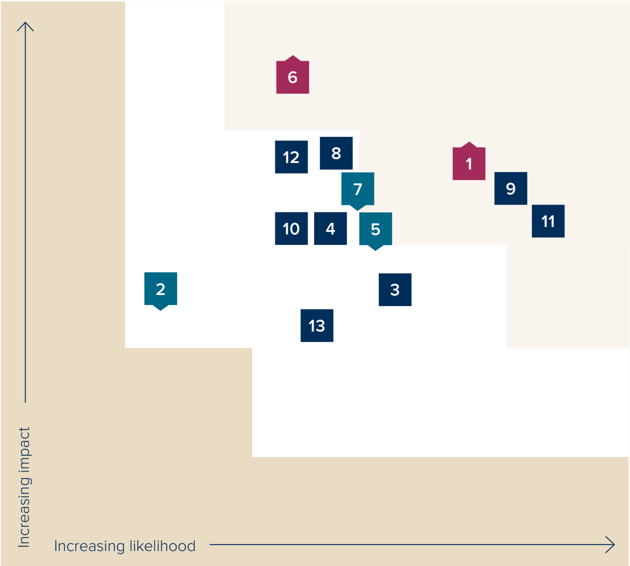
Principal risks

Risk heat map

The Board has identified 13 principal risks that it considers material to the Group's performance. They have been mapped on a residual risk basis considering likelihood and impact and showing movements in the year.

Increasing trend | No change | Decreasing trend



1 Market conditions
2 Safety, health and environment
3 Supply chain
4 Reputation, customer service and quality
5 Build cost and margin
6 Cyber security and business continuity
7 Attracting and retaining our skilled people
8 Solvency and liquidity
9 Laws, policies and regulations
10 Climate change and sustainability
11 Land availability and planning
12 Combustible materials and legacy obligations
13 Execution and success of Project Elevate NEW

1. Market conditions

Residual: High **Appetite:** Medium **Movement in year:** Increasing

Risk description

A decline in macroeconomic conditions in the UK negatively impacts the residential property market and reduces the ability of people to buy homes, either through unemployment or low employment, or constraints on mortgage availability.

Decreased sales volumes, occurring from a drop in housing demand, sees an increasing number of units held as unreserved and part exchange stock, with a potential loss realised on final sales.

Changes to regulations and taxes negatively impact the market; for example, Stamp Duty Land Tax and the impact of government schemes such as Help to Buy.

Actions/mitigations

Sales strategy can flex and adjust as demand profiles change.

Sales offerings and product variations allow us to adapt to changing markets.

Regular sales reviews and cost forecasts manage potential impact on sales volumes.

Forward sales, land expenditure and work in progress are all carefully monitored to ensure they are aligned to demand.

We focus on strategic purchase of sites, continued development of shared ownership models and engagement with a variety of incentive schemes.

Development in the year

Market conditions, while positive at the start of the year, driven by improving mortgage availability and rates, subsequently deteriorated. Customer confidence on timing to buy a new home was impacted by macroeconomic concerns and delayed messaging about government incentives. Uncertainty could continue in the near term, with improvements to market conditions expected in the medium to longer term.

We have continued to modernise and improve sales suites, sales systems and product offerings to mitigate the market challenges. Sales teams training, incentives and key performance indicators have been updated, and clarity of the mid-premium market strategy further mitigated the risk.

The design of our new house type range, aligned to the mid-premium strategy, has been finalised.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial
4 Land

Principal risks continued

2. Safety, health and environment

Residual: Medium/Low **Appetite:** Low **Movement in year:** Reducing

Risk description

A significant health and safety event that results in injury, a dangerous occurrence or potentially even a fatality.

Significant environmental damage occurs caused by operations on site or in our offices.

A significant fire safety incident occurs at a legacy building under remediation.

Lack of recognition of the importance of the wellbeing of employees leads to increased sickness absence or employee turnover.

These incidents or situations have an adverse effect on people affected by our actions, our reputation and ability to secure public contracts or, if illegal, prosecution or significant financial losses.

Actions/mitigations

A comprehensive safety, health and environment (SHE) management system ensures standards are consistent and high.

Clear accountability from site management and divisional build managers drives operational compliance and ensures follow-up actions to risks and incidents.

Group SHE advisors, supported by specialist external consultants if required, undertake regular inspections and incident investigations, and drive lessons learned.

Executive and senior management visits and inspections support the inspection regime and drive a safety culture.

We have a network of mental health first aiders and a dedicated Employee Assistance Programme.

Where appropriate, interim risk mitigations have been deployed in buildings where fire safety concerns have been identified.

Development in the year

We have continued to see a positive trend in compliance reporting, with higher average inspection scores and lower actual incidents.

Reflecting a strong control environment, the residual risk assessment has been reduced while still acknowledging that this is a primary focus area of the Group.

Link to strategic priorities

3 Operational/Commercial

3. Supply chain

Residual: Medium **Appetite:** Medium **Movement in year:** No change

Risk description

Changing production levels across the industry put pressure on our materials supply chain.

Materials availability is impacted by changes in demand, rising energy prices and dislocation in supply chains due to external events.

Suppliers and subcontractors face insolvency due to adverse economic conditions.

The industry struggles to attract the next generation of talent into skilled trade professions.

The labour market does not have the knowledge and skills required to deliver modern methods of construction projects.

Actions/mitigations

We establish longer-term relationships with supply chain partners.

We engage with major suppliers to understand critical supply chain risks, and respond effectively.

We have developed effective procurement schedules to mitigate supply challenges.

Commercial controls ensure robust tendering, with senior leadership oversight of supply chain selection decisions, including increased due diligence checks with enhanced financial appraisals

Development in the year

Access to site labour and materials through the supply chain continues to be resilient. A degree of inflation pressure exists but more severe impacts from tariffs, for example, did not materialise. The overall risk assessment is unchanged.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial

4. Reputation, customer service and quality

Residual: Medium **Appetite:** Low **Movement in year:** Reducing

Risk description

Build quality and customer service fall below our required standards, resulting in reduction of reputation and trust, and impact on sales and volumes.

Unforeseen product safety or quality issues or latent defects emerge due to new construction methods.

Failure to effectively implement or comply with new regulations on build quality or customer service requirements, and respond to emerging technologies, impacts our sales and volumes.

Actions/mitigations

We continue to focus on enhancing build quality, achieving high customer satisfaction ratings and a retained commitment to excellent placemaking.

We have enhanced quality and build stage inspections to monitor adherence to our quality standards with completion and handovers only taking place once quality checks and approvals are complete.

There is a central team of quality professionals and customer relationship managers providing second line assurance.

Customer service and build quality performance are bonus metric targets across the Group, including for Executive Directors.

Customer service dashboards measure key performance targets, escalating any issues early for Executive Committee review.

Build and sales key controls drive customer service and build quality with management attestations in place to confirm control effectiveness.

Development in the year

Build quality and customer service has improved in the year, reducing this risk, supported by re-aligned customer service teams, improved management information to target initiatives and continual leadership focus. We have achieved a 5 star customer service rating from HBF and improvement plans exist to drive further gains. The cost of quality issues is closely tracked, with recoveries from the supply chain realised in the period, improving margin and longer-term behaviours.

Challenges remain to provide excellent customer service across completed sites where we still have responsibilities. This is assessed within the legacy obligations risk.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial

Principal risks continued

5. Build cost and margin

Residual: High/Medium **Appetite:** Low **Movement in year:** Reducing

Risk description

A lack of oversight and control of build costs, project progress and performance, leads to margin erosion and significant increase in costs.

Lack of awareness and understanding of external factors impacts build costs, including complex planning permissions and emerging sustainability and environmental regulations.

A lack of quality in the build process exposes the Group to increased costs and reduced volume, and impacts our reputation.

Build cost inflation and unforeseen cost increases occur, driven by demands in the supply chain or failure to implement adequate cost control systems.

Actions/mitigations

We benchmark our costs against existing sites to ensure rates remain competitive. We build and maintain strong relationships with our suppliers and seek to obtain volume purchasing benefits.

We operate a fair and competitive tender process and we are committed to paying our suppliers and subcontractors promptly.

There are rigorous and regular site-level and divisional build cost reviews.

We continue to investigate alternative sources of supply where possible and utilise alternative production methods or materials where it is appropriate to do so.

Key build, commercial and technical controls have been confirmed with a monthly evidence and self-attestation process implemented to drive consistency in operation.

Development in the year

Key commercial controls continued to be embedded in the year, with improved reporting capability to monitor build costs and margins, supporting a reducing trend to the overall risk assessment. Additional second- and third-line assurance over the commercial controls also helped to drive consistency across divisions.

Link to strategic priorities

1 Quality

3 Operational/Commercial

6. Cyber security and business continuity

Residual: High **Appetite:** Medium/Low **Movement in year:** Increasing

Risk description

Data breaches, ransomware or phishing attacks lead to the loss of operational systems, market-sensitive information or other critical data, which risks non-compliance with data privacy requirements.

Advancement of artificial intelligence impacts data security breaches or leads to misuse in our business. This in turn results in a higher risk of fraud and financial penalties with a potential impact on reputation.

Actions/mitigations

We employ network security measures and intrusion detection monitoring, including virus protection on all computers and systems, and carry out security-breach tests. We utilise customer relationship management systems for storing sensitive data to prevent negligent misuse by employees. We operate in a cloud environment with resilient IT providers, reducing centralised and physical risk exposure.

This is complemented by employee training on data protection and internet security, data classification, retention policies and toolsets with appropriate and responsive procedures embedded to respond to data privacy matters, and IT disaster recovery plans.

The IT Cyber Security and Data Sub-Board Committee, chaired by the Chief Financial Officer, meets throughout the year to address cyber security matters, assess threat levels and to develop appropriate policies and procedures.

We are Cyber Essentials Plus certified and are subject to regular external and internal audit reviews, for example against the National Institute of Standards and Technology Cybersecurity Framework.

Development in the year

A new cyber security training provider was brought on in the year, increasing the frequency and breadth of training provided to employees, with follow-up of any non-compliance for mandated elements.

There has been a specific focus on insider threat, and additional planning and training completed for crisis management. Additional tooling has also been procured to enhance ongoing monitoring of the network and vulnerabilities.

Despite additional controls and cyber maturity being established in the period, it is still felt that the level of sophistication, and so potential impact of an attack, warrants an increase to a high risk rating, particularly given the increasing reliance on systems and processes.

Link to strategic priorities

3 Operational/Commercial

7. Attracting and retaining our skilled people

Residual: High/Medium **Appetite:** Medium **Movement in year:** Reducing

Risk description

An increasing skills gap in the industry at all levels results in difficulty recruiting the right and diverse mix of people for vacant positions.

We do not have the right culture and environment to attract and retain talent, resulting in increased employee turnover and the requirement to induct and embed new employees, alongside increased cost of wages as a result of inflation.

Loss of knowledge within the Group results in inefficiencies, productivity loss, delays to business operations, increasing costs, and an overuse of, or reliance on consultants and the supply chain.

Actions/mitigations

Enhanced recruitment and onboarding processes support introduction to the business, ways of working and culture.

Management and leadership training programmes introduced to a wide cohort across the Group.

We monitor pay structures and market trends to ensure we remain competitive against our peers.

We monitor employee turnover, absence statistics and action feedback from exit interviews and employee surveys.

Regular communication from executive leadership to all employees drives engagement.

Development in the year

Attrition rates remain above target levels within certain parts and roles of the business. The level of change and demands of the business transformation plan is still a contributor to this. We have appointed a Chief People Officer who will join in March 2026 to further mitigate this risk. Overall, the level of risk is assessed as reducing as we move away from the first phase of the business transformation plan, but remains above appetite.

Link to strategic priorities

3 Operational/Commercial

Principal risks continued

8. Solvency and liquidity

Residual: Medium **Appetite:** Low **Movement in year:** No change

Risk description

Cash headroom is affected by economic pressures that result in delayed receipts and potentially lower sales in the short to medium term.

Commitments to significant land and build obligations are made ahead of revenue certainty.

Commitments to significant remediation costs as a result of the Developer Remediation Contract.

Fall in sales during economic slowdown and lack of available debt finance.

Reduction in margins as average selling prices fall, inability to restructure appropriately, and unsustainable levels of work in progress.

The Group fails to meet the three banking covenants that the Group's borrowings are subject to, which are tested on a six-monthly basis.

Actions/mitigations

Cash generation is a key focus for the Executive Committee. Cash performance is measured against forecast, with variance analysis issued weekly. Cash performance is considered in detail at divisional board level.

We scrutinise the cash terms of land transactions, while private and housing association sales offer us the potential for early cash inflow.

Throughout the year there has been a working capital reduction action plan in place.

We generally control strategic land rather than own it, and have limited capital tied up on the balance sheet. These sites are subject to regular review and diligent appraisal before being drawn down.

Development in the year

We have continued to focus on the balance sheet, with improved inventory management and cost control. This has been supported by the successful disposals of land parcels from larger sites as we take action to right-size our land bank.

In November 2025, the Group renewed its revolving credit facility, and the maturity was extended to four years, to October 2029.

The Group will meet all its banking covenants in the going concern and viability statement periods in the base case. We continued to monitor forecast covenant compliance on a monthly basis. In its severe but plausible downside projections, the Group would meet all its banking covenants except the interest cover ratio. See note 1 to the consolidated financial statements on going concern.

Link to strategic priorities

3 Operational/Commercial
4 Land

9. Laws, policies and regulations

Residual: High **Appetite:** Low **Movement in year:** No change

Risk description

Future regulatory changes impact our ability to make medium- and longer-term decisions.

Failure to effectively implement regulations including the Future Homes Standard, the Environment Act 2021, the New Homes Quality Code, the Building Safety Act 2022, and Building Safety Levy Regulations could impact the Group.

Actions/mitigations

We engage with the government directly and through the HBF and memberships of various industry groups, and build relationships in key local authority areas.

We continue to assess and plan for emerging regulation and developments in readiness for potential regulatory change.

Legal Instruction Notes set out the standards of how we do business, which all employees must follow, to ensure compliance with applicable law and commercial requirements, and consistency in the way our operations are conducted.

Horizon scanning is formally completed with a regulatory compliance tracker and risk register maintained to assess impact and determine actions to ensure compliance where applicable.

Development in the year

This continues to be an high risk with considerable existing and emerging regulation facing the housebuilding sector.

We have little control over the regulatory environment, but in mitigation we continue to ensure completion of regulatory and compliance training and have updated the Legal Instruction Notes process in the year to ensure widespread awareness of requirements.

A dedicated team continues to focus on Building Safety Act 2022 requirements, and in the year a specific workstream has focused on the effectiveness of competition law controls.

The fraud risk register was reviewed and updated, and actions were undertaken to ensure reasonable procedures to prevent fraud were in place.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial
4 Land

10. Climate change and sustainability

Residual: Medium **Appetite:** Medium **Movement in year:** No change

Risk description

Failure to continue enhancing our sustainable practices and processes, and to respond effectively to the expanding range of climate and sustainability requirements, could affect our ability to meet regulatory expectations, stakeholder demands and our long-term net zero ambitions.

Climate and sustainability risks include regulatory and reporting changes, expectations on embodied carbon and biodiversity, cost or supply constraints for low carbon materials, and physical impacts such as severe weather, rising temperatures, flooding, drought and pressure on water resources. These risks extend to the implementation of biodiversity net gain and delivery against wider nature and reporting commitments.

Failure to manage these risks could result in higher costs, build programme delays, challenges in planning and reputational damage.

Actions/mitigations

Our Sustainability Committee oversees our sustainability strategy, including our approach to climate change, and monitors performance against our targets. We continue to adapt our approach to new and emerging requirements, including the Future Homes Standard, biodiversity net gain and the UK Sustainability Reporting Standards.

We remain active members of the Future Homes Hub, supporting innovation and the delivery of sustainable homes and communities. Engagement with our supply chain continues to strengthen through the Supply Chain Sustainability School.

Near- and long-term science-based targets guide our decarbonisation pathway, and climate and sustainability considerations are increasingly embedded into land acquisition and design. Executive Director remuneration includes greenhouse gas reduction measures to reinforce accountability.

Development in the year

This risk has been expanded to reflect wider sustainability considerations, including biodiversity net gain and increasing reporting requirements. Air source heat pump deployment increased across our sites, supporting preparation for the Future Homes Standard. We are adapting our data processes for new disclosures, including our commitment to voluntarily report against the Future Homes Hub's environmental metrics.

We strengthened our approach to biodiversity net gain, working closely with ecologists and building relationships with offsite biodiversity habitat providers. We remain on track against our 2030 science-based emission targets.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial
4 Land

Principal risks continued

11. Land availability and planning

Residual: High **Appetite:** Medium/Low **Movement in year:** No change

Risk description

Failure to maintain a supply of suitable strategic land with planning consent at the right economic terms to support our growth ambitions.

Acquired land is delayed in the planning process where local authorities and public sector resources are constrained.

Regulatory planning and environmental requirements continue to evolve with the National Planning Policy Framework developments. Environmental requirements such as nutrients, phosphates and water neutrality, flood risk assessment requirements and biodiversity obligations are increasing. This increases the challenge of providing quality and affordable homes in the locations required.

Actions/mitigations

We have expertise within our strategic land teams to ensure we acquire sites in the best locations aligned to our strategic objectives.

We build strong relationships with key land suppliers, landowners and agents, and local authorities.

Land acquisitions are subject to appraisal and viability assessment through our formal approval process prior to bid submission and exchange of contracts.

The planning status of all our sites is regularly reviewed.

Development in the year

We have seen encouraging improvements in the planning environment, but overall, the planning process continues to be challenging and time consuming.

Competition for immediate land in certain divisions also remains high, inflating prices beyond acceptable positions.

Overall the risk assessment remains high.

Link to strategic priorities

4 Land

12. Combustible materials and legacy obligations

Residual: High/Medium **Appetite:** Medium/Low **Movement in year:** No change

Risk description

Failure to address the issues faced by residents impacted by combustible materials and fire safety in a timely manner, which could significantly impact our brand and reputation. There is heightened political and public awareness with government publication of remediation progress.

This is a complex area where it is often difficult to identify and implement remedies quickly, particularly with multiple stakeholders contributing to this complexity, and limited availability of qualified resource to undertake works. Given this, costs can be more difficult to estimate and control.

The Group has a large number of legacy obligations with completed site remedial works and management companies' requirements, which need significant management.

Actions/mitigations

The Special Projects division is responsible for the remediation of fire safety risks. Robust controls and processes associated with remediation are in place and are overseen by the Chief Executive Officer and Chief Financial Officer.

Assessments consider if faulty workmanship or design was a factor in the requirement for potential remedial works and, if appropriate, we seek to recover these costs directly from the supply chain involved.

Cost variance review meetings assess each live project, monitoring cost movements and project risks and opportunities against provision levels to ensure they remain sufficient. The monthly divisional board meeting covers the extent of the portfolio, project risks and progress.

Development in the year

The Group has now completed the assessment of all buildings within the scope of the Self Remediation Terms, with the exception of two buildings where access is being finalised with the freeholder.

Operational delivery and progressing projects at a pace aligned to the Remediation Acceleration Plan remains a risk. The principal challenges are agreeing scope with management companies and freeholders in a timely manner and securing their consent to access the buildings.

Legacy sites have required additional focus in the period. A risk assessed and prioritised list of sites has been prepared and additional resource has been directed to the area to manage necessary works.

Reflecting the scale of works still to complete around combustibles and legacy sites, the risk remains high.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial

13. Execution and success of Project Elevate

Residual: Medium **Appetite:** Medium/Low **Movement in year:** New

Risk description

Failure to achieve our strategic objectives and drive transformational change across the organisation to improve operational effectiveness, quality and customer service.

Failure to adapt to evolving market conditions, shifting customer demands and broader stakeholder needs.

Failure to address these risks could impact our competitiveness, market share and a number of other principal risks, such as attracting and retaining our skilled people. This could lead to financial decline if we fall behind more agile competitors who adapt more successfully to a changing landscape.

Actions/mitigations

The business transformation plan, Project Elevate, has clearly defined objectives and detailed action plans with set milestones developed and assigned Executive Committee leads by workstream.

A Project Elevate Steering Board meets regularly to review progress and address any progress issues.

Development in the year

Progress against milestones remains positive, particularly with the development of a target operating model and organisational restructure. New house type designs aligned to target mid-premium strategy are complete and ready for use in planning applications. Revised land investment decision-making tools were launched ensuring land bank purchases will also align to strategic priorities.

Focus on overhead reduction and reducing margin leakage continues into 2026.

With design of workstreams and development of actions completed in 2025, efforts now shift towards acceleration and maximising benefits from initiatives.

Link to strategic priorities

1 Quality
2 Customer
3 Operational/Commercial
4 Land