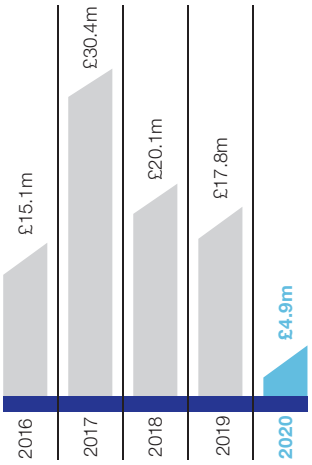
Having successfully sold the majority of the retail assets from our investment portfolio in 2019, we have made further progress against our revised strategy. The year-end value of the portfolio was £82.7m (2019: £70.0m), which reflected a modest 2.3% valuation decline on a like-for-like basis, outperforming the CBRE monthly index (-7.6%). The increase was principally as a result of retaining two completed assets amounting to £17.0m pre-let at Eden Farm, Luton (73,500 sq ft industrial unit) and Huyton (19,000 sq ft foodstore). Rent collection finished the year at 88% with the portfolio weighted average unexpired lease term now 12.9 years. Occupancy was at 84% as at 31 December 2020, although this has subsequently increased to 94% following post period end lettings at Blake House, Uxbridge and MV55, Markham Vale. We are confident of being able to continue to grow the investment portfolio from both retained developments and selective acquisitions with the objective of increasing the overall value to around £100m in 2021 and to approximately £150m over the medium term with a continued focus on the industrial & logistics sector.

Our jointly owned housebuilder, Stonebridge Homes, had a successful year, performing ahead of targets after achieving 115 house completions (90 private/25 affordable) (2019: 159), at an average selling price for private units of £368k (2019: £268k). As many households re-evaluated their housing needs, there was high demand from house buyers in H2 and we maintained a strong sales rate of 0.61 units per week per site over the year. Excluding April and May, when we temporarily closed all our construction sites and sales centres, the sales rate rises to 0.71. A price uplift of 2.7% was achieved over anticipated budget prices on the 90 private units sold in the year. We also secured a further 211 plots in the land bank including a key site in Wakefield in December, which has outline planning permission for 149 plots. The total owned and controlled land bank is now 1,119 plots, which at the current sale rates is a ten-year supply or four to five years supply, at our two-year forward forecast sales rate.

We begin 2021 in good shape and, to date, have secured 69 reservations (40 private/29 affordable) out of a delivery target of 120 plots (75 private/45 affordable). With home reservations currently running ahead of the comparable period last year, we continue to see positive signs that the market remains stable, leaving Stonebridge positioned to perform well and achieve its growth aspirations.

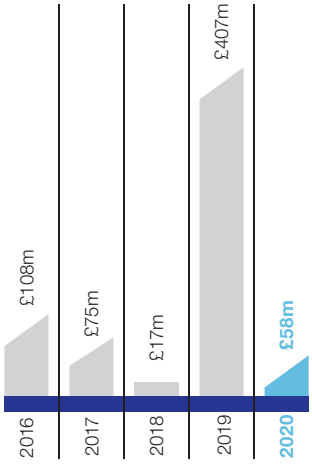
Operating profit

£4.9m



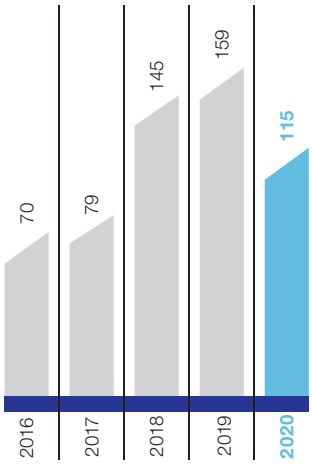
Completed developments GDV

£58m



Stonebridge Completions

115



Pictured top: Located in Manchester city centre, Kampus is a £250m BTR scheme. The site, is comprised of apartments, shops, restaurants and bars, and is set to complete in 2021.

Segmental Review
Construction

Simon Carr
Henry Boot Construction Limited

Giles Boot
Banner Plant Limited

Trevor Walker
Road Link (A69) Limited

Despite the challenging operating environment, the Group's construction segment, which also includes Banner Plant and Road Link (A69), achieved a combined operating profit of £6.5m (2019: £9.0m).

Henry Boot Construction performed ahead of expectations, with turnover of £86.2m (86% in public sector), against a total UK construction output decrease of 12.5% in 2020. The Office for National Statistics showed a record 40.7% monthly decline in April 2020, UK construction activity recovered during the remainder of the year with December 2020 output only 3.5% below the pre-CV-19 February 2020 level. These national trends were broadly reflected in both Henry Boot Construction and Banner Plant where, after a brief pause due to the first national lockdown, year-end activity levels had both recovered to 95%.

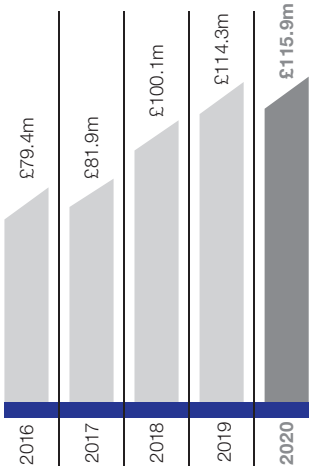
Our major £88.0m urban development scheme at The Glass Works, Barnsley, continued to progress at pace and is on schedule for handover this summer and works also continued on the £12.3m contract to transform the existing Opera North facilities in Leeds city centre, which is set for completion in 2021. Additionally, we signed a £40.0m contract to deliver the Kangaroo Works, a 364-unit residential BTR scheme and began works on a £42.5m mixed use urban development project, Heart of Sheffield, Block H. Both projects are located in the centre of Sheffield and start on site in Q2 2021. Unfortunately, our affordable housing business, Starfish Commercial, was materially impacted by CV-19 and we made the decision to place it into creditors' voluntary liquidation in H2.

Across several public sector frameworks, we completed three schemes with a total contract value of £8.2m, and throughout 2020 were active on a further six schemes at a total contract value of £35.5m. We secured our first project through the PAGABO framework and are taking another scheme through the pre-construction stage. We also secured a place on the new Crown Commercial Services framework in the North of England for projects up to £30.0m and a place on the NHS shared business services framework for projects up to £15.0m across our operational area.

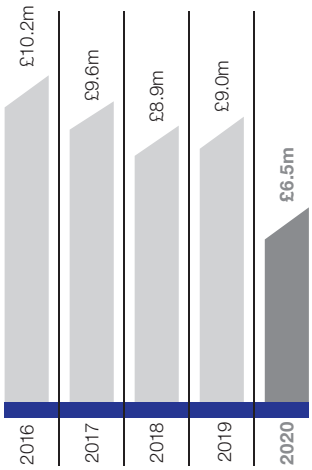
We have had a good start to the year securing new opportunities and are now ahead of our expectations having already secured a full orderbook for 2021. We are still receiving good tender opportunities and are well placed as the economy recovers through our presence on nine public sector national and regional frameworks, where we expect spend on construction projects will be maintained by the Government's Build Back Better policy.

Banner Plant's performance was impacted by the pandemic, but after the initial pause to readjust our operations to CV-19, all the depots continued to trade and remained profitable. With activity levels stabilising towards the end of the year, we are optimistic trading will be in line with our expectations for 2021. Due to CV-19 travel restrictions, Road Link (A69) traffic levels have been impacted resulting in a decrease in returns in 2020 and whilst we expect traffic levels to recover through 2021, we anticipate they will not fully return to pre-pandemic levels. With five years remaining on the contract, the hand back process will commence shortly to return the management of the A69 to Highways England.

Total turnover
£115.9m



Operating profit
£6.5m



Pictured: Kangaroo Works is a build to rent scheme in Sheffield within the 'Heart of Sheffield' masterplan. It will high-quality apartments, as well as five commercial units at ground level to provide active frontage to the streetscape, and is set for completion in 2023.

Financial Review

"The Group has delivered a commendable result against the challenging backdrop of 2020 and, having secured several investments in our key strategic markets, maintained its net cash position."

Darren Littlewood
Group Finance Director

A ROBUST SET OF RESULTS

What we did in 2020

The CV-19 pandemic had a significant impact on the Group's financial performance during the year. However, despite this we remain positive about what we have achieved:

- All operating segments remained profitable despite significant disruption and delays encountered
- Reset the 2020 budget and market expectations following the outbreak of CV-19 and successfully delivered against this target
- Increased the dividend on the prior year
- Maintained the Group's net cash position while securing additional investments in key strategic markets
- Renewed banking facilities on improved terms
- Established a strong order book and pipeline for 2021 and beyond

The Group has delivered a commendable result against the challenging backdrop of 2020 and, having secured several investments in our key strategic markets, maintained its net cash[1] position at the same level at which it commenced the year. UK housebuilders recovered from the initial UK lockdown well and whilst several transactions were secured in H2, they were all contracted to conclude in 2021, resulting in a 54% decrease in operating profit within our land promotion segment, although providing a strong start for the new year. The completion of The Event Complex Aberdeen (TECA) during 2019 gave our property investment and development segment a tough comparative, even without the pause on new work in the year, resulting in a 72% decrease in operating profit for the year.

Having disposed of £64.1m of completed Investment Property in 2019, mainly comprised of mixed-use retail-focused properties, reinvestment in property has started well with the portfolio now standing at £82.7m. This has been achieved through retention of self-constructed properties and, with a £1.4bn (Henry Boot Developments share £1.1bn) pipeline of opportunities, we can continue to retain choice assets and rebuild the portfolio, especially those in the industrial & logistics market.

Land promotion remains a long-term investment with disposals in the year being derived from sites with an average length of ownership of 11 years. With over 15,000 residential plots with planning permission, we estimate that we have around five years of sales in stock working towards disposal and with a total portfolio covering 16,607 acres we estimate that this could deliver around 88,000 units, assuming they were all successful.

Whilst the impact of CV-19 has continued into 2021, we started the year with land sales for 1,744 plots which have either already completed or are exchanged, awaiting completion. We also have committed property development work of £85m, 69% of which is pre-let, and our construction business has a full order book, now focusing on opportunities for 2022 and beyond.

Consolidated Statement of Comprehensive Income

Revenue decreased 41% to £222.4m (2019: £379.7m) as both the property investment and development and land promotion segments saw delays in transactional activity caused by the pandemic. In addition to this, there was lower activity in the property investment and development segment resulting from the completion in August 2019 of the £333.0m TECA project. The land promotion segment disposed of 2,000 plots (2019: 3,427), although this excludes land disposed of via the sale of our interest in a joint venture, which made a significant contribution to profit in H2. Construction segment revenue remained consistent as productivity on sites quickly recovered from the initial national lockdown and the

Summary financial performance

	2020 £'m	2019 £'m	Change %
Total revenue			
Property investment and development	**85.5**	192.2	-56
Land promotion	**21.0**	73.2	-71
Construction	**115.9**	114.3	+1
	222.4	379.7	-41
Operating profit/(loss)			
Property investment and development	**4.9**	17.8	-72
Land promotion	**14.2**	31.0	-54
Construction	**6.5**	9.0	-28
Group overheads	**(8.1)**	(7.5)	+8
	17.5	50.3	-65
Net finance cost	**(0.4)**	(1.2)	-67
Profit before tax	**17.1**	49.1	-65

business continued delivery of The Glass Works Phase 2, an £88.0m urban regeneration scheme for Barnsley Metropolitan Borough Council. Gross profit decreased 50% to £40.5m (2019: £81.0m) and reflects a gross profit margin of 18% (2019: 21%). Administrative expenses decreased by £0.9m (2019: £5.6m increase) despite including a £2.0m impairment of goodwill, as the business took measures to control expenditure levels in the year which included a 50% reduction in staff bonus payments, a 20% cut in salary and fees for main board Directors and participating in the Government CJRS. Following the year end, and having reviewed the Group's result, the Board took the decision to repay the CJRS monies received and to reimburse the 20% deduction from the CEO and the Group Finance Director's salaries to reflect the position that everyone at Henry Boot experienced in receiving 100% of their salaries whilst at work and on furlough.

Pension expenses of £4.6m (2019: £4.5m) are in line with the prior year charge. Since the year-end, the Group has commenced consultation with active members of the defined benefit pension scheme with a view to closing the scheme to future accrual.

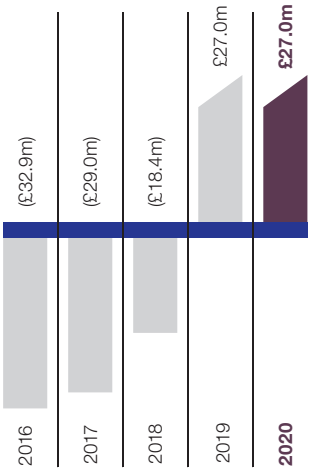
Property revaluation gains of £1.3m (2019: gains of £2.4m) were the net effect of uplifts of £5.7m (2019: £5.6m) generated largely from increases in the fair value of industrial assets, arising from the re-gearing of existing leases and completion of assets under construction, offset by the recognition of valuation deficits of £4.4m (2019: £3.2m) on a number of other properties, most notably retail-focused mixed-use assets.

Profit on disposal of joint ventures and subsidiaries of £7.4m (2019: £nil) includes the disposal of our 50% interest in a joint venture entity in our land promotion segment, which gave rise to a profit of £6.2m. In addition to this, Starfish Commercial Limited, a subsidiary in the construction segment, was placed into creditor's voluntary liquidation giving rise to a book profit on disposal of £1.2m.

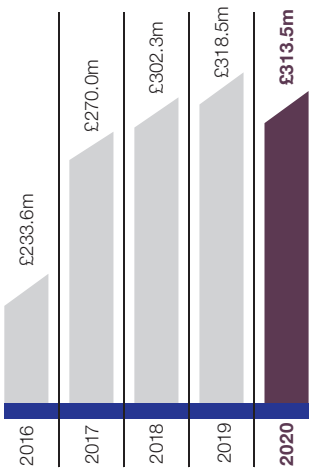
Overall, operating profits decreased by 65% to £17.5m (2019: £50.4m) and, after adjusting for net finance costs, we delivered a profit before tax of £17.1m (2019: £49.1m).

The segmental result analysis shows that property investment and development produced a reduced operating profit of £4.9m (2019: £17.8m) arising from industrial developments at Markham Vale, Luton, Southend and Sunderland, offset by rent concessions (rent collection standing at 88% for the year) and a £2.4m loss of rent on investment

Net cash[1]/(debt)
£27.0m



Net assets
£313.5m



Financial Review

property sales made in the prior year. Land promotion operating profit decreased 54% to £14.2m (2019: £31.0m) as we disposed of 2,000 residential plots during the year (2019: 3,427). Construction segment operating profits decreased to £6.5m (2019: £9.0m) as productivity levels were affected by the pandemic and reduced road traffic volumes impacted the Road Link (A69) PFI concession. The nature of deal-driven property and land promotion businesses, dependent upon demand from the major UK housebuilders, reliant on the UK planning regime and dependent upon market confidence are demonstrated in the movements within our mix of business streams. However, we continue to show how the benefits of a broad-based operating model allow us to dampen the impact in these cyclical markets during challenging times. While 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 £3.4m (effective rate of tax: 20%) (2019: £9.6m and effective tax rate: 20%) and is higher than the standard rate due to impairment of ineligible goodwill and a dry tax charge on transfer of an asset from inventory to investment property offset by joint venture profits presented net of tax (2019: capital gains on the disposal of investment property). We currently have a £1.6m unrecognised deferred tax asset (2019: £2.1m), which can be utilised to offset future capital gains if they arise. Current taxation on profit for the year was £3.1m (2019: £9.3m), broadly in line with the standard rate of corporation tax. Deferred tax was £0.3m (2019: £0.3m).

Earnings per share and dividends

Basic earnings per share reduced 68% to 9.0p (2019: 28.3p) in line with the reduction in profit for the year. Following a rebasing in 2019, total dividend for the year increased 10% to 5.50p (2019: 5.00p), with the proposed final dividend increasing to 3.30p (2019: 1.30p), payable on 28 May 2021 to shareholders on the register as at 30 April 2021. The ex-dividend date is 29 April 2021.

Return on capital employed ('ROCE')

Lower operating profit in the year saw a reduced return on capital employed ROCE[2] of 4.9% in 2020 (2019: 14.8%). While the current return is impacted by the global pandemic, we continue to believe that a target return of 10–15% is appropriate for our current operating model and the markets in which we operate. We will continue to monitor this important performance measure over the business cycle, given the potential for market conditions to change quickly.

Finance and gearing

Net finance costs reduced to £0.4m (2019: £1.2m), helped by the Group's net cash surplus. We saw a significant shift from having net debt of £18.4m to net cash of £27.0m in 2019 and have maintained this cash reserve throughout 2020 ending the year as we started with £27.0m. We anticipate that interest costs will remain low through 2021 as we look to redeploy our current net funds during the year in line with our revised strategy.

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 13 times (2019: 33 times). No interest incurred in either year has been capitalised into the cost of assets.

Our agreed banking facilities were renewed on 23 January 2020 increasing to £75.0m from £72.0m. The facility includes an additional accordion facility of £30.0m, which can be called upon at the Group's request. The new facility with Barclays Bank PLC, HSBC UK Bank plc and National Westminster Bank Plc runs for three years and includes two one-year extensions, allowing the Group to extend the facility to 23 January 2025, on the same terms, subject to agreement by the banks. On 19 January 2021 the banks agreed to the Group request to exercise the first of these extensions extending the facility to 23 January 2024. These facilities remain undrawn at 31 December 2020 and 31 December 2019.

2020 year-end net cash[1] was £27.0m (2019: net cash £27.0m) resulting in the Group having no gearing (2019: no gearing). Total year-end net cash includes £2.9m (2019: £2.9m) of Homes and Communities Agency (HCA) funding, which is repayable from the future sale of residential units. All bank borrowings continue to be from facilities linked to floating rates or short-term fixed commitments. Throughout the year, we operated comfortably within the facility covenants and continue to do so.

Cash flow summary

	2020 £'m	Restated 2019 £'m
Operating profit	**17.5**	50.4
Depreciation and other non-cash items	**(5.1)**	1.1
Net movement on equipment held for hire	**(1.0)**	(2.3)
Movement in working capital	**9.7**	(27.7)
Cash generated from operations	**21.1**	21.5
Acquisition of subsidiary	**—**	(0.2)
Net capital (investment)/disposals	**(9.5)**	52.9
Net interest and tax	**(6.8)**	(9.3)
Net dividends	**(3.6)**	(15.1)
Other	**(1.2)**	(4.4)
Change in net cash[1]	**—**	45.4
Net cash/(debt) brought forward	**27.0**	(18.4)
Net cash carried forward	**27.0**	27.0

During 2020, cash generated from operations amounted to £21.1m (2019: £21.5m) after net investment in equipment held for hire of £1.0m (2019: £2.3m), and cash generated by a net reduction in working capital of £9.7m (2019: £27.7m increase). Our decrease in working capital arises from collection of deferred land receipts relating to strategic land sales offset by continued investment in our house building land portfolio, property developments in progress and strategic land interests.

Net capital investment of £9.5m (2019: net disposals of £52.9m) arose from additions to investment property and property, plant and equipment of £12.9m (2019: £16.1m), which were offset by disposals of investment in property development, property, plant and equipment and joint ventures of £3.4m (2019: £69.0m).

Net dividends paid, totalled £3.6m (2019: £15.1m), with those paid to equity shareholders of £4.6m (2019: £12.6m) decreasing by 63% and, dividends to non-controlling interests of £1.2m, being offset by dividends received from joint ventures during the year of £2.2m (2019: £nil).

After net interest and tax of £6.8m (2019: £9.3m), there was no overall movement in net cash (2019: reduction £45.4m), resulting in net cash of £27.0m (2019: £27.0m).

Statement of financial position summary

	2020 £'m	2019 £'m
Investment properties and assets classified as held for sale	**82.7**	70.0
Intangible assets	**4.3**	6.8
Property, plant and equipment, including right-of-use assets	**25.9**	28.1
Investment in joint ventures and associates	**5.8**	6.6
	118.7	111.5
Inventories	**200.8**	169.7
Receivables	**85.6**	127.1
Payables	**(89.6)**	(98.5)
Other	**7.4**	4.7
Net operating assets	**322.9**	314.5
Net cash[1]	**27.0**	27.0
Retirement benefit obligations	**(36.4)**	(23.0)
Net assets	**313.5**	318.5
Less: Non-current liabilities	**51.4**	34.1
Capital employed	**364.9**	352.4

Investment properties increased in value to £82.7m (2019: £70.0m), following the construction and retention of an industrial asset at Luton and a retail asset at Huyton.

Intangible assets reflect the Group's investment in Road Link (A69) of £2.7m (2019: £3.0m) and goodwill of £1.6m (2019: £3.9m). 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 Highways England at the end of the concession period in 2026. Goodwill decreased in the year, following the Board's decision to place Starfish Commercial Limited, a company in the construction segment, into creditors voluntary liquidation resulting in an impairment of £2.0m.

Property, plant and equipment comprises Group occupied buildings valued at £6.9m (2019: £7.5m) and plant, equipment and vehicles with a net book value of £19.0m (2019: £20.6m), including £2.1m (2019: £6.1m) of right-of-use assets under IFRS 16. Property, plant and equipment, along with right-of-use assets, have decreased slightly as new additions of £3.6m (2019: £6.7m) are offset by disposals and the depreciation charge for the year. Right-of-use assets have decreased in the year as the Group used excess cash to settle outstanding finance lease obligations.

Investments in joint ventures and associates reduced to £5.8m (2019: £6.6m) following a dividend distribution of £2.2m. We continue to undertake property development projects with other parties where we feel there is a mutual benefit. We anticipate that these opportunities will continue to increase as we finalise several schemes with interested parties partnering with us to utilise our development expertise.

Inventories were £200.8m (2019: £169.7m) and saw an increase in our house-builder land and work in progress to £39.2m (2019: £36.3m) as we continue to invest in land, and having carried 49 reservations (24 private/25 social) into 2021. Property inventory increased to £44.4m (2019: £31.7m) having invested in short-term income generating assets in Leeds and Manchester with medium-term development opportunities and strategic land inventory increased to £117.2m (2019: £101.7m) as we continue to invest in owned land and land interests held under agency agreements at a lower capital cost. Inventories are held at the lower of cost or net realisable value, in accordance with our accounting policy and, as such, no uplift in value created from securing planning permission is recognised within our accounts until disposal.

Receivables decreased to £85.6m (2019: £127.1m) due to a decrease in transactional activity. Deferred payment receivables remain a function of the number and size of strategic land development schemes sold, and levels of construction contract activity undertaken.

Payables decreased to £89.6m (2019: £98.5m) with trade and other payables broadly in line with the prior year, provisions decreasing to £5.9m (2019: £7.0m) as strategic land provisions are utilised, contract liabilities decreasing to £7.4m (2019: £9.9m), arising from payments received for work not yet undertaken, and current tax liabilities decreasing to £1.1m (2019: £4.7m) due to changes in the HMRC payment regime.

Net cash[1] included cash and cash equivalents of £42.1m (2019: £42.3m), borrowings of £12.9m (2019: £10.7m) and lease liabilities of £2.2m (2019: £4.6m). In total, net cash remained at £27.0m (2019: 27.0m).

At 31 December 2020, the IAS 19 pension deficit relating to retirement benefit obligations was £36.4m, compared with £23.0m at 31 December 2019, adversely affected by a reduction in the discount rate applied to future liabilities to 1.4% (2019: 2.0%). 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 from ISIO.

Overall, the net assets of the Group decreased by 2% to £313.5m (2019: £318.5m) from retained profits offset by the increase in retirement benefit obligations and distributions to shareholders. Net asset value per share[3] decreased 2% to 235p (2019: 239p).

Darren Littlewood
Group Finance Director

16 April 2021

1. Net cash is an APM (alternative performance measure) and is reconciled to statutory measures in note 33 to the financial statements.
2. ROCE is calculated as operating profit divided by average total assets less current liabilities.
3. Net Asset Value per share is an APM and is defined using the statutory measures net assets / ordinary share capital.

Key Performance Indicators

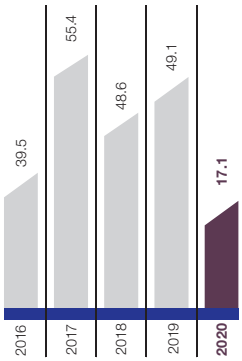
The KPIs listed below are measurements against the Group's 2020 strategy performance.

Financial KPIs

1

Profit before tax

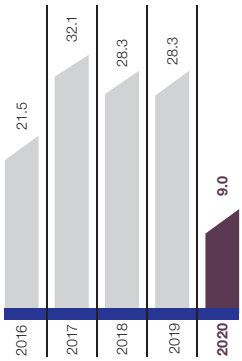
£17.1m



2

Earnings per ordinary share

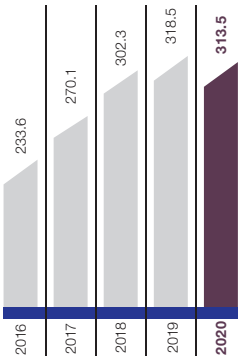
9.0p



3

Net assets

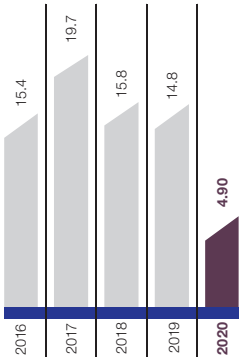
£313.5m



4

Return on capital employed

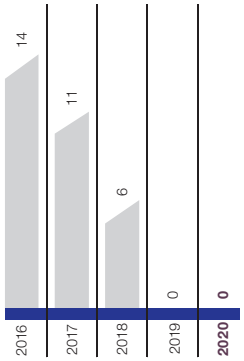
4.90%



5

Gearing levels

nil%

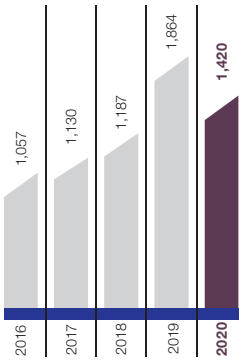


Non-financial KPIs

6

Personal development days

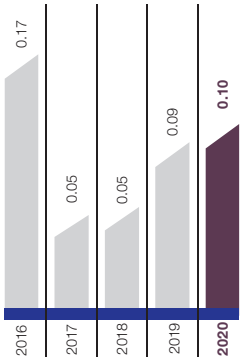
1,420



7

Accident frequency rate

0.10

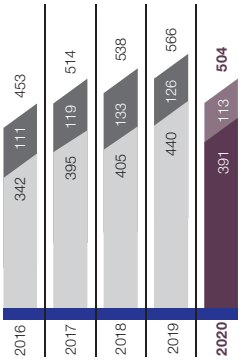


8

Employee profile

Female
Male

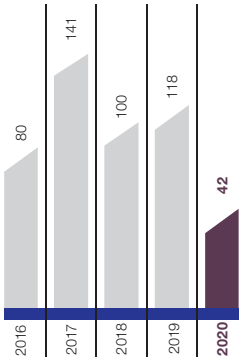
504



9

Employee intake

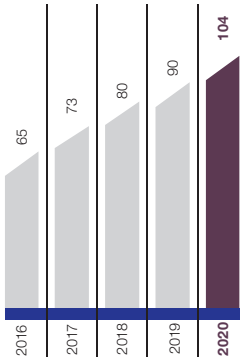
42



10

Employee turnover

104



Operational segmental KPIs

LAND PROMOTION

L1 Profit before tax
▼ £14.0m
56% decrease

L2 Land portfolio
▲ 16,607 acres
11% increase

L3 Plots with planning permission
▲ 15,421
5% increase

L4 Plots submitted for planning permission
▼ 8,312
22% decrease

L5 Profit per plot
▼ 6,456
35% decrease

L6 Plots sold
▼ 2,000
42% decrease

Read the **Land promotion review** on page 32

PROPERTY INVESTMENT AND DEVELOPMENT

D1 Total revenue
▼ £85.5m
56% decrease

D2 Profit before tax
▼ £5.6m
58% decrease

D3 Committed GDV
▼ £85.0m
21% decrease

D4 Henry Boot Developments pipeline GDV
▶ £1.1bn
-

D5 Proportion of pre-sold/ forward funded
▲ 100%
9% increase

D6 Number of plots sold (SH)
▼ 115 plots
28% decrease

D7 Number of plots in portfolio (SH)
▲ 1,119 plots
9% increase

Read the **Property investment and development review** on page 34

CONSTRUCTION

C1 Total revenue
▲ £115.9m
1% increase

C2 Profit before tax
▼ £6.7m
29% decrease

C3 Average contract size won
▼ £13.6m
9% decrease

C4 Constructing excellence – service score
▲ 9.13
4% increase

Read the **Construction review** on page 36

Our Response to CV-19

THE SAFETY AND WELFARE OF ALL STAKEHOLDERS HAS BEEN A KEY PRIORITY

Overview

Throughout the pandemic, the Group's key priority has been the safety and welfare of our people, our customers, our supply chain, and the communities in which we operate. In March 2020, the Group paused activity on construction sites and depots to ensure the correct safety procedures were installed. Since then, all of the Group's businesses have remained operational, collaborating closely with industry bodies such as the CLC, NFB, CBI and UK Government Ministers to ensure that our services continue safely. The business also made various adjustments in response to support the Group and to protect its strong financial position during the pandemic, aiming to treat all stakeholders fairly.

Coronavirus Committee

In response to the initial outbreak of CV-19, the Group set up a Coronavirus Committee to develop an action plan to ensure the business adapted to the pandemic and protected the welfare of employees and stakeholders. The committee has representatives from all the Group and continues to meet weekly to assess Government guidance and to provide regular updates to our employees.

Board's oversight

The Board took all of the Group's stakeholder requirements into consideration when making decisions to protect Henry Boot's strong position. The Board has constantly fed into the Coronavirus Committee's action plan and continued to liaise regularly with our people through the Group Employee Forum.

Read more about the **Board's response to CV-19** on page 82

CV-19 timeline

(31 December 2019–2020)

PHASE 1: FIRST WAVE

28 Feb: UK confirms first case of the illness passed on inside the country, and the global stock markets have their worst week since the 2008 financial crisis.

11 Mar: WHO declares the virus a pandemic.

PHASE 2: FIRST UK LOCKDOWN

23 Mar: UK lockdown measures announced.

20 Apr: UK lockdown measures extended by three weeks.

PHASE 3: EASE OF LOCKDOWN

10 May: Plans for the easing of lockdown announced.

26 May: The WHO warns of 'second peak' as countries begin to ease lockdowns.

PHASE 4: SECOND WAVE

8 Sept: UK bans gatherings of more than six people over fears about a second wave.

12 Oct: UK announces a new three-tier system for CV-19 restrictions in England, with many regions in the North of England immediately entering the higher tiers of restrictions.

19 Oct: Wales announces two week 'firebreak' lockdown.

PHASE 5: SECOND UK LOCKDOWN

The leaders of the UK's four nations agree on plans for Christmas that will allow three households to meet up indoors and outdoors for five days from 23 to 27 December.

26 Nov: England's new tier system is announced, to come into force on 2 December.

2 Dec: The UK becomes the first country in the world to approve the Pfizer/BioNTech CV-19 vaccine.

PHASE 6: THIRD UK LOCKDOWN

The Government announce that England will enter a third lockdown from 5 January, with similar restrictions to the first lockdown in March 2020, including school closures to all pupils except from children of keyworkers and vulnerable children.

Our response to CV-19

As a business, we have had to respond to the ever-changing situation. Our response both internally and externally has been coordinated by the Group's Coronavirus Committee, whose priority has been to protect our stakeholders and maintain the Group's strong position.

PHASE 1: FIRST WAVE

Description

- Coronavirus Committee formed, comprised of employees from across the Group, to react to the changing situation and protect the welfare of stakeholders.
- Early precautions were taken, increased measures in all offices, sites and depots to prevent the spread of the virus. Sanitising stations, signage and less touchpoints.
- Updates were regularly provided to employees, specifically to advise employees not to attend face-to-face meetings or gatherings, and to avoid unnecessary travel.

PHASE 2: FIRST UK LOCKDOWN

Description

- All of the Group's office network closed and the business made a quick decision to pause activity on all construction sites and close depots, except where essential work or supplies were being delivered to the NHS.
- Collaborated closely with industry bodies such as the CLC, NFB, CBI and UK Government Ministers to ensure the correct safety procedures were in place once operations resumed.
- To protect the Group's strong financial position and to preserve cash, the Board made the decision to pay a reduced final 2019 dividend, awarded only half of all awarded bonuses and reduced PLC Board pay by 20%.
- Supported the NHS Nightingale Hospital programme, after a unit at our joint venture development scheme, the International Advanced Manufacturing Park, was selected for conversion into a temporary hospital.

PHASE 3: EASE OF LOCKDOWN

Description

- All construction sites and depots resumed activity at reduced output, working to the Henry Boot and CLC Site Operative Procedures (SOP).
- The Group began a phased reopening of offices at a limited capacity. New operating procedures for each office location were implemented, and all employees were required to be inducted back into the office.
- CEO Tim Roberts and the Coronavirus Committee delivered a webinar to all employees. It provided an update on the Group's situation, outlined the changes caused by CV-19.
- The Company's 100th AGM was delivered remotely for the first time in Henry Boot's history.

PHASE 4: SECOND WAVE

Description

- In line with Government advice, reduced the office capacity number to essential employees only and made it mandatory for employees to work from home if possible, in their job role.

PHASE 5: SECOND & THIRD UK LOCKDOWN

Description

- After the announcement of the second lockdown the Group office network closed down but construction sites and depots remained open, adhering to the Henry Boot and CLC Site Operative Procedures (SOP) in place.
- Several first aiders within the Group volunteered in supporting the NHS roll out of the Coronavirus vaccine.

PHASE 6:

Description

- After the announcement of the third lockdown in January 2021 the Group office network remained closed. However, Henry Boot carried on after the Government confirmed that construction and housebuilding activities were able to do so during this lockdown.
- Work from home where possible mandate remained in place.

Beyond 2020

In January 2021 the UK entered a third lockdown after a severe increase in CV-19 infections rates. The Government did however confirm that construction and housebuilding activities should continue during the latest CV-19 lockdown, allowing Henry Boot to carry on, in line with CV-19 secure guidelines, delivering a high-quality service to its customers and the communities in which it operates.

CV-19 will remain an important focus and there are clearly still challenges to face but, with the correct safety procedures in place, we are confident we can continue operating in a safe manner.

Section 172(1) Statement

CONSIDERING STAKEHOLDERS IN DECISION-MAKING

Our approach

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

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

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

Our strategy as contained at pages 30 and 31 considers very carefully the interests and needs of a number of our key stakeholders in the context of many macro trends. The needs of our customers, for example, are a key driver to shape the focus of our strategic approach, and alongside this the requirement for support of our most important resource – our people – plays a large part in the Board helping to guide the business in achieving its strategic aims.

As we explain in our Governance Report "How the Board engages with stakeholders" (page 88), we think carefully about the methods of engagement both directly with stakeholders and in the form of information flow to the Board from subsidiaries, the Executive Committee and others about stakeholder views and issues.

It is the aim of our Board and its Committees to always 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.

Board information

- Leadership and management receive training on Directors' duties to ensure awareness of the Board's responsibilities
- Our Board and senior leaders continually engage with stakeholders (Set out stakeholder engagement section on pages 88 to 89)
- Board papers on Reserved Matters include consideration of stakeholder interests and relevant information relating to them

Strategic considerations

- s.172 factors considered in the Board's discussions on strategy – for example, ESG considerations (relating to environment, communities and employees in particular) were a strong focus in formulation of ESG Strategy
- Chair ensures decision making is sufficiently informed by s.172 factors
- Links to purpose and vision as well as business model

Board decision making

- Outcomes of decisions assessed and further engagement and dialogue undertaken – see example regarding CV-19 financial response
- Actions taken as a result of Board engagement – see for example the Employee Engagement section on page 86
- Action aligns with our culture, The Henry Boot Way – Integrity, Respect, Delivery, Collaboration, Loyalty and Adaptability

Future developments

- In 2021, the template for all Board papers will include routine s.172 considerations
- Key Performance Indicators linked to Strategy, such as the Employee Net Promoter Score, to be introduced across the Group
- Executive Committee has been reformed and will also factor stakeholders into decision making and matters referred to the Board

Section 172 considerations key

- likely consequences of decisions in the long term
- the interests of the Company's workforce
- the need to foster relationships with suppliers, customers and others
- impact of operations on the community and environment
- high standards of business conduct
- the need to act fairly between members of the Company

Financial response to the CV-19 pandemic

Link to Section 172 considerations

- Acknowledging that whilst the Group achieved a great result in 2019 which deserved recognition and that all employees continued to work hard during the difficult operating conditions of 2020, the Board's decision had to reflect the unprecedented economic position that Henry Boot, like all other companies, faced in dealing with the effects of the pandemic.
- The Board took into account market sentiment regarding the suitability of maintaining payments of dividends and bonuses during extreme market turbulence.
- The Board also considered the necessity of ensuring the preservation of resources required for the long-term sustainable success of the Group when revenues may be affected.

Outcomes and actions

The decision was taken that to maintain the anticipated 2019 bonuses would be challenging, where a proportion of the Group's employees have been furloughed and where the Group had been required to take difficult decisions regarding its cash flow and resulting dividend payments. As a result, half of the anticipated bonus for all employees, including the Executive Directors, was awarded in relation to its 2019 results. The intention was to mirror the experience of shareholders, as dividend levels were reduced such that the total dividend paid in respect of 2019 was half of its anticipated amount. In addition, the Board (both Executive and Non-executive Directors) took a 20% reduction in their base salary or fees (as applicable) for the duration of the most severe impact of the CV-19 pandemic, until October 2020. However, as explained on pages 107 and 108 of the Remuneration Report, the salary deduction to Executive Directors has now been paid, mirroring the experience of furloughed employees whose salaries were topped up to 100%. The outcomes of these decisions have been assessed with various stakeholder groups and have overwhelmingly been supported by those groups as being appropriate and measured actions to take given the prevailing circumstances at the time.

As is also explained within the Director's Remuneration Report on pages 120 to 121, for 2020 the decisions regarding bonus outcomes for Executive Directors have also been taken to be consistent with the approach for that of the wider workforce.

Strategy Day

Link to Section 172 considerations

- The Board considered carefully the shorter term and five-year strategic objectives of the Group, taking into account key areas of focus in light of macro trends and stakeholder requirements.
- The People Strategy was a major component of the Strategy Days, ensuring that the Group is thinking about the best ways to attract and retain its key asset – its people – to deliver its strategy.
- Also important factoring into strategic development was the wider impact of the Group's activities on the environment.

Outcomes and actions

By reformatting its Strategy Day approach for 2020, having two days of discussion (the first of which included the full Executive Committee), the Board has had the opportunity to test out a number of areas of key focus and development for the Group's Strategy from 2021 onwards. The outcomes of this can be seen on our pages on Strategy (page 91). The short and medium-term strategic objectives will be brought to the Board on a quarterly basis for monitoring, in order to ensure continual progression in delivery.

ESG

Link to Section 172 considerations

- The Board has committed to more focused activity in 2020, acknowledging that there was more to be done in relation to addressing concerns of the wider market and stakeholders on ESG issues, and recognising that previous practices did not amalgamate our approach in this area in such a way as to be easily understood.
- Naturally by launching initiatives relating to environmental, social and governance issues, this will focus initiatives on improving the Group's approach to community engagement and environmental impacts.
- Henry Boot's Values have always reflected our desire to be a good corporate citizen, and by launching our Responsible Business Strategy in 2021 the Board can re-emphasise its commitment to those Values in other tangible ways.

Outcomes and actions

The appointment of a Responsible Business Manager during 2020 has been instrumental in assisting Henry Boot to be more strategic around its approach to Environmental, Social and Governance matters, as can be demonstrated in the Responsible Business section (see pages 55 to 65). This has launched a more consolidated approach to ESG issues for 2021, through the first phase of our new Responsible Business Strategy, 135 Henry Boot, and will lead to the launch of phase two of our Responsible Business Strategy in January 2022.

The Board has also confirmed the formation of a new Board Responsible Business Committee. This Committee will provide oversight, scrutiny and leadership on Henry Boot's ESG performance and ambitions.

Risks and Uncertainties

MANAGING OUR RISKS

Effective risk management is essential to the achievement of our strategic priorities. Risk management controls are integrated across all levels of our business operations.

Overview

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

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 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.

Risk appetite

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

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 part of the strategy review process. The Board reviews all principal risks including consideration of how risk exposures have changed during the period and any new risks arising from the risk registers.

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

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

Emerging risks

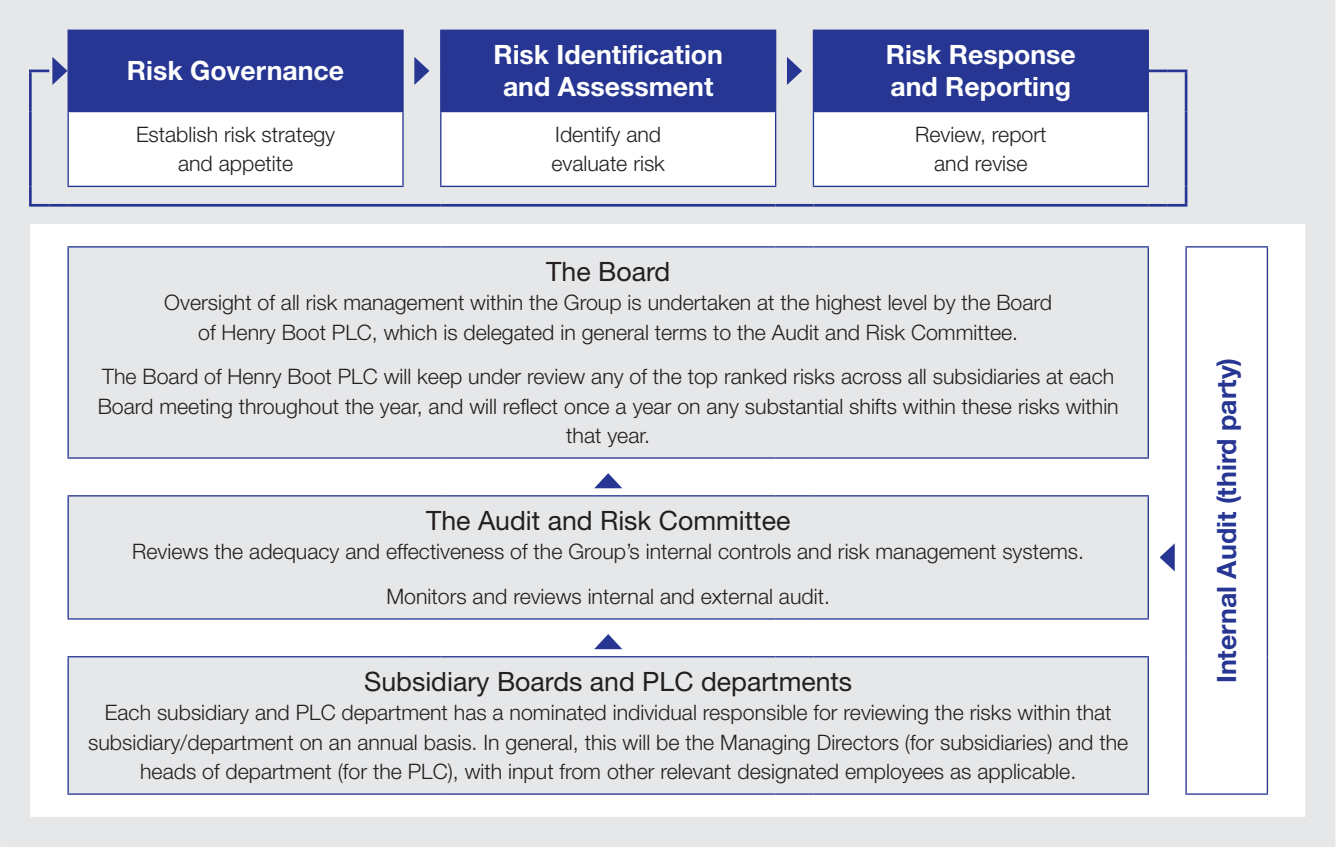
The Group believes that its emerging risks are inextricably linked to emerging trends in our market place and more widely to global events. Such trends include urbanisation, demographics, technology, political and environment. Failure to keep pace with these changes could result in additional risk exposure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

CV-19

The **impact of CV-19** on each risk and the **mitigating actions** adopted in response are detailed on pages 50 to 53

CV-19 was added as a new principal risk in 2021, with the Group establishing mitigation processes to protect the Group and its people. As the impact of the pandemic is now better understood, the principal risk has been removed and embedded into the Group's other principal risks, and given its importance is separately considered against each principal risk presented in this report.

Further detail on our response to CV-19 can be found on page 44 of the annual report with the financial impact considered in the going concern and viability section on page 53 and 54.

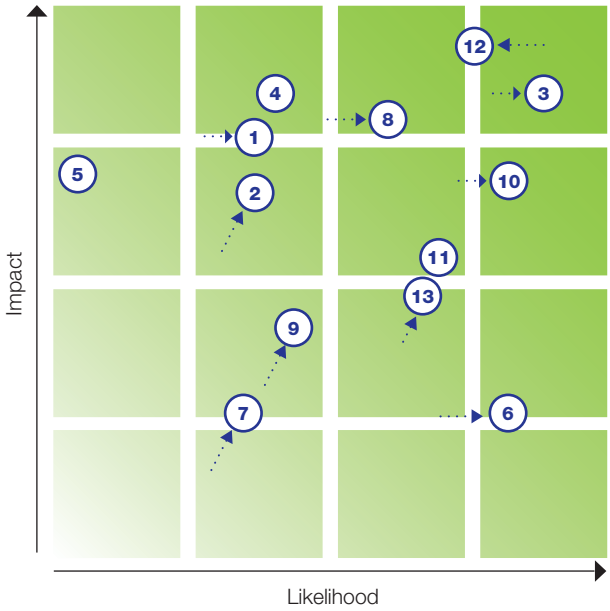


Risk heat map

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

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

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



Our Risks

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

Group risks

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
1 **Safety** Inherent risk within all of our businesses but most notably within construction activity	Ensure sites, depots and offices remain safe and secure environments	▲ The impact of the pandemic and new government guidance and regulations		• Priority consideration at all Group and subsidiary Board meetings • Robust training, policies, procedures and monitoring • Construction operation is OHSAS 18001 approved Health and Safety management system • Internal independent Health and Safety department conducts regular random inspections • Routine Director, senior manager or independent health and safety inspections • CLC guidelines being followed for enhanced safety procedures • Coronavirus Committee established to steer, manage and communicate the Group response
2 **Environmental and climate change** The Group is inextricably linked to the property sector, and environmental considerations are paramount to our success. The legal, financial and reputational damage which can occur from not being compliant all carry significant risk to the Group		▲ Growing relevance and impact of climate change and net zero carbon targets		• The interaction with the environment and the agencies that have an overarching responsibility has to be positive at all times in order to meet our obligations • Construction environmental risk is managed through the operation of an ISO 14001 approved environmental management system • 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 • Responsible Business Manager appointed • 135 Henry Boot project to define policy and strategy • Net Zero Carbon working group established
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	Inability to meet contractual commitments and wider operational delays	▲ Macroeconomic uncertainty		• Strong Statement of Financial Position with no gearing and a long-term shareholder base means that we can ride out short-term economic fluctuations • Different business streams increase the probability that not all of them are in recession at the same time • The City recognises the Group is a cyclical business and understands performance will be affected by economic cycles • Directors and shareholders share a common goal of less aggressive leveraging than some competitors • Banking partners continue to be supportive • CV-19 largely results in delays rather than loss

Key

Change during the year

▲ Increased ▼ Decreased — No change

Group strategic priorities

Safety · People · Delivery · Growth

Read more about **Our New Strategy** on pages 30 and 31

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
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	Negative effects of working remotely on wellbeing and mental health	—		• 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 staff • Succession planning is an inherent part of management process • Regular updates to employees through various channels to keep up to date on CV-19 and its impacts
5 **Funding** The lack of readily available funding to either the Group or third parties to undertake property transactions can have a significant impact on the marketplace in which we operate		—		• The Group has agreed three-year facilities with its banking partners, which run to January 2024 and are backed by investment property assets • A good level of interest from the banks in tendering for the renewed facilities in 2019, facility renewed January 2020 • Detailed cash requirements are forecast up to 15 months in advance, and reviewed and revised monthly • Five-year business plan created as part of strategic review • As a PLC, access to equity funding is available should this be required
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	Increase in cyber threat as people work remotely	▲ Level of remote working		• Employee awareness updates distributed routinely • 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
7 **Pension** The Group operates a defined benefit pension scheme that is closed to new members. While the Trustees have a prudent approach to the mix of both return-seeking and fixed-interest assets, times of economic instability can have an impact on those asset values with the result that the reported pension deficit increases. Furthermore, the relationship between implied inflation and long-term gilt yields has a major impact on the pension deficit and the business has little control over those variables	Negative impact on scheme assumption's in particular the discount rate	▲ CV-19 impact on assumptions		• Operation of Trustee-approved Recovery Plan • While pension schemes are a long-term commitment, regulations require the Group to respond to deficits in the short term • The move out of gilts provides a cushion should interest rates rise • Risk mitigated by move to quoted investments including pooled diversified growth funds • Treat pension scheme as any other business segment to be managed • Strong working relationship maintained between Company sponsor and pension Trustees • Use good quality external firms for actuarial and investment advice • Looking to close scheme to future accrual

Our Risks

Group risks

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
8 **Construction contracts** Changes in terms and conditions of standard contracts exposing the Company to major financial and design liability risks	Increased costs and delays to programme	▲ Supply chain delivery and viability in current environment Tight margins in the industry give rise to additional contract risk		• Preliminary commercial appraisal • Directors closely involved • Standard position set out in guide for staff • Experienced legal and commercial management • Project-specific tender risk register • Use of pre-construction services agreements help to mitigate cost and risk
9 **Property assets** Investment property asset are not marketable and are without secure tenancies. Valuations are volatile		▲ Tenancy risk		• 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 £1.1bn pipeline of future opportunities • Portfolio strategy actively managed and covenants regularly reviewed
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.		▲ Less interest from clients to take up speculative developments in some sectors		• 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 over £1.1bn pipeline of future opportunities
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 Group's Executive Directors • Land portfolio of 16,607 acres with aspiration to grow further • Finance available to support speculative land purchases • Well-respected name within the industry that demonstrates success • Housebuilder land portfolio at 1,119 residential plots

Risk and description	Impact of CV-19	Change during the year	Link to Group strategic priorities	Mitigation
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		▼ Reflects current level of demand from housebuilders		• 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
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		▲ Planning process delays		• 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 revaluations 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

Going concern

In undertaking their going concern review, which covers the period to December 2022, the Directors considered the Group's principal risk areas, including the ongoing impact of the CV-19 pandemic, that they consider material to the assessment of going concern.

CV-19 impacted the business by slowing down the activity levels within 2020, particularly for the first half of the year. The second half of 2020 saw the Group returning to more normal activity levels which has continued into the early part of 2021.

Following the third national lockdown and ongoing impact of CV-19, the Directors have further considered its potential impact on the Group in modelling a base case scenario. They have also modelled what they consider to be a severe downside scenario to include a curtailment of activity where no sales from the Construction or Developments businesses are made unless already committed. For Hallam Land, no sales are assumed in 2021 unless already contracted, with a *c.*20% reduction in sales from the base case for 2022. For Stonebridge Homes a 5% decline in house prices is assumed throughout the assessment period and Banner Plant is assumed to mirror depressed activity levels in FY20. This downside model assumes that acquisition and development spend is restricted other than that already committed. Having started 2021 in a £27.0m net cash[1] position, a position which has been improved upon over the first part of 2021 with *c.*£38.0m net cash held by the Group and facilities of £75.0m, at 26 February 2021, the Directors have concluded that the Group is able to control the level of uncommitted expenditure, allowing it to retain cash and position itself well in the event of a severe downside scenario, although the impact of doing so on the profit and loss account would be unavoidable.

The Company meets its day-to-day working capital requirements through a secured loan facility (see note 25 of the Financial Statements). The facility was renewed on the 23 January 2020, at a level of £75m, for a period of three years and extended in January 2021 by one year to 23 January 2024 on the same terms as the existing agreement. The facility includes an accordion to increase the facility by up to £30.0m, which can be requested by the Company at a time of its choosing. None of the modelling undertaken by the Directors gives rise to any

Our Risks

breach of bank facility covenants. The most sensitive covenant in our facilities relates to the ratio of EBIT (Earnings Before Interest and Tax) on a 12-month rolling basis to senior facility finance costs. Our downside modelling, which reflects a near 14% reduction in revenue and near 36% reduction in profit before tax from our base case for 2021, demonstrates significant headroom over this covenant throughout the forecast period to the end of December 2022.

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

Viability statement

Introduction

The business model and strategy of Henry Boot PLC can be found on pages 18 to 21 and pages 30 and 31 in the Strategic Report. These documents outline the long-term business model and are central to the understanding of how the Group operates. We have operated the current business model successfully since 2004 and have a 135-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 £32.0m per annum, added over £126.0m to net assets (an increase of some 80%) and paid 60.25p 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 with the outbreak of CV-19, did the company 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 two-year bottom up budget 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, so the Group has prepared a further forecast year using a top-down financial model based on the Group's historic track record and long-term strategic forecasts. Although our strategic land promotion business commenced 2021 with 15,071 plots with planning permission which, at a five-year average disposal rate of 2,556 plots would imply that we have almost six years of sales already in hand and a property development pipeline of over £1.1bn 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 2022, as described in the Going Concern statement on page 53 followed by an assumed return to planned levels of activity for year three. Our modelling assumes that deferred land sale debtors falling due in 2021 of £48.3m as at 26 February 2021 will continue to be received during the period either directly from the debtors themselves or via the use of debt purchase facilities or promissory notes which management consider to be viable alternatives facilitated by UK banks. These models highlight that as economic conditions worsen and construction activity, developments and land sales do not happen as envisaged, deferred land sale receipts, reduced investment and tight cost control sees the Group retain cash in the short to medium term, although long-term profitability would be significantly lower if the aforementioned mitigating actions were required to preserve cash.

Assessment of viability

The long-term strategy: the annual budget and the forecast year reflect the Directors' best estimates of the prospects for the business and the Directors consider a three-year period to be appropriate over which to assess the viability of the Group. In addition to the downside modelled, we have also reviewed several potential viability risks to the Group and consider that the following represent scenarios which, if not carefully managed, could impact on the Group's viability, in addition to the CV-19 pandemic risk discussed in the Going Concern statement on page 53.

Firstly, 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 treat health and safety as the first matter for discussion on our Company board meeting agendas. 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. Secondly, overtrading developments in progress with the attendant increase in leverage, at the same time as the property cycle turns down, asset values are falling, and schemes must be completed to create best value. This creates a potentially damaging scenario where debt is rising, and asset values are falling. Mindful of this scenario, we look to maintain prudent debt levels (even at maximum facility utilisation of £75m) and we have pre-sold or forward-funded more than 80% of the current development work in progress for 2021.

The Directors have also considered the potential impact of the UK EU future trading relationship and whilst a trade deal is now in place they accept that the current economic uncertainty surrounding this creates a UK-wide market risk, they do not believe that this would lead to an extended downturn long enough to cause the Group any issue with viability.

Viability statement

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

1. Net cash is an APM (alternative performance measure) and is reconciled to statutory measures in note 33 to the financial statements.

Our Responsible Business

135 HENRY BOOT

The First Phase of our Responsible Business Strategy

As we celebrate our 135th anniversary in 2021, our business is taking the opportunity to look to the future and to our continuing commitment to support our people, partners, places, and planet.

We take our responsibility seriously. From the building of Boot's Folly in 1927 to provide work for local people at risk of unemployment, to our significant efforts in recent years to create long-term and meaningful social value for the communities and environments in which we work, we have always been proud to demonstrate our commitment to support the people we work with.

We recognise, however, that the needs of our communities and environments are changing, and the time to step up our efforts and collective responsibility is now. In our 135th year, we are excited to respond to these challenges with strategic focus and renewed commitment.

In 2017, our business undertook the One Henry Boot Project to realise and define our workplace culture (the Henry Boot Way) and our Purpose, Vision and Values. 135 Henry Boot is the next chapter in the future of our responsible business story and is the first phase of our new Responsible Business Strategy.

Read more about the **Non-Financial Information Statement** on page 132

135 Henry Boot will guide us as we launch and strategically align three exciting long-term initiatives in 2021:

- Our Community Partnership Plan (launching in March 2021);
- Our new Equality, Diversity and Inclusion Strategy (launching in April 2021); and
- Our Pathway to Net Zero Carbon (launching in June 2021).

Our Community Partnership Plan will find us collaborating with and supporting our charity, educational, and community partners to create meaningful and lasting impact on their amazing work. In doing so, we will be engaging our people and partners to get involved and utilise their skills, knowledge and experience to make a huge difference for our communities.

Our new Equality, Diversity and Inclusion Strategy will find us engaging our people and partners to ensure that our business (and the wider built environment sector) is truly representative and that we offer all our current and prospective people an authentically inclusive, accessible, and forward-thinking workplace. It will support us to engage with those who are under-represented and collaborate with partners to identify and tackle the barriers to achieving a rewarding career in our industry.

Our Pathway to Net Zero Carbon will find us building on our impressive track record of incorporating environmental protection into our commercial operation and will be an ambitious and engaging plan to guide us to produce net zero carbon. It will also support us to enhance our long standing efforts to reduce waste, protect biodiversity, and continually improve our performance on working to circular economy principles. We will set ourselves ambitious targets and report on our progress against them annually. We will empower our people and partners to share knowledge and collaborate to reach solutions to the issues and problems posed by climate change and environmental degradation.

Each of these three initiatives will have independent objectives and as we deliver 135 Henry Boot we will be guided by five overarching objectives:

- To launch our Pathway to Net Zero Carbon and build awareness of the importance of sustainable business practices and the circular economy.
- To take action to ensure our business is equal, diverse, inclusive, and accessible.
- To work with key partners across the built environment sector to create positive direction and thought on diversity within our industry.
- To collaborate with our communities to understand and respond to their challenges and requirements.
- To create long lasting social value and contribute to a fair and just society.

Our Responsible Business

135 Henry Boot will guide us as we build on our strong foundations of responsibility and create excitement and engagement with all of our stakeholders to address and respond to crucial issues faced by our communities and environments.

Taking a two-phase approach to the delivery of our Responsible Business Strategy will enable our business to be agile as we react to pressing societal issues whilst also maintaining a long-term strategic approach and ambition is shaped by consultation and engagement with our people and partners. We believe 135 Henry Boot will strongly position us to develop and launch the second phase of our Responsible Business Strategy in January 2022.

The second phase of the Strategy will be influenced and shaped by further consultation and engagement with our people and partners. It will focus on the issues we collectively agree to be the most material, and our vision and activity will incorporate the United Nations Sustainable Development Goals that we determine are those we can most positively impact. It will also incorporate all of our existing responsible business initiatives and guide us to achieve our targets and create long-term social value and impact.

The development and delivery of our Responsible Business Strategy will be overseen and guided by our new Board Responsible Business Committee. This Committee will ensure that our Group's approach to Environmental, Social and Governance (ESG) activity and ambition is clearly incorporated within and complements our wider Group strategy. It will demonstrate to all our partners that our commitment to being a responsible business is led from the top and that we will hold ourselves accountable to achieving and demonstrating progress against our ambitions, targets and objectives. Leadership from the Board on our Responsible Business Strategy will also ensure that key financial and non-financial risks and opportunities linked with ESG receive careful consideration and review. This will include interaction, where necessary, with the Audit and Risk Committee for the review and monitoring of any risks relating to ESG issues that require input from our auditors or particular consideration in relation to risk identification and management.

Our leadership commitment to responsible business is further demonstrated by our CEO and Group Finance Director's personal objectives being linked to the delivery of our Responsible Business Strategy. In 2022 and beyond, we will also be looking to set further Group-wide KPIs and link these, where appropriate, to remuneration outcomes in other ways.

OUR PEOPLE

Our approach

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

We collaborate with all our people to enable them to achieve their best. We work to continually develop and maintain a culture of inclusivity that enables us to attract and retain the right colleagues to work at every level, who are committed to working as part of our team, and who support and represent our Values. We have also been delighted to maintain our Investors in People accreditation this year.

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 with us. We recruit and promote from within wherever possible to provide the best possible progression opportunities. As our businesses continue to develop and grow, we understand that by retaining and inspiring effective and committed people, we can continue to deliver excellence to all.

Support throughout the CV-19 Pandemic

The CV-19 pandemic has posed many challenges for us all, and we have worked hard to ensure our colleagues have consistently been kept up to date with our response to the changing circumstances. This has included regular communications and interactive webinars to provide updates on health and safety protocols, the protection measures in place at all our sites, depots and offices, business performance and financial position, and positive news stories. We have also included regular resources and guidance on maintaining good physical and mental health and wellbeing to provide support through each stage of the pandemic.

Health and Wellbeing

There continues to be significant societal awareness of the challenges around maintaining good physical and mental health (which are likely to be exacerbated by the CV-19 pandemic) and we have an important role to play in promoting positive physical and mental wellbeing for our people.

We continue to utilise our SMILE platform, which is a wellbeing platform accessible by all our employees, focusing on three strands: health, wealth, and lifestyle. SMILE brings together all our benefits and wellbeing provisions into one accessible location so that our employees can access information and support at any time.

Although we opted not to take part in Britain's Healthiest Workplace in 2020, in order to allow some of our people to focus on adapting to the alternative ways of working (including working from home) and responding to the pandemic, we will be looking to take part in this important initiative once again in 2021 and reviewing how we can build on our previously successful score and continuously strive to improve our performance.

We will continue to develop and deliver resources focused on physical and mental health and wellbeing and will respond to the changing circumstances and issues faced by our people and wider society.

Employee engagement

Employee engagement refers to the amount of energy, dedication and focus people bring to their work. It is currently regarded as one of the key 'people' factors that differentiate higher and lower levels of organisational performance.

Our annual Employee Engagement survey continues to build on the Values we developed as part of the Henry Boot Way, and this year we had a response rate of 66% (59% in 2019) with an employee Net Promoter Score (eNPS) of 46 (40 in 2019), which demonstrates positive engagement with our employees and is deemed to be outstanding.

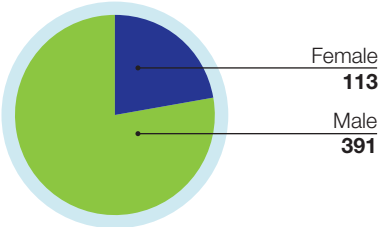
Engagement is an output of a vast number of inputs, some tangible, others intangible, and the engagement any person feels can vary compared with others as we are all individuals and what we value differs. We constantly strive to build on our solid foundation of engagement but recognise there are areas where we can make improvements. We will continue to collaborate closely with our Employee Forums to address areas of strength and weakness to secure even greater levels of engagement when we run the survey again in the autumn of 2021.

In addition to our Employee Engagement Survey, we also engaged our people with our Agile Working Survey. This important consultation intended to capture the views and experiences of our people as they worked throughout the pandemic and will shape our forthcoming Agile Working Policy which is due to be published in 2021. This Policy will inform and guide our people to make choices about their method and pattern of work to suit their individual needs wherever possible, and explore how agile working could be utilised for their role.

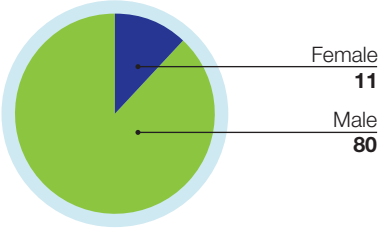
In relation to employee engagement more widely and the role of the Board in this, please also see our Employee Engagement section on page 86.

Gender diversity

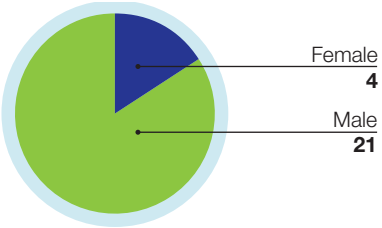
All employees



Senior managers



Directors



Our Responsible Business

EMPLOYMENT ENGAGEMENT SURVEY

Creating a culture and environment where our people can be the best version of themselves at work.

Our objectives

The overall objective of conducting these surveys is to gain an in-depth understanding of our employees' experience whilst working at Henry Boot.

The report is focused on gaining feedback from employees so we can create a culture and an environment where our people can be the best version of themselves at work. The survey also captures our employees' thoughts about our response to CV-19 and the current challenges that our people are facing due to the pandemic. This insight will feed into our 'roadmap' of recovery. The survey and our findings focuses on the Group as a whole and whilst we can look at the 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

Facilitated by HIVE (our employee engagement partner's), our annual Employee Engagement Survey housed a framework of 32 questions that were used to measure progress when compared with the responses within our first survey conducted during 2019. Some questions were based on those posed in 2019 to allow for statistical analysis of change; however, other questions were more focused on 2020 and specifically the pandemic.

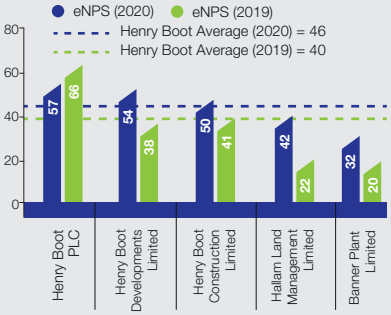
66%

Response rate, increase of 7% since last year

Our findings

The survey results show that, despite the challenges posed by the pandemic and the necessary adaption of approaches to work, our people have remained resilient, optimistic and focused on working as a team to maintain delivering an exceptionally high standard for our clients and partners.

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



Outstanding Group eNPS score of

46

6 point increase since 2019

8.9

We received an 8.9 employee engagement score when our people were asked if they had a good relationship with the other people in my team

8.6

We received an 8.6 employee engagement score when our people were asked whether their personal values are well suited to the Henry Boot Way and whether they felt proud to work for Henry Boot. The same score was achieved when our people were asked if the Group has adapted well to the challenges of CV-19

Key outcomes

1 RECOGNITION AND PROGRESSION

We received an average employee engagement score of 7.3 when our people were asked if they felt valued for their contribution.

We will continue to strive to ensure that all our people are aware of and can access the guidance and support they need to progress in their career and feel positively rewarded and recognised for their contribution to our performance.

2 EMPLOYEE WELLBEING

Whilst we are pleased that our average employee engagement score for positive mental wellbeing was 7.3, we do recognise the significant ongoing challenges that the pandemic has created for our people.

We will continue to review and introduce positive mental wellbeing initiatives for our people to promote and support their health and wellbeing.

As part of the Employee Engagement Survey, we introduced a new platform – High Five – whereby our people could acknowledge and thank each other for individual contributions and effort.

This platform has been widely adopted and has demonstrated the real sense of teamwork that underpins our workplace culture, the Henry Boot Way.

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 committed to review our employee packages in 2020 as part of a wider remuneration and reward review to ensure that these are effective for our people and that we remain competitive. This has been pushed back into 2021, to allow us to assess and review the various aspects of this important subject with our chosen external partner and Employee Forums in a more structured way.

We operate two pension schemes. Employees are members of The Henry Boot Staff Pension and Life Assurance Scheme (defined benefit pension closed to new members in 2004 and subject to a salary cap from 2012) and/or the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension). Employees who are members of The Henry Boot Staff Pension and Life Assurance Scheme have the opportunity to join the Henry Boot PLC Group Stakeholder Pension Plan, investing their residual salary, i.e. the difference between their actual salary and their capped pensionable salary, for The Henry Boot Staff Pension and Life Assurance Scheme. We have implemented the UK's auto-enrolment pension requirements and our employees are informed of auto-enrolment and other pension choices through letters and online via the Group Intranet.

Company-funded Independent Financial Advice is available for those reaching 55 years of age; the age at which they can legally take their pension. We want to ensure that our employees are in a fully informed position when making decisions about ongoing employment towards the end of their careers.

In September 2020 we invited all eligible employees to participate in the Company Share Option Plan (CSOP); 99.5% of those who were eligible accepted this grant. We also invited all eligible employees to participate in the Group's 2020 Sharesave scheme, which allows employees to contribute a maximum of £500 per month to one or a combination of current Sharesave schemes; at the year-end 62.9% of eligible employees had joined a Sharesave scheme.

Diversity and Inclusion

We aim to create a fair, accessible, diverse, and inclusive working environment, while recognising the challenges that our sector has traditionally suffered, particularly in relation to gender and ethnicity representation and diversity. We want to provide 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.

In 2020, in response to research we commissioned from a specialist consultancy to give us insight into how we can best make our business fit for the future with a focus on diversity and inclusion, we established a cross-Group Diversity and Inclusion Steering Group. This Steering Group is comprised of employees from across our subsidiary businesses, regions of operation, and levels of seniority, and is sponsored by the CEO and chaired by the Head of HR. The Steering Group's mission is to support our business to develop and deliver our new Equality, Diversity and Inclusion Strategy which will be published in April 2021.

Our Equality, Diversity and Inclusion Strategy will focus on five key areas:

1. Inclusive culture (including leadership)
2. Increasing our diversity
3. Education and awareness
4. Success, progression, and development
5. Engagement approach with our communities and stakeholders

We believe this will strongly position us to create a truly fair, accessible, representative, and inclusive workplace culture, add value to our business, and contribute positively to the health and wellbeing of our people.

Although we recognise that the ambitions and objectives in our Equality, Diversity and Inclusion 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 aim to encourage diversity of thought and approach amongst our people, and to open opportunities for under-represented groups to experience our industry. We continue to forge links with local groups and educational establishments to encourage diversity and to change perceptions and influence others to view our industry as a positive career choice. Examples of the networks we are members of and actively support are Building Equality, Women in Property, the Considerate Constructor's Scheme and Business in the Community (BITC).

We have continued the employment, wherever possible, of any person who becomes disabled during their employment with us, and opportunities for learning, career development and promotion do not operate to the detriment of disabled employees.

The Board Diversity Policy is set out in more detail as part of our Nomination Committee report on page 94. Our gender pay gap is currently 28.44%, which continues to reflect the current ratio of men and women employed at just over 3:1 rather than an issue relating to how we pay our people. We are not obligated by statute to report our gender pay gap as we do not meet the required reporting thresholds; however, we will continue to report voluntarily and will explore the possibility to report on our ethnicity pay gap in the future.

We have a disproportionate number of women in all roles and, therefore, our data is skewed; we recognise that without a representative increase in the number of women we employ, our gender pay gap will be difficult to reduce. The Equality, Diversity and Inclusion Strategy will guide us to ensure our recruitment and attraction processes attract a diverse talent pool 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.

We hope that both our Equality, Diversity and Inclusion Strategy and Agile Working Policy will successfully contribute to decreasing our gender split over time and have a positive impact on our gender pay gap.

Our Responsible Business

Learning and Development

Delivering a workplace culture and positive career experience that attracts new and diverse talent and retains experienced employees will give us the ability to compete successfully and ensure long-term sustainability.

Our directly employed people headcount was 504 at the end of 2020. The Group has a relatively low level of employee turnover (the retention and development of our internal talent remains critical to our success), which remains around the average for the UK at 14%. Our high retention rates ensure that we have a solid base on which our people can grow, develop and achieve their potential.

We recruited a further three apprentices in 2020, which brings our total number of current apprentices to 23 with a further 15 trainees. All our trainees and apprentices are enrolled on formal courses of education and have development plans in place to gain operational and technical knowledge from mentors.

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. Throughout 2020, eight of our employees completed their education programmes and a further five progressed onto the next level of their education programme. We have key pathways in place for our apprentices and trainees to ensure our talent pipeline continues to flourish.

Throughout 2020, our senior leaders who have participated in our Senior Leadership Development Programme (SLDP) have continued to develop their own skills and knowledge and have, despite the limitations of the pandemic, been able to continue with coaching and mentoring activities. In early 2020, we held our first Leadership Development Programme (LDP) which was attended by eight of our middle managers and rising stars; this was successfully delivered and our original plan was to run this several times during 2020. However, this was not possible. We remain firmly and fully committed to ongoing development and investment in our internal talent pool, and with the help of our external partners we have pivoted our LDP to be an online virtual offering which we will be piloting in 2021.

We delivered 1,420 learning and development days; in addition to this, and in recognition of the diverse range of skills within our workforce, there was also an unquantifiable amount of ad hoc learning and development, which takes place on a daily basis at our sites, offices and depots, 317 of our people undertook a form of health and safety training in 2020 (included in the overall number of learning and development days provided above), and via remote engagement during the pandemic.

The coming year will see a renewed learning and development provision being rolled out across all subsidiaries, which includes a focus on developmental outputs from SLDP, building capacity and capability at all levels, provision of mentoring and other interventions, which will seek to build resilience amongst our people.

Health and Safety

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

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

Our performance

Our Accident Incidence Rate (AIR) and Accident Frequency Rate (AFR) and performance in our Construction segment remains strong, and our construction related AFR and AIR for our directly employed staff and operatives is 0.

We are delighted to report a strong overall (including subcontractors) AIR of 209 per 100,000 workers, and AFR of 0.10 per 100,000 hours worked. This result is a combination of the effectiveness of our management processes, continuous improvement, and our Zero Harm initiative. Whilst the KPI data published by Constructing Excellence has now concluded, we have continued to benchmark our Health and Safety performance using existing data. This shows a KPI performance of 98%.

In 2020, our Construction segment maintained approval to the OHSAS 18001, ISO 14001 and ISO 9001 standards, which is reviewed and audited by Lloyd's Register Limited. This is supported by other Company accreditations, including the Rail Industry Supplier Qualification Scheme.

We also continue to be a Considerate Constructors Scheme Partner, registering the Barnsley Glassworks project as an 'Ultra Site' and the Barnsley Library @ The Lightbox Project won a Gold Award in 2020 commended for our respect for the wider community, environmental protection and championing the value of our workforce. Our strong health and safety management culture has resulted in securing a prestigious RoSPA Gold Medal Award for the 11th consecutive year resulting in a RoSPA Presidents Award. This is alongside further industry awards including the Constructing Excellence Health, Safety and Wellbeing Award, Considerate Constructors Scheme Gold Award, LABC Award for Library @ the Lightbox (best public service building) and Generation for Change (G4C) Award.

Our Supply Chain

Our partnership with our supply chain partners 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, which continues to be a strong and responsible approach for our business. This has only been strengthened due to the impact of CV-19 on supply chains, and the increasing value placed on creating opportunities for local communities.

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-corruption
- 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 GLAA (Gangmasters & Labour Abuse Authority) Construction Protocol. In addition, we have been focused recently on working with Non-Governmental Organisation (NGOs) and other supply chain bodies to understand where our practices may be strengthened and are looking forward to implementing some new measures throughout 2021.

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

OUR PLACES

Our Approach

The Group's success depends on the communities in which we operate, live and work continuing to thrive and develop. We recognise that the needs of our communities and environments are changing and the time to step up our efforts and collective responsibility to support them is now. In our 135th year, we are excited to engage our people and partners to respond to societal needs with strategic focus and renewed commitment.

Our Community Partnership Plan is a core element of 135 Henry Boot and will find us collaborating with and supporting our charity, educational, and community partners to create meaningful and lasting impact on their amazing work. In doing so, we will be engaging our staff to get involved and utilise their skills, knowledge and experience to make a huge difference for our communities.

Our Response to CV-19

We recognise the significant and long-term impact that CV-19 has had on our communities and the range of issues that it has caused for many, but particularly the most vulnerable in our societies. Throughout 2020, we decided to focus our efforts and resources on supporting the response of our charitable and community partners to the pandemic and we engaged and collaborated with them to ensure our support would have the best possible impact on their work.

Charity Partners

This year we continued to support a range of charity partners across our areas of operation and offered our support through financial donations, donations of time, and donations of materials and our professional expertise. We have a Charities Committee who meet on a fortnightly basis to assess direct requests to the business for support, assessing each request to establish whether it aligns with our Charitable Giving Pillars and the impact our support may have to ensure our donations and engagement have the best possible outcomes and impact.

We support an annual Charity of the Year that is selected by our employees and we aim to host a variety of activities during the year to raise money to support them. In 2020 our Charity of the Year was Sheffield Children's Hospital which provides services across a significant geographic area in the north of the UK. This fantastic charity aims to ensure that the services and support offered by the hospital to young people and their families is of the best possible quality. They fund research, cutting-edge medical equipment, improvements to the hospital facilities, and bespoke provision for their patients and loved ones. They are currently fundraising to complete a brand-new Cancer and Leukaemia Ward. Given their coverage of many of the regions in which we operate, and their ambitions to support young people to give them the best possible quality healthcare and compassionate support, we were delighted to partner with an organisation with shared values and ambition.

As has been the case for many corporate charity partnerships, many of our planned events and activities had to be postponed or cancelled due to the impact of CV-19. We have therefore decided to extend our partnership with the Sheffield Children's Hospital until the end of 2021 and additionally chose to sponsor their annual Snowflake Campaign in December 2020. We are excited to raise as much as possible for this important cause throughout 2021.

In addition to our Charity of the Year, we have supported a range of national and local charity partnerships and our support included:

- Becoming a Foundation Partner of Landaid (a national property industry charity focusing on supporting young people affected by homelessness) and collaborating with them to fund the development of a new site for the Sheffield based youth homelessness charity Roundabout.
- Donating to the National Emergencies Trust CV-19 campaign with our donation being matched by the Big Give.
- Delivering the '*Henry Boot 13 Gifts of Christmas*' campaign which saw us supporting 13 food banks across our sites of operation nationwide.
- Headline sponsoring the annual St Luke's Hospice Festival of Light campaign and event for the third time.

All our people are offered an annual volunteering day and, whilst it has been difficult for many to utilise this in 2020 with opportunities being greatly limited and our people's health and safety being paramount, we will be promoting opportunities throughout 2021 as part of our Community Partnership Plan.

Despite the challenges, our people did undertake some highly valued volunteering in 2020 and we supported them to assist local communities affected by the pandemic, with employees using their time to deliver prescriptions, read remotely to schoolchildren and support the vaccination programme.

In November 2020, we consulted with a sample group of our people by running a Community Engagement Survey which included requesting their feedback and opinions on the Group's support for charities and communities. Based upon their responses, we have re-framed our Charitable Giving Pillars to:

- Charities and organisations that support health, medical, and educational improvements for children and adults;
- Charities and organisations that support those who are homeless or rootless; and
- Charities and organisations that support improvements for the environment and are tackling the effects of climate change.

We also gave our people the opportunity to nominate a grassroots sports team for a donation via our Discretionary Sports Fund. We recognise the importance of grassroots sports for communities and for mental and physical wellbeing but are also aware of the lack of funding that organisations often endure. Many of our people are directly or indirectly involved in grassroots sport and we were delighted to distribute a total of £5,000 to 20 employee nominated local sports teams throughout 2020.

Pictured: The Group has continued its partnership with The Children's Hospital Charity, and selected them as Charity of the Year for 2021. The level of support we were able to offer in 2020 was reduced due to the pandemic, and plans are being put in place to resume events and activity over the coming months.

The Group also maintains several investment funds with South Yorkshire Community Foundation (SYCF). We collaborate closely with the SYCF (and are a member of their SY100 Supporter Scheme) to ensure our funds are used to support grassroots charities and community organisations whose purpose aligns with our Charitable Giving Pillars. We can also use our funds in order to collaborate with other SYCF supporters to provide grants to applicants assessed for eligibility by SYCF.

We are a founding member of Sheffield Business Together (SBT) and continue to offer our financial and people resources to support the work of this responsible business coalition. SBT's total leverage value of completed projects in support of charity, community, and voluntary organisations in 2020 was a fantastic £86,644.00.

This year, we contributed £98,160.00 (£110,287.68 in 2019) to charitable causes. This figure is slightly lower than that achieved in 2019 due to the significant impact on our ability to fundraise for our Charity of the Year through fundraising events and employee fundraising. Our commitment to donate to charitable causes continues to strengthen and we look forward to supporting our charity partners in the future and collaborating with them to ensure our donations have the best possible impact on their work.

£21,463.00 of the total funds donated in 2020 were through our employees utilising our match funded Give as You Earn payroll giving mechanism.

"Henry Boot took part in a great opportunity to inspire our key worker students who are studying in the classroom. One of my students has since told me that they now want to work for Henry Boot as a Paralegal!"

National Literacy Trust Partner Primary School

Education Partners

We recognise that young people are the future of our business. Collaborating with our partners in the education sector to showcase our business and sector and give young people valuable and authentic workplace engagement is paramount for their and our long-term success; if they can see it, they can be it.

We also recognise the disproportionate impact that the CV-19 pandemic has had on young people and the challenges that they have faced from school closures and social distancing. We have been proud to maintain our support for the career education programmes of our education partners. We have committed to ensuring these partners have our long-term support to provide young people with valuable and interactive workplace experience, engagement, and education as we build back from the impacts of the pandemic.

We have adapted our engagement opportunities and collaborated with a range of educational partners and charities across our areas of operation and examples include:

- Being a Cornerstone Employer for the D2N2 Enterprise Partnership – supporting a range of education providers across North Derbyshire.
- Empowering several of our employees to become Enterprise Advisors within the Sheffield City Region and working with local schools to provide them with valuable guidance and support.
- Volunteering with the National Literacy Trust for digital reading sessions and the Words for Work Conference.
- Supporting St Luke's Hospice Biz Kids Programme, which aims to encourage enterprise and business skills for primary school children whilst fundraising for the vital services of St Luke's Hospice.
- Hosting a digital Takeover Day for our landmark development 'The Glassworks' in Barnsley.
- Supporting a range of schools with remote learning opportunities and digital engagement.

Our Responsible Business

OUR PLANET

Our Approach

We recognise the increasing risk and damage that climate change and environmental damage poses. Our commitment to protecting the environments we operate in has long been inherent in the way we work, however we acknowledge that all businesses must step up their ambition and act now to protect and preserve the environment and our planet for future generations.

In June 2021 we will be unveiling our Pathway to Net Zero Carbon. This ambitious plan will look to build on our long standing environmental protection measures and will further address our direct and indirect environmental impacts. Importantly it will guide us as we strive to produce net zero carbon and support us to be ambitious and progressive as we reduce our emissions, protect our environments and biodiversity, and engage all our people and partners to create a better planet for us all.

We will also work with our charity and education partners to educate, engage, support and learn from them as we assist with their efforts in addressing the impacts of climate change. This year we have established a Henry Boot Environment Fund as part of our charitable giving programme which will provide grants to our charity, community and education partners to support their efforts to address climate change.

Our Performance

The tables below demonstrate the reduction in our CO_2 footprint and carbon emissions throughout 2020. Whilst we recognise that this significant reduction is in part due to the restrictions associated with the CV-19 pandemic, we will strive to continue to reduce our emissions and carbon footprint and report on our annual progress against our targets as we deliver our Pathway to Net Zero Carbon.

In 2020 we established a Net Zero Carbon Taskforce. This group of employees is drawn from across our subsidiaries and represents the regions we operate in and different levels of seniority in the business. The Taskforce, which is sponsored by two members of our Senior Executive team, has responsibility to develop and deliver our Pathway to Net Zero Carbon and to ensure all our people are engaged, informed, and empowered to contribute to our efforts.

Our Pathway to Net Zero Carbon is being prepared with support from specialist environmental consultancy Anthesis. Anthesis are specialists in corporate sustainability strategies and their support will ensure our Pathway is ambitious, strategic, and measurable. They are supporting the development of our Pathway to ensure we make the best possible impact in tackling climate change, engage our partners, and adapt our commercial operations to protect our planet. We are keen to demonstrate our intent to build on our existing efforts and act now to preserve the environments we work in and alongside, and we believe the support of Anthesis will ensure our Pathway has great impact and the support of all our stakeholders.

We also recognise that the risk of climate change is one that faces all businesses and that solutions to the many challenges it poses requires collaboration and teamwork. We have recently joined and routinely contribute to the Yorkshire Climate Action Coalition (a coalition of like-minded businesses who are ambitiously focused on addressing their environmental impact) and regularly collaborate with membership organisations (including the CBI and BITC) on this issue.

We are also proud to work to circular economy principles wherever possible and ensure that we limit waste, reuse materials, and recycle as much as we can. We are proud to be signatories of BITC's 'Waste to Wealth' pledge and initiatives to deliver a resource-efficient, low carbon built environment which supports the Government's Construction 2025 Strategy. Our Construction business continues to maintain approval and work to the ISO 14001 Environmental Management System.

Henry Boot Group CO_2 footprint by source

Henry Boot Group CO_2e emissions	2020 Tonnes	2019 Tonnes	Trend
Scope 1: Combustion of fuel and operation of facilities	1,918	2,443	Fall
Scope 2: Electricity, heat, steam and cooling purchased for own use	644	870	Fall
Total direct emissions	2,562	3,313	Fall
Total direct emissions per employee[1]	4.7 tonnes CO_2e	5.8 tonnes CO_2e	Fall
Scope 3: Upstream and downstream indirect emissions	796	1,091	Fall
Total emissions	3,357	4,404	Fall
Total emissions per employee[1]	6.2 tonnes CO_2e	8.1 tonnes CO_2e	Fall

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

Total energy consumed was 11.6 MWh's (10.8 MWh's scopes 1 and 2).

Carbon emissions by segment

Henry Boot Group CO_2e emissions	2020 tonnes of CO_2	2020 intensity ratio tonnes of CO_2e	2019 tonnes of CO_2	2019 intensity ratio tonnes of CO_2e	Intensity basis	Trend
Property investment and development	552	14.22	1,120	2.46	per 1,000 sq ft of investment property with communal areas	Fall
Land development	45	1.44	57	1.73	per employee	Fall
Construction	2,649	22.84	3,085	27.01	per £1m of turnover	Fall
Group overheads	111	1.64	142	2.14	per employee	Fall
Total gross controlled emissions	3,357		4,404			

Our carbon emissions for the year ended 31 December 2020 were calculated in accordance with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance' and the EMA methodology for SECR Reporting (2019: GHG Protocol Corporate Accounting and Reporting Standard (2011 edition) and emission factors from UK Government GHG Conversion Factors for Company Reporting 2018). 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 23.8% when compared with those of the previous year; this equates to a reduction of 1.9 tonnes per employee.**

For further information on our **Carbon emissions** please see our website

Climate Related Financial Disclosure

Our business is aware, and in support of, the Task Force for Climate Related Financial Disclosure's (TCFD) recommendations for the reporting of climate related financial information. It is a priority for us to share relevant, consistent, and useful information with our shareholders and partners and we are carefully assessing the risks and opportunities that climate change could create for our business.

We will begin reporting against the recommendations of the TCFD in 2022 and will be preparing for this throughout 2021. In doing so, we will be taking the following steps:

- Being led by our Responsible Business Committee – This new Committee will assume executive oversight of the Group's environmental sustainability performance and ensure that our forthcoming Pathway to Net Zero Carbon and the actions we take to enhance our environmental stewardship are ambitious, strategic, incorporate the views and contributions of our people and partners, and that progress is regularly communicated with our stakeholders.
- Establishing a TCFD Steering Group – This Steering Group will be comprised of representatives from core functions across our Group and will support the Responsible Business Committee (whom it will report to) to oversee the preparation for reporting against the TCFD recommendations to ensure our approach is comprehensive and consistent across the Group. The Responsible Business Committee and TCFD Steering Group will collaborate to assess the risks and opportunities that climate change pose to our business (considering the variation in risks and opportunities in different climate change scenarios).
- Publishing our Pathway to Net Zero Carbon which will guide us as we reduce our emissions (using our 2019 emissions as our baseline) and build on our existing performance to take actions to protect and preserve our planet. We will be carefully assessing our impact and will routinely publish our progress against our targets to reduce our emissions, protect biodiversity and limit waste and resource use.

Please see below for more details on the actions we will be taking to report in alignment with the four focus areas of the TCFD recommendations.

Governance

- Responsibility for our TCFD reporting will be overseen by the Responsible Business Committee.
- Supporting and reporting to the Committee will be a cross-Group TCFD Steering Group comprised of representatives from core business functions.

Risk Management

- The Responsible Business Committee and TCFD Steering Group will undertake a climate scenario analysis to best understand the potential risks and opportunities climate change poses and incorporate our response to these within our risk management framework, liaising as necessary with the Audit and Risk Committee.

Strategy

- The Responsible Business Committee will collaborate with the Board, and provide input to the Strategy Days in particular, to ensure that the approach to our climate-related activities integrates with, and is fundamentally incorporated into, the development of our short, medium and long-term commercial strategies.

Metrics and Targets

- Our Pathway to Net Zero Carbon will guide us to reduce our carbon emissions across Scopes 1, 2 and 3.
- We will also be incorporating additional metrics to develop our current measurement of resource use, waste, and biodiversity protection and enhancement, and consider how these metrics will also be incorporated within our performance measurement arrangements, including for remuneration outcomes, in the forthcoming years.