**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 marketPoor 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 competitiveWe are maintaining investment in L&D and offering industry-leading, accredited training and development to our people at all stages of their careersWe 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 programmeOur focus on complementary teams and our aim of gender parity make us an employer of choice for both men and womenWe 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 advantageTo be an employer of choice that values loyalty with high retention rates – company values lived throughout GroupCompetitive 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 industryTo 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 actionIncreased levels of sickness absenceDamaged reputation | We have comprehensive health and safety programmes in place and our performance is reported regularly to our Company BoardsOur 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 StrategyWe 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 partnersOur 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 projectsProject delays or inability to deliverIncreased labour costs and risk of modern slaveryFines 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 facilityWe encourage our supply chain partners to develop skills and knowledge through the Supply Chain Sustainability SchoolWe 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 projectWe 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 usOpportunity 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 agreementsTo 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 schemeWe 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 BookProcuring 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 marketsTo innovate to find alternatives To find better and more cost-effective ways of constructing our projects, which have a smaller environmental impactTo build better, more collaborative relationships with our supply chain partners  |
| **OUR CUSTOMERS**  |
| Failure to meet customers’ expectations  | Loss of repeat businessLoss of reputation with partners and stakeholders | We agree customer aims and project objectives early through inception workshopsWe carry out regular ‘health-checks’ throughout the project, through Building Understanding interviewsWe report regularly on agreed contract and sustainability frameworks’ performance indicatorsWe 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 customersIncreased competitiveness in bids and tendersTo 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 remediationBuildings fail in extreme weather-related events, leading to loss of market shareInability 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 projectsWe agree customer aims and project objectives early through inception workshopWe continue to develop our approach and drive to ‘defect-free’ projectsWe 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 demandIncreased 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 communityCatastrophic loss of reputationIncreased 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 costsHigh 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 commitmentsWe identify and manage our environmental risks through our RMSWe 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-useTo 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 developmentLoss 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 positionOpportunity 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 customersWe 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 IR35Increased 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 customersRisk registers being produced and additional system developments and training underwayCorporate Criminal Offences risk covered by Supply Chain Code of Compliance | Increased use of established procurement frameworks to speed up project deliveryProcurers move away from lowest price to best value |
| Failure to embrace modern technologies and construction methods | Failure to win public sector workLoss of market share  | Our National Product Team are driving the integration of modern technologies and construction methodsWe are embracing a range of new technologies, which are helping us to build more quickly and reliablyWe are improving the way we gather, integrate and report dataWe 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 stakeholdersBy 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 companiesNew 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 customersRe-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 sustainabilityStakeholders 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 businessThere 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 teamsWe 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 profitReinforces our commitment to company values helps to differentiate us in the marketplaceBuilds 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 partnersReputational risk if we compare poorly with competitors, or are unable to evidence due diligence | We report transparently on our performancePerformance 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 weatherWe 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 scamsSignificant fines, reputational loss and loss of high security contracts | Cyber security is a priority and we have the Cyber Essentials accreditationThe 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 |