**REVISED SUSTAINABLE DEVELOPMENT RISKS AND OPPORTUNITIES 2020**

**Our aim: to become a sector leader in sustainable development by mitigating risks and maximising opportunities.**

As a responsible business we identify potential risks to our business so that we can put in place mitigating actions. Addressing potential risks early creates opportunities for us to improve what we do and helps us stand out from the crowd.

| **Risk** | **Potential consequences** | **Mitigation in place** | **Potential opportunities AND BENEFITS** |
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| **OUR PEOPLE** | | | |
| Failure to attract, retain, develop and promote high calibre people who are representative of the communities in which we work | A workforce with insufficient capacity, skills, knowledge and experience to meet the needs of an evolving market  Poor engagement with our people leading to lower productivity and work quality, poor customer service, and high turnover | We continue to ensure that our terms and conditions remain attractive and competitive  We are maintaining investment in L&D and offering industry-leading, accredited training and development to our people at all stages of their careers  We are upgrading our IT systems and people policies so that our people can carry out their work in a more agile and efficient way  We are “growing our own” through apprenticeships and our management trainee programme  Our focus on complementary teams and our aim of gender parity make us an employer of choice for both men and women  We organise school workshops and work experience programmes to promote the construction sector as an excellent career choice | By protecting our business from industry skills shortages, our engaged, skilled and diverse workforce will give us a competitive advantage  To be an employer of choice that values loyalty with high retention rates – company values lived throughout Group  Competitive advantage resulting from better decision-making by diverse and complementary teams and a culture based on fairness, inclusion and respect  Increasing the pool of talent from which we recruit will help to mitigate the current skills gap, and enable us to meet the changing needs of our business and industry  To make a difference to the lives of young people by promoting our industry as a great place to work |
| Failure to protect the health, safety and wellbeing of our people and those with whom we work | Increased insurance premiums and costs associated with legal action  Increased levels of sickness absence  Damaged reputation | We have comprehensive health and safety programmes in place and our performance is reported regularly to our Company Boards  Our All Safe Minds programme supports the mental health of our people and those with whom we work  We have a range of benefits and initiatives in place to support the wellbeing of our people and are constantly seeking to improve these as part of our Wellbeing Strategy  We have a safeguarding policy to make sure that those of our people working with children and vulnerable adults have the necessary checks in place | An increased reputation as a responsible contractor  Improved health and well-being of our people and our supply chain partners  Our approach to mental health supports us in attracting and retaining good people |
| **OUR SUPPLY CHAIN PARTNERS** | | | |
| That the current skills shortage in our supply chain, exacerbated by a surge in UK construction projects and the impacts of Brexit, mean that there is not the capacity, knowledge and skills in our supply chain to deliver our projects on time and to the standards we set. As workers become scarce, there is an increased risk of illegal labour on our sites | Lower standards on our projects  Project delays or inability to deliver  Increased labour costs and risk of modern slavery  Fines and loss of reputation resulting from use of illegal labour | We already offer better payment terms than the industry average as well as an early pay facility  We encourage our supply chain partners to develop skills and knowledge through the Supply Chain Sustainability School  We carry out robust checks on site personnel and potential supply chain partners to ensure they have the right to work. We are training our people to recognise the signs of modern slavery    We have signed up to the GLAA construction sector protocol and become a Project Sponsor of the Stronger Together/CIOB Construction Sector project  We are building better, more collaborative relationships with our supply chain partners, through the delivery of our Supply Chain Strategy | Supply chain partners choose to work with us  Opportunity to work more closely with supply chain partners and have greater control over some supply chain practices  Stronger relationships should improve our resilience to labour shortages  Supply chain partners prepared to go the extra mile and deliver outstanding work for our customers  To extend our use of mandated supply chain agreements  To be seen as an industry leader in addressing modern slavery in our supply chains |
| Building materials become harder to source as a result of climate change, resource shortages and Brexit, and we fail to procure goods and services responsibly | Fines and loss of reputation if we are found to be sourcing goods and services illegally or unethically  Increased costs for finite or scarce resources  Increased costs for materials and technology Delays in procurement of goods from EU nations | We procure in line with our Sustainable Procurement Policy  We preferentially procure products which demonstrate compliance with a recognised responsible sourcing scheme  We collaborate with our competitors to drive out unsustainable products and raise standards  Our increased focus on R&D is helping us to find the best materials and approaches, which are embedded via our Yellow Book  Procuring from our mandated suppliers gives us greater assurance and transparency | Improved product differentiation and added value enable us to become a supplier of choice  To reduce reliance on imported resources and support local markets  To innovate to find alternatives  To find better and more cost-effective ways of constructing our projects, which have a smaller environmental impact  To build better, more collaborative relationships with our supply chain partners |
| **OUR CUSTOMERS** | | | |
| Failure to meet customers’ expectations | Loss of repeat business  Loss of reputation with partners and stakeholders | We agree customer aims and project objectives early through inception workshops  We carry out regular ‘health-checks’ throughout the project, through Building Understanding interviews  We report regularly on agreed contract and sustainability frameworks’ performance indicators  We invest in R&D and continue to review our offering to meet the evolving needs of our customers | To be a contractor of choice for our customers  Increased competitiveness in bids and tenders  To lead the industry in innovation, business models and use of new technologies |
| **OUR PRODUCTS** | | | |
| That our projects do not perform as intended and are not resilient to the effects of climate change | Dissatisfied customers, cost of legal action and remediation  Buildings fail in extreme weather-related events, leading to loss of market share  Inability to win new work as a result of loss of reputation | We consider life-cycle costing, heating, cooling, water stress, flooding and resource scarcity on our projects  We agree customer aims and project objectives early through inception workshop  We continue to develop our approach and drive to ‘defect-free’ projects  We are rolling out our Energy Synergy approach to building energy performance to all projects from mid-2020 to ensure we close the ‘performance gap’  We have significant systems and processes in place to protect against project failures | Growing awareness of the impact of climate change and sense of public urgency means that our expertise in Passivhaus and low-carbon buildings may become more in demand  Increased awareness and adoption of whole life costing, life cycle analysis, healthy building solutions and as-built performance, leading to more sustainable investment decisions, based on value (rather than capital cost) and resilient built environment  Improved quality of the UK’s built environment and increased market share |
| High-profile building/project failure, or recall of unsafe building products | Loss of life and devastated local community  Catastrophic loss of reputation  Increased insurance premiums | We are part of the Government’s Early Adopters programme, trialling the recommendations following the Hackitt Review of the Grenfell tragedy  We are developing better systems for recording the products we have used on our projects | To lead the sector in our knowledge and understanding of building safety  To set clear design and performance standards that meet and exceed the regulations  To use big data to improve the quality and transparency of our building records |
| **OUR ENVIRONMENTAL IMPACT** | | | |
| Failure to minimise and mitigate our impact on the natural environment | Increasing cost of waste disposal, water resource and materials costs  High costs associated with remediation and rectification and legal action  Reputational damage, and loss of our position as a leader in sustainable development | We are reducing our environmental impacts by delivering our Sustainable Development Strategy and associated 2020-2021 commitments  We identify and manage our environmental risks through our RMS  We report progress against our headline targets monthly to our Holdings Board | Reduced operating costs and environmental impact of our operations, our products and their performance in-use  To enhance our reputation as a leader in sustainable construction operations and increased shareholder value through improved margins |
| **OUR INDUSTRY LEADERSHIP** | | | |
| Lack of participation in industry issues and proposed legislative changes affecting our sector | Loss of profile and reputation as a leader in sustainable development  Loss of opportunity to influence market conditions | We engage with a range of advocacy groups, including Aldersgate Group and UKGBC    We regularly respond to Government consultations and engage with key decision makers on issues affecting the sustainability of the built environment | Increased profile and opportunity to influence emerging policy and regulation, whilst other organisations may withdraw due to diluted UK policy position  Opportunity to demonstrate our commitment to sustainable development and social value to our people, customers and supply chain partners |
| **OUR GROWTH** | | | |
| Challenging UK economic environment impacts our profitability | Lack of public sector funding and reduced private sector confidence decrease demand for construction and refurbishment projects. | Our approach to community investment and sustainable development are all part of the considerable added value that we can offer customers  We work with our customers to find innovative ways of funding their capital projects | Our innovative approach to funding and land deals can help to unlock capital projects for our public sector partners  Financial challenges and the need to increase efficiency and productivity will help us focus our business on innovation and new systems and processes |
| Changes in public procurement and HMRC rules | Impact on project finances  Reverse VAT can lead to loss of cash flow to supply chain, increasing risk of failure.  Loss of key suppliers and business continuity who have been working for us as a result of IR35  Increased national insurance costs and consultants seeking to increase fees.  Penalties for failure to comply. | We are financially prudent and transparent in reporting  We emphasise financial probity in reports/dealings with customers  Risk registers being produced and additional system developments and training underway  Corporate Criminal Offences risk covered by Supply Chain Code of Compliance | Increased use of established procurement frameworks to speed up project delivery  Procurers move away from lowest price to best value |
| Failure to embrace modern technologies and construction methods | Failure to win public sector work  Loss of market share | Our National Product Team are driving the integration of modern technologies and construction methods  We are embracing a range of new technologies, which are helping us to build more quickly and reliably  We are improving the way we gather, integrate and report data  We apply BIM level 2 on all projects | We continue to research and adopt new products, techniques and technologies to help us address some of our key risks, and build better buildings more quickly and reliably  Virtual and augmented reality applications are increasingly available to help engage with customers and other stakeholders  By embracing modern construction methods, we can mitigate the risk of issues, including skills shortages, materials efficiency, and improve the quality of our offering to customers |
| Failure to adapt to changing business models | We lose market share to more disruptive companies  New business models can increase financial risk, and failure to meet contractual obligations will result in financial and reputational penalties | We have delivered some significant as-built performance-contracted buildings  We regularly conduct horizon scanning to identify regulatory changes that will impact on our fiduciary duties | Innovative service models provide attractive de-risking contracts for customers  Re-presenting our products as services that customers require may enable us to identify innovative and unique business models |
| **OUR VALUES** | | | |
| Failure to manifest our company values through our actions and decisions | Loss of unique position as an industry leader in environmental and social sustainability  Stakeholders lose trust in our business | Our 2030 Sustainable Development Strategy sets a strategic direction for all the work we do, and will influence the decisions we make across the business  There is mandatory training for all our people on key issues such as bribery and corruption, competition law and sustainability, and our manager training helps them champion company values to their teams  We reinforce company values to our people through our Group induction and regular communications thereafter | To demonstrate Willmott Dixon is a family-owned, values-driven business, with a purpose beyond profit  Reinforces our commitment to company values helps to differentiate us in the marketplace  Builds trust with customers, supply chain and other key stakeholders |
| Lack of transparency when reporting performance against compliance obligations and voluntary commitments | Reputational damage, disengagement of our people and supply chain partners  Reputational risk if we compare poorly with competitors, or are unable to evidence due diligence | We report transparently on our performance  Performance data is independently verified and published on our website  We continue to scan the horizon for changes to reporting obligations and develop action plans for areas where we need to improve | We have one of the most robust systems in the industry for gathering, collecting and reporting data, giving us the chance to be seen as an example of best practice |
| **OUR BUSINESS RESILIENCE** | | | |
| Failure to plan for extreme or unusual circumstances | Extreme weather, fire, or health pandemic could lead to loss of productivity and increased costs due to programme extensions | We have project environmental plans in place which ensure contingencies are in place in case of extreme weather  We have business continuity plans in place which are regularly reviewed and updated | Tested business continuity plans will minimise our exposure to financial risk and will maintain strong customer relationships |
| Failure to secure our data and information | Business interruption and consequent financial losses as a result of ransomware / phishing / hacking and scams  Significant fines, reputational loss and loss of high security contracts | Cyber security is a priority and we have the Cyber Essentials accreditation  The General Data Protection Regulations will be a high priority for our public sector customers. We have developed training for our people on the legislation and can demonstrate to customers what we are doing to protect data | Cyber security is a direct enabler to winning business. Ever more market sectors and potential customers expect their suppliers to provide certificated evidence of cyber security |