



HERON BROS.

ESG | 2030 Strategy



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As a family-owned company with a long history of caring for its people and the communities where it does business, we strive to leave a positive legacy through our work within the built environment. How we do business and the impact we have on the environment, on people, our value chain and in the communities where we work matters greatly to us and underpins the creation of our first ESG Strategy and Net-Zero Roadmap.

We know that construction and the built environment account for some 40%+ of all UK emissions and we believe it is up to companies like ours to do what we can to reduce emissions and get to net zero by 2050 or sooner. How we will do that is outlined in the enclosed Net Zero Roadmap, but this is just one strand of our Environmental, Social and Governance responsibilities and the following strategy outlines our commitments and approach across all strands.

We started work on this ESG Strategy with a painstaking process of information-gathering, surveying and interviewing of stakeholders and key staff between February and May 2022 to help identify the issues that are most material to our business and to our stakeholders. In today’s volatile, uncertain, complex and ambiguous (VUCA) world, change happens faster than ever, so that culture of stakeholder engagement is something we will embrace as we continually review our efforts towards key milestones on our ESG journey.

The ethos behind this strategy lies in Heron Bros’ **vision and values**:

“Our vision is to be the contractor and developer of choice for our clients by delivering added value through quality and sustainability”

Our values:

Relationships – Collaborating with like-minded partners enhances our potential to achieve common goals

Forward-thinking – Embracing innovation to find sustainable solutions for our clients and wider society

Passion – We care about people and planet and having a positive impact that we can be proud of

We like to sum up all that we aim for in this Vision 2030 ESG strategy as follows:

- V**aluing sustainability as a driving force in our business
- I**nvesting in communities where we work
- S**eeking new ways of working that benefit people and planet
- I**nventing collaboration to get there faster
- O**penness, transparency and sharing best practice
- N**ature positive in our actions

Where Responsibility for ESG Sits

Heron Bros. ESG strategy is led by the Board with support from our Senior Management Team and ESG Manager to ensure ownership, commitment and full implementation across our organisation around our growing environmental, social and governance commitments.

Before embarking on this strategy, we undertook a stakeholder engagement exercise and developed a materiality assessment to determine the priority ESG topics for Heron Bros. This approach allowed us to develop a framework outlining the key environmental, social and governance topics that will shape our approach to being a sustainable and responsible company as we grow towards 2030.



Heron Bros. and the Sustainable Development Goals

Although we know our efforts will support many of the UN Sustainable Development Goals (SDGs), we have identified the following six as our priority goals. These are the SDGs on which we can make the biggest impact between now and 2030:



We will report annually on our progress against these SDGs as part of our wider ESG reporting.

The targets we have set ourselves as we look towards 2030 and the actions, projects and initiatives we will undertake to meet those targets are outlined on the following pages. We have set internal milestone goals for 2025 and will develop annual action plans to ensure we stay on track and do not deviate from our purpose.



Environmental

As a construction company, we can't avoid impacting on the natural environment, but we can manage those impacts and ensure they are positive where possible and neutral at a minimum. Energy and emissions is a key focus for us and we have a detailed roadmap to get us to net zero by 2045. Our impact on the environment however goes beyond emissions and speaks to how we build, how we procure materials and how we nurture ecosystems through a focus on biodiversity and protecting nature.

Energy & Carbon Emissions – by 2030, we will be well on our way to achieving zero emissions across our scopes 1 and 2 and will be working with our value chain to reduce carbon emissions both upstream and downstream on all projects. Going beyond that, we have plans to generate clean, renewable energy that will enable the wider Heron Group and its clients to contribute to the carbon positive movement currently gaining traction.

Sustainable Resource Use – water, waste, materials. What and how we source materials is changing and the sustainability credentials of materials is a growing priority for us. We know natural resources are finite, so finding innovative ways to reduce water and waste from our processes is a focus.

Investment in Circular Economy Principles – we recognise the value of a more 'circular' approach to doing business and are working within our value chain to identify ways to design out waste and repurpose materials for reuse elsewhere.

Nature & Biodiversity – We will protect and enhance ecosystems by embracing nature and nature-based solutions. Preventing pollution to air, land or waterways and avoiding negative impact on plant and animal habitats will be prioritised on our projects and encouraged in our communities.

The difference we will make	Our 2030 Goals
We will be close to achieving net zero in our own operations and will be influencing and supporting our value chain to do the same	Scope 1 and 2 GHG emissions 85% eliminated or removed and aligned with science-based targets
	75% of our value chain will have mapped their net-zero pathway
Our use of natural resources will be minimised and the sustainability of materials used will be a primary factor in all decision-making	50% reduction in water use across all projects
	100% of wood used is FSC or PEFC certified
	25% of materials used from recycled content
	50% of materials used have EPD (Environmental Product Declaration) certificates
	Updated and upgraded environmental standards applied across 100% of contracts

The difference we will make	Our 2030 Goals
We will have eliminated waste from our processes and a Circular Economy approach will be the normal way of operating in our business and on all projects	We focus on designing out waste prior to construction, with 100% of residual waste reused, repurposed or recycled as a last resort
Protecting nature and biodiversity will be the starting point for all build considerations and not just a compliance consideration	100% of all projects review the nature and biodiversity of the area to ensure full protection or enhancement

SDG Alignment

7 AFFORDABLE AND CLEAN ENERGY

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Our Net-Zero Roadmap

This roadmap sets out how we at Heron Bros. propose to be part of the solution to climate change now and in the future. Our diversification into renewable energy management and storage will not only enable us to reduce our own emissions, but the innovations we have invested in through our stake in Heron Storage Ltd, HHT Renewables Ltd and The Electric Storage Company (TESC), will be a valuable piece of the solution for reducing the emissions of other large energy and domestic energy users alike, through a combination of wind and solar energy production combined with battery storage.

As well as taking solid measures to reduce our scope 1 and 2 emissions through changing various aspects of our operations, we will continue to invest in innovations that will help us, our customers and the wider community, to reduce emissions and save money.

Our interest and involvement in this area sets us apart from other construction companies, opening up new channels and opportunities which put Heron Bros. at the forefront of the energy revolution.

We don't underestimate the challenges around engaging and supporting our supply chain, which involves many SMEs who aren't so advanced on their net-zero journey. For this reason, we have set 2045 as an ambitious, but we believe achievable, goal to be fully net zero across all scopes. Offsetting will play a minor role in reaching these goals, with reductions as a first priority and credible, verifiable removals being used to balance only when we can go no further.

Our goals:

- To achieve net-zero carbon in our own operations (scopes 1 & 2) by 2035
- To be net zero across our entire value chain by 2045

How we will achieve this:

Our net-zero journey will involve a range of measures that we've categorised under the following six themes, with our key goals set out on the following pages:



Education & Collaboration

Collaborating with like-minded organisations to drive change through innovation and educating our staff and supply chain to garner support.



Measurement & Reporting

Tracking our emissions and progress against targets and reporting the results with transparency



Energy Management

Managing and reducing our energy use using SMART technology at our offices and sites



Materials & Supply Chain

Sourcing lower-emissions materials and understanding, measuring and limiting embodied carbon on our builds



Innovation

Investment in renewables, battery storage & smart grid technology will provide decarbonisation solutions for us, our clients and communities

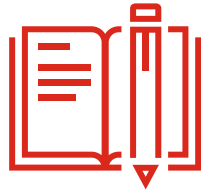


Transport & Machinery

Addressing transport & machinery emissions at site level by choosing low-emission options and staying on top of new innovations



Education & Collaboration



- Our workforce will be fully carbon literate by the end of 2023
- Development of a solar facades project in partnership with Ulster University to be completed by 2030
- Implementation of LEAN principles with a focus on decarbonisation across the business from 2022
- Collaborating with national energy generators to harness the full potential of renewable energy through development of battery storage facilities
- 50% reduction in scopes 1 & 2 by 2030 as a signatory to the BITC Climate Action Pledge

Measurement & Reporting



- Continued use of SustainIQ platform to measure, monitor and annually report on emissions on all build projects and company-wide
- Complete a full carbon inventory across all three scopes by 2025
- Publicly report scope 1 and 2 emissions data annually against targets
- Publicly report scope 3 transport emissions from 2023, with all categories reported from 2025 onwards
- Achieve ISO 14064 certification in 2024
- Aim for measurement of embodied carbon on all projects from 2025
- Risk management & planning aligned with TCFD framework from 2023

Energy Management



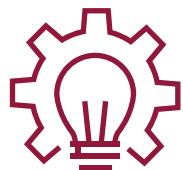
- Achieve ISO 50001 certification in 2023
- 100% renewably-sourced electricity used at all offices & sites by 2025
- Install additional solar PV panels at office locations in NI and Scotland to increase renewable electricity generation by 15% by 2025
- Utilise PARIS smart energy platform to reduce energy use by up to 30% annually from 2025

Materials & Supply Chain



- Aim for 50% certified low footprint materials/EPDs on all projects by 2030
- Support tier 1 suppliers to become carbon literate by the end of 2023
- Set targets for operational carbon reductions on all projects from 2025 in line with net zero by 2045 goal
- Set targets for embodied carbon reductions on all projects from 2025 in line with net zero by 2045 goal
- 40% of value chain have set out their net-zero pathways by 2025 and 75% by 2030

Innovation



- Further develop investment in The Electric Storage company (TESC) with projects to harness power from wind, solar and battery storage for use by communities and large energy users
- Generate 50m+ KWh of our own electricity through wind and solar technologies by 2026

Transport & Machinery



- 50% company-owned cars EV/Hybrid by 2025 with a transition to 100% by 2030
- Lower emission fuels to be prioritised for site-based plant & machinery from 2023, with a full shift to LEFs by 2030
- All new site welfare units to meet low-emission standards from 2023



Social

Heron Bros. will ensure that its own people, those within its wider supply chain and those in the communities where it does business, are treated well and benefit from their relationship with the company. Society will be improved by our business through employment, investment and a focus on operating sustainably, with care for people and planet.

Health, Safety & Wellbeing is the key priority for us, our people and our wider stakeholders. It always has and always will be a primary focus for us as a good employer. Wellbeing and good mental health is a priority as we look towards 2030 and support our people to manage their increasingly multi-layered lives at work and at home.

Being an Employer of Choice is what we strive for. We're a family-run company and we treat our people like family. We know that by investing in our people, providing training to help them reach their potential and develop their skills and embracing the diversity of thought, gender, age, physical ability, race and sexuality that exists in our society and reflecting that in our own workforce, we can be a better and more resilient company.

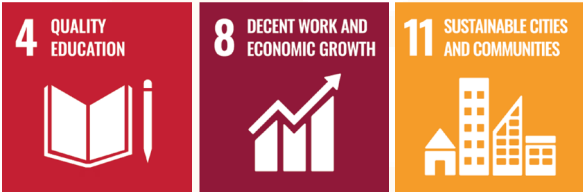
Job & Value Creation – as a profitable business, one of our biggest contributions to society is to provide good, meaningful work. We offer jobs where people are paid well and given opportunities to develop- jobs which enable them, and us, to add value to the economy and wider society.

Investment in Local Communities is part of how we've always done business. Adding social value is important to us and will continue to be a priority on all our build projects and in the communities where our offices are based.

The difference we will make	Our 2030 Goals
Levels of mental ill health in the construction sector will have been reduced and the health, safety and wellbeing of our people will be our key focus	80%+ of employees rate us highly on health and wellbeing support
	Staff turnover maintained below 3% annually
	Accident rate reduced to 5% from 2022 baseline
	Absenteeism maintained below 5%
	Apprentices and graduates comprise 7% of our workforce
	20 schools outreach sessions per annum to promote careers in construction
	20 work placements per annum
	2% increase in recruitment from diverse groups
	70% staff (<25) rate HBL as a good place to work, with long-term career potential
	70% younger staff (<35) feel empowered in their roles

The difference we will make	Our 2030 Goals
We will enhance the lives of individuals, their families and their wider communities by providing valuable, meaningful jobs that support social mobility and sustainable economic growth	70% of employees feel supported, engaged and that they have clear purpose
	60% of employees have 5-40+ years' service
	70% of employees feel they are comfortably challenged and able to grow within their roles
	80% of employees' families believe HBL is a good company to work for
The communities where we develop projects and site our business will be improved by our investment, as we add social value through our involvement	2 additional local jobs created for each new project undertaken
	£0.2m donations/in-kind support for selected charity/community partners
	100% social value targets met on public sector projects
	Aim for £15m towards Social Economic Investment per annum

SDG Alignment





Governance

How we make decisions, who makes them and the reach and impact of those decisions within our wider value chain are all critical to our ethical approach to doing business. At Heron Bros. we started out as a family-run business and the best parts of that ethos stay with us today, but the diversity of thought, experience and skills that we now have on board make us stronger and more adaptable than ever.

In our governance structures and processes, doing the right thing always has and always will guide our judgement. Being flexible enough to know when we need to adapt to better reflect a fast-moving world and the changing needs of stakeholders, and doing that openly and honestly, is what makes us resilient.

Transparency & Adaptability – we’re committed to operating with transparency, openness and a genuine interest in sharing with others in our sector to achieve common goals. Recognising the fast pace of change in our world and the importance of being sustainable, we are also committed to being flexible and adaptable and seeing the opportunity in any challenge.

Sustainable Supply Chain – if businesses are to achieve their ambitions towards sustainability, supply chains are critical. We will do whatever we can to help educate, support and inspire our suppliers to embrace sustainable practices and will actively seek new suppliers whose values match our own in this regard.

Ensuring no Modern Slavery is an absolute given. We have stringent standards when it comes to labour in our supply chain and we make no exceptions.

The difference we will make	Our 2030 Goals
Our example will have influenced other companies in the sector to embrace greater transparency in their business dealings and construction will be heralded as progressive and agile in the drive for sustainable development	100% of all recognised science-based metrics are openly reported on
	100% of our employees and clients recognise the positive impact we have had in driving sustainable development and practices
Heron Bros. value chain will champion sustainable practices , contributing to the growth of the green economy	75% of key value chain members have ESG strategies in place, are working towards net-zero and are providing sustainable employment
	Our value chain is completely free of modern slavery or unethical practices
Our business and value chain are completely free from modern slavery or any unethical labour practices	100% of our employees and clients recognise our efforts in eradicating modern slavery from our value chain and instilling ethical labour practices

We have invested heavily in monitoring and evaluation across our business and report on our KPIs on a monthly basis. That same rigour will apply to our ESG strategy and will be supported by our investment in **SustainIQ** – data-driven software that helps us measure, monitor and report on our ESG commitments.

Our senior management team will undertake bi-annual reviews of this ESG Strategy to ensure we remain on track and that our goals remain right and relevant. A process of annual target setting will help ensure we are current in our thinking and our approach to addressing the material issues.

Every two years until 2030 – in 2024, 2026 and 2028 – we will complete a stakeholder engagement exercise to check that we are still addressing the issues that matter most to our key stakeholders. Any material changes to these issues will be reflected in a revised and updated strategy to take us to 2030.

Communication and Reporting

Communication is key in engaging our stakeholders in the delivery of this strategy and ensuring that our employees, sub-contractors, suppliers and clients alike understand its importance and the role they play in its achievement. We welcome feedback from stakeholders and will engage in ongoing dialogue on how we and our value chain can be sustainable in our operations and the projects we undertake.

We will report on our ESG targets and progress against them transparently and openly through our website and the production of an annual report. We will be aided in our efforts by the ongoing collection and analysis of sustainability data through the SustainIQ software platform.

SDG Alignment





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