

## Section 172 statement

# Making informed decisions

The objective of the Board and Group management team, when taking strategic, financial and operational decisions, is to promote the success of the Group for the benefit of all our stakeholders, in line with their directors' duties as set out in Section 172 of the Companies Act 2006.

### How our directors perform their duties

- The Board sets the Group's purpose, values and strategy and ensures they are aligned with our culture.
- See pages 102 to 109.
- The Board reviews the Group's strategy and conducts strategy reviews with each division, to ensure the long-term sustainable success of the business with good outcomes for all our stakeholders.
- See pages 102 to 103.
- The Board sets the Group's risk appetite, assesses the principal risks that could impact on our strategy, performance and stakeholders, and reviews the mitigations we have in place.
- See pages 55 to 70.
- The Board engages directly or indirectly with our stakeholders, monitors the impact of our activities on multiple stakeholder groups, and takes their interests and priorities into account when making decisions.
- See pages 11 to 15 and 102 to 104.
- The health, safety and environment (HSE) committee monitors our performance against our five Total Commitments to our stakeholders and wider society and reports to the Board on its activities.
- See pages 123 to 125.
- Directors and senior managers undertake training on directors' duties and other relevant topics.
- See pages 98 and 100.

Section 172 factor	Relevant disclosures
The likely consequences of any decision in the long term	<ul style="list-style-type: none"> <li>■ Purpose and strategy 6</li> <li>■ Business model 5</li> <li>■ Capital allocation framework 4</li> <li>■ Pipeline of work 40</li> <li>■ Divisional markets 44, 48, 51, 54</li> </ul>
The interests of the Company's employees	<ul style="list-style-type: none"> <li>■ Employee engagement 11</li> <li>■ Protecting people 17</li> <li>■ Developing people 21</li> <li>■ Employee policies 81</li> <li>■ The work of the HSE committee 123</li> <li>■ Rewarding employees fairly 132, 140</li> </ul>
The need to foster the Company's business relationships with suppliers, customers and others	<ul style="list-style-type: none"> <li>■ Supply chain engagement 13</li> <li>■ Working together with our supply chain 32</li> <li>■ Human rights and modern slavery 19, 82, 109</li> <li>■ Client and partner engagement 13</li> <li>■ Funder engagement 15</li> </ul>
The impact of the Company's operations on the community and the environment	<ul style="list-style-type: none"> <li>■ Community engagement 14</li> <li>■ Enhancing communities 35</li> <li>■ Improving the environment 25</li> <li>■ Environmental policies 81</li> <li>■ The work of the HSE committee 123</li> </ul>
The Company's reputation for high standards of business conduct	<ul style="list-style-type: none"> <li>■ Non-financial information statement 81</li> <li>■ Culture and values 6</li> <li>■ Code of Conduct 19, 82, 100</li> <li>■ Raising concerns 109</li> <li>■ Board's oversight of workforce policies and practices 108</li> <li>■ Internal financial controls 120</li> </ul>
The need to act fairly as between members of the Company.	<ul style="list-style-type: none"> <li>■ Shareholder engagement 15</li> <li>■ AGM 155</li> <li>■ Rights attached to shares 156</li> <li>■ Voting rights 156</li> </ul>

## Our stakeholders

# Understanding our stakeholders' priorities

The quality of our relationships with our key stakeholders is essential for the success and growth of our business.

We believe the best approach to developing and nurturing long-term relationships is to base them on trust, by maintaining regular dialogue, listening attentively, being open and transparent when giving information, and working collaboratively.

As well as ongoing dialogue with our stakeholders, we conduct a biennial 'materiality' survey with our employees and a selection of clients, suppliers, trade associations and investors about how they would prioritise a range of responsible business ambitions. The latest materiality survey took place in 2020 and the results aligned with our Total Commitments and our continued support of the UN Sustainable Development Goals (see our 2020 responsible business data sheet on our website for more information).

### Group and Board engagement

The Board engages directly with our people, shareholders, analysts and funders, while our divisions manage their relationships with their people, supply chain, clients and partners and local communities. In addition, our chief executive regularly visits all parts of the business, including offices and sites, and speaks with employees, clients and subcontractors.

The executive directors supervise the divisions' engagement with their stakeholders principally through monthly board meetings with divisional senior management teams and monthly meetings with the Group management team. The executive directors then update the Board as appropriate.

> See pages 102 to 104 for how the Board considered the needs and concerns of our stakeholders when making key decisions.

### Our people

#### Who they are and why they're important to us

We directly employ around 6,900 people across the Group. They possess a broad range of expertise to support our clients through all stages of the project life cycle, from development to design, build, maintenance and refurbishment. Thirty-seven per cent of our people have been with the Group for six years or more, accumulating technical experience and an in-depth understanding of our values which they can convey to newer recruits.

#### Their key priorities

A fair, respectful and safe environment to work in; regard for their health and wellbeing; investment in their personal development and career progression; support for flexible working; and an open and honest culture that promotes diversity and inclusion.

#### How the Group engages with them

New starters receive formal induction programmes which include introducing them to our Core Values and Total Commitments. Personal development conversations are held throughout their careers with us. Our divisions update their people on their business goals, market conditions and operational performance using newsletters, emails and briefing sessions. Internal digital communications channels include intranets, social media platforms such as Yammer, Microsoft Teams and our staff benefits portals. Employees are invited to submit ideas via 'innovation portals' for ways of improving the business or on specific topics such as carbon reduction.

Annual conferences held by the divisions give senior managers and functional heads the chance to communicate key messages, and our employees the opportunity to share ideas and experiences with colleagues from different roles and regions. Group-wide and divisional forums focusing on issues such as employee concerns and health and safety meet regularly to exchange views and propose changes.

The divisions conduct regular employee surveys, analyse the feedback, and communicate the results to their employees together with the actions to be undertaken in response. Infrastructure, BakerHicks, Fit Out and Property Services conducted employee surveys in 2021, with the remaining divisions scheduling surveys in 2022. Construction engaged with employees via its newly launched People Forum which met three times in 2021, while Partnership Housing received feedback through focus groups and an Investors in People (IIP) survey (following which the division achieved a Gold IIP accreditation).

#### How the Board engages with them

The executive directors keep everyone informed of the Group's financial performance through newsletters, emails and videos released to coincide with the full-year and half-year results announcements and will make people aware of any external factors and significant events that might have an impact. We offer a Group-wide Savings-Related Share Option Plan (SAYE scheme) that also helps to keep people engaged with the Group's performance and progress. Over the years, we have seen a progressive increase in participation in the scheme, with a 41% take-up in 2021.

## Our stakeholders: our people continued

With regard to provision 5 in the UK Corporate Governance Code 2018, we believe the most effective way for the Board to engage with our people is by distributing the responsibility equally between all non-executive directors. As part of their annual strategy reviews with the divisions (see page 103), the non-executive directors engage in project site visits and meet with and are presented to by employees. Sites visited by the non-executive directors in 2021 included: the Civic Centre Opportunities Site, St Albans; the Barking Riverside Extension, Essex; Coutts, London; Man Group, London; The Mill, Canton, Wales; Lewisham Gateway, London; and New Bailey, Salford. Presentations from employees covered topics such as sustainability, diversity and inclusion, training and development, and updates on operations in specific market sectors. In addition to the strategy reviews, the non-executive directors attended employee conferences held by the divisions as well as the Group's annual two-day management conference.

Several of the divisional managing directors presented to the health, safety and environment committee in 2021 on safety and wider responsible business activities within their respective divisions (see page 124 for more detail).

### How we responded to feedback in 2021

The following are examples of actions taken as a result of feedback from employees:

- Construction retained its periodical, all-employee survey rather than replacing it with more frequent 'pulse surveys'; enhanced its family-friendly policies and paternity and maternity pay; and is testing an agile working approach with site-based colleagues on a project in St Albans.
- Infrastructure launched an 'adaptable working' approach; set up a new process that enables employees to have regular career conversations with their line managers; relaunched its employee forum, 'Let's talk', appealing for underrepresented groups, such as those who are paid weekly, to join; and is training line managers to support colleagues struggling with their wellbeing (see pages 19 and 21).
- BakerHicks began a project to revitalise job descriptions and create clear career pathways; and held a variety of social and team activities.
- Fit Out supported each of its teams in developing bespoke action plans in response to its all-employee survey, with common themes including agreeing a communications strategy and annual programme of events to promote wellbeing.
- Property Services enhanced the content and frequency of its communications; and is implementing ideas received through its new 'Diversity of Thought' innovation portal.

- Partnership Housing focused on ensuring each of its regions has a succession plan and 'people plan' in place.
- Urban Regeneration launched its volunteering policy and a 'buddy' programme to support new employees joining the business.

The Board was provided with a report at its December meeting on the divisions' engagement with their employees during the year. The report was discussed in detail, and the non-executive directors shared feedback from their meetings with employees held during their divisional strategy reviews. The Board noted that, overall, the levels of employee engagement by the divisions were good and that the employees with whom the non-executives met were open, positive and engaged, with the Group's culture coming across strongly and clearly.

The Board considered the effectiveness of its selected process for employee engagement and concluded that it should be continued, as it enables the non-executive directors to meet a broad range of employees from multiple divisions and engage with them in a variety of ways (at meetings and presentations or on site, and without management present).

The Board was also presented with a report on the findings of the Group's diversity and inclusion survey circulated in 2020 and how the divisions were responding. See pages 23 and 24 for information on the survey results and the divisions' responses.

[Read more on how we develop our people and protect their health and wellbeing \(pages 17 to 24\).](#)

### Divisional strategy reviews by non-executive directors in 2021

Non-executive director	Division
Jen Tippin	Construction <sup>1</sup> and Property Services
Tracey Killen	Infrastructure <sup>1</sup>
Michael Findlay	BakerHicks <sup>1</sup>
David Lowden	Fit Out
Tracey Killen, David Lowden	Partnership Housing
Malcolm Cooper	Urban Regeneration

<sup>1</sup> Construction, Infrastructure and BakerHicks constitute the Construction & Infrastructure division.

## Our stakeholders: continued

## Supply chain

**Who they are and why they're important to us**

We have a national network of carefully selected suppliers and subcontractors, ranging from large organisations to small local firms, who are aligned to our values and standards of delivery. They are strategically important to the Group as we depend on them to deliver our projects efficiently and to a high standard. We view our supply chain as long-term partners and work together to overcome challenges, innovate and improve.

**Their key priorities**

Work opportunities, including for smaller businesses; prompt payment; a safe working environment; fair treatment and respect.

**How the Group engages with them**

When appointing suppliers, we put in place clearly written contracts setting out roles and responsibilities along with agreed payment terms. Our divisions monitor their subcontractors' performance against set criteria and give constructive feedback. We hold a Group networking event for suppliers every two to three years and provide learning and support through the Supply Chain Sustainability School (see page 32). Our divisions communicate our culture, values and standards to subcontractors on our sites, and health, safety and wellbeing and modern slavery are discussed in site induction programmes and toolbox talks.

- Fit Out has launched a new supply chain portal which enables subcontractors to monitor how they are performing on live projects (see page 32).

Our Group director of sustainability and procurement assists in managing relationships with those subcontractors and suppliers who are common to more than one division.

**How the Board is kept informed**

The executive directors receive information on supply chain relationships at the monthly divisional board meetings. The Board regularly reviews the divisions' payment practices and health and safety statistics, together with the Group's strategies and actions to prevent modern slavery.

In 2021, two non-executive directors, Malcolm Cooper and Kathy Quashie, attended our suppliers' event, 'Meeting the Challenge', held at Silverstone (see page 33).

**How we responded to feedback in 2021**

We have continued to invest in changes to our payment systems and cash commitment across all our divisions to shorten payment terms for our suppliers. We have enhanced our relationship management with the Morgan Sindall Supply Chain Family members (see page 32) to further promote collaboration, for example sharing our pipeline of opportunities and organising 'lunch and learn' sessions. In addition, we have focused on providing our supply chain with carbon education, for example at the Meeting the Challenge event, the theme of which was addressing climate change.

➤ [Read more on how we work together with our supply chain \(pages 32 to 34\).](#)

## Clients and partners

**Who they are and why they're important to us**

We work with clients from the public, commercial and regulated sectors (such as water and transport) and our partners include local authorities, landowners and housing associations. In addition, we consider the needs of the 'end users': those who will occupy or use the spaces and infrastructure we create.

Long-term relationships with our clients and partners are key to our organic growth strategy. Where possible, we aim to secure work through partnerships, frameworks or repeat business.

**Their key priorities**

Excellent customer service and experience; technical knowledge and expertise; perfect delivery of projects on time and to budget; a positive, solutions-driven approach; to work with a responsible and collaborative partner; help in achieving sustainability, including lower carbon output, in their projects and buildings; solvency, cash resources and a strong balance sheet.

**How we engage with them**

Our divisions work to maintain long-term relationships with their clients. Our national coverage and decentralised approach enable us to engage with clients and partners at a local level and tailor our services as needed. Regular dialogue helps us to understand their priorities and expectations and ensure that we have the skills and capabilities for their projects.



"The development provided us with the best of both worlds – we were able to buy a house that was surrounded by idyllic countryside, while still being in close proximity to all the amenities and transport links we could ever need. Not only did we fall in love with the property's location, but we also enjoyed being able to design our interiors exactly how we wanted them with the help of Lovell's Inspirations team... Having a fresh, blank canvas that we could personalise and make our own before we even moved into the property made the buying process so easy."

**Toni Robinson and family,**  
Partnership Housing home purchasers,  
Weston Woods, Cheshire



## Our stakeholders: clients and partners continued

Our clients' priorities and objectives are discussed with them at the start of each project and we keep them informed throughout, making sure the process is as smooth as possible. We focus on the customer experience, for example Property Services launched a new 'customer charter' in 2021 that covers topics such as listening, respect and understanding when engaging with residents. We ask for clients' feedback on project completion via questionnaires and interviews. The results are shared with the project teams and analysed by the divisional managing directors to drive further improvements. We monitor levels of satisfaction using metrics appropriate to the divisions (see page 8).

### How the Board is kept informed

The divisional managing directors keep the executive directors informed about client relationships at their monthly meetings, who then inform the Board of any matters of interest such as key contracts or new relationships.

### How we responded to feedback in 2021

- On Construction's project for Wintringham primary school (see page 42), the staff at the school were heavily involved in the design, their input ensuring they had a space that met their needs.
- Fit Out has appointed dedicated social value champions on key projects in response to its clients' increased focus on social value. The division has also introduced 'client cornerstone' training for its operational teams, giving them the skills to gain a deep understanding from each client of their key objectives on their project.
- In response to demand to speed up the construction of new homes, Partnership Housing has been using a new and faster modern method of construction. The i-House is a prefabricated, watertight shell that provides the 'inner skin' of a house ready for follow-on trades such as bricklaying and plumbing. The material used in the i-House has an excellent thermal performance which reduces heat loss.
- Feedback requested from homebuyers by Urban Regeneration resulted in the division: bringing its customer service function back in-house; developing an improved customer relationship management system that digitally generates paperwork within minutes of a home demonstration or handover; and quality enhancements to various customer touchpoints. The changes were launched on Urban Regeneration's Lock 17 project at Hale Wharf in Tottenham (see page 53) and resulted in a 29% increase (to 81%) in customer satisfaction for dealing with defects and a 14% increase (to 86%) in satisfaction with the condition of the property, compared to the previous 12-month rolling period.
- Urban Regeneration pioneered a virtual sign-off process for the design concepts on its project for the Marriott's Moxy Hotel and Residence Inn in Slough (see page 42) in order to increase speed and efficiency, as the Marriott team were based in multiple locations. The interior designer used CGIs and materials samples to produce design concepts online, and once these were approved, full-scale mock-ups of bedrooms and bathrooms were built. These were the first Marriott hotels in the world to be signed off in this way. The attention to detail in achieving the highest-possible standards through early sign-offs and sample rooms were quoted as the best the Marriott had ever seen.

"Salford City Council has been working with Muse in delivering the long-term aspirations of the Salford Central Plan. It's been amazing what we've achieved to date. I think it's even more exciting as we move on to the major regeneration that will be happening further down, at Crescent Salford, in taking environmentally conscious development to the next level and in truly leading from the front in tackling and contributing to resolving the climate crisis. This project [the Eden building] is going to strengthen Salford City Council's green credentials for a number of reasons – not only is it going to feature Europe's largest living façade, it is also going to operate solely on renewable energy. This is really going to make it Salford's most iconic and pioneering and net zero scheme in the city to-date."

**Sarah Ashurst,**  
Head of Investment and Programmes,  
Salford City Council

➤ See page 27 for more information about the Eden building.

## Local communities

### Who they are and why they're important to us

We view local communities as well as wider society as a key stakeholder group. We can generate social and economic value for local communities through our construction and regeneration schemes, while society more broadly benefits from our focus on reducing carbon emissions and pollution and increasing biodiversity. Local residents are a potential source of recruits and of suppliers with local knowledge.



"We can see the new Glebe Farm School being built from our house, we are literally next door. It's a big development but Morgan Sindall are a delight to have as neighbours. My son, Ben, has special needs and Morgan Sindall has opened up the site to him, allowing him to come in and interview the workers on site to track how the school is being built for his blog. They've built my little boy up so much. Everyone on the site knows his name, every morning the guy who lets the lorries in waves to him. They've given him a little Morgan Sindall uniform of his own – it hangs up in his room. It's given everyone in the community an insight into the development from the inside."

**Rhian Evans,**  
resident near the Construction's Glebe  
Farm School site in Milton Keynes

## Our stakeholders: local communities continued

### Their key priorities

Enhancements to the local surroundings and quality of life that meet local needs and requirements; buildings and developments that are sustainable; a considerate constructor that causes minimal disruption; and investment in the local economy through job creation and use of local suppliers and services.

### How we engage with them

Our divisions have dedicated teams responsible for liaising with local residents and communities before and during our projects. Where appropriate, they engage members of the local community in consultation on the project's development; for example, Urban Regeneration arranges planning consultations on all its projects and phases. We partner with schools to introduce construction as a career option. Project teams in all divisions get involved in local charities and events.

### How the Board is kept informed

The Board is kept informed of the divisions' community initiatives and any issues through the executive directors' board meetings with the divisions.

### How we responded to feedback in 2021

No material issues arose in the year.

 [Read more about how we engage with and create value for local communities \(pages 35 to 38\).](#)

### Shareholders

#### Who they are and why they're important to us

Our shareholders provide the Group with funds for investment in long-term growth. We value the stewardship of our institutional investors and the views of all shareholders and analysts.

#### Their key priorities

Robust financial and risk management; good governance; effective communication of strategy; share price growth; sound capital investment decisions; a progressive dividend policy; a responsible business that creates social and environmental value; and a remuneration policy that promotes sustainable growth.

#### How the Board engages with them

We keep all our shareholders updated via regulatory newswires, our website and our annual report. Our chair, senior independent director and committee chairs are available to meet with shareholders at any time.

The executive directors communicate regularly with institutional shareholders and analysts covering the Company's activities through private meetings and presentations following our results announcements. Any written feedback we receive following these interactions is distributed to all members of the Board. In addition, feedback and reports from Institutional Shareholder Services, the Investment Association and Pensions & Investment Research Consultants are circulated to the Board ahead of our AGM each year.

In 2021, our half-year results presentation was delivered as an in-person event, with a live video communications link that enabled investors and analysts unable to attend in person to take part in the live Q&A discussion.

All shareholders are invited to attend our AGM and, outside of any pandemic-related restrictions, we encourage everyone to attend for the opportunity to meet and put questions to the directors. In 2021, a closed AGM was held as public gatherings were prohibited by the UK government. Shareholders were notified of this in advance and encouraged to appoint the chair as proxy with their voting instructions. The chair invited shareholders to email any questions which would then be published on our website in advance of the meeting (no questions were submitted). Our 2022 AGM is intended to be held as a live event on Thursday, 5 May (see the Notice of Meeting on our website for more detail).

The executive directors engaged with investors during the year via email and meetings. Topics covered included general information about the Group, 2020 full-year and 2021 half-year results, areas for growth, cash management and capital allocation.

#### How we responded to feedback in 2021

All resolutions were passed at our 2021 AGM. The feedback received following the full- and half-year results was very positive, and additionally we received some very encouraging feedback on our environmental performance.

The Group's new capital allocation framework and dividend policy were received positively by investors.

During the year, our remuneration committee consulted with our largest shareholders on two proposed amendments to our executive remuneration. See pages 126 to 128 for detail on the feedback received and the committee's decision-making process.

### Funders and performance bond issuers

#### Who they are and why they're important to us

Our funders and performance bond issuers provide us with access to competitively priced banking, bonding and debt facilities. See page 39 for further information on the Group's financing facilities.

#### Their key priorities

Robust management of working capital and risk.

#### How we engage with them and keep the Board informed

The Group's finance director and director of tax and treasury meet with our banks and performance bond issuers following the full-year and half-year results to update them on the Group's performance and discuss any expectations they may have. These meetings help us to maintain sufficient loan and bond facilities. Our finance director reports to the Board on any updates relating to the Group's funding requirements.

#### How we responded to feedback in 2021

No issues or concerns arose during meetings with our funders and performance bond issuers during the year that required consideration by the Board.