

OUR PARTNERS

The Board recognises that effective stakeholder engagement is a key component of good corporate governance and will help to promote long-term, sustainable success and growth. The Board has always had regard to its obligations under section 172 of the Companies Act 2006 but, having regard to the 2018 Code and to guidance published by ICSA and the Investment Association, during 2018 the Board re-assessed its approach to stakeholder engagement. This assessment was undertaken to: identify the Group's principal stakeholders; appraise the levels of engagement by the Board and wider business with those stakeholders; and review how the Board takes into account the interests of stakeholders when making decisions. There were two principal outputs from that review. First, we established a "stakeholder map", which is summarised over the next few pages.

STAKEHOLDER GROUP	ENGAGEMENT
SHAREHOLDERS	<ul style="list-style-type: none"> • There is Board representation for our two largest shareholders, Peel Group and the Pension Protection Fund • Formal financial results reporting and webinar presentation twice a year (followed by investor roadshows) alongside RNS and RNS Reach announcements throughout the year • We host an analyst and investor site visit annually • A Private Client Fund Manager programme is delivered during the year with support from Numis • There has been engagement by the Chairman with the largest shareholders following his appointment in March 2018 • There has been engagement with the largest investors and proxy advisory bodies on proposed revisions to our Remuneration Policy ahead of the 2019 AGM
CONTRACTORS AND SUPPLIERS	<ul style="list-style-type: none"> • All contractors, consultants and suppliers are subject to an initial "take-on" approvals process supervised by our Estates, Environment and Safety ("EES") team, which ensures a consistent vetting process. We assess all suppliers on merit, regardless of whether we have worked with them in the past • Whilst we operate a long list of approved suppliers (see Challenges and scope for improvement), typically we engage small groups of trusted consultants and contractors on a repeat basis across multiple sites at any one time • The frequency of engagement will depend on the identity and specialisms of the consultant, the type of works being undertaken, the stage works are at and the number of assignments being undertaken at any one time. For example, engagement with planning consultants will typically be dictated by planning promotion milestones, whereas there is routinely daily engagement with some of our direct development and engineering contractors and consultants • Where there is heavy use of certain suppliers, we have a regime of regular reporting and relationship management to enable performance monitoring and to highlight any issues early
FUNDERS	<p>Banks</p> <ul style="list-style-type: none"> • There is regular engagement with our principal banks, with the provision of management information (quarterly) and requests for transaction consent. This is supplemented by relationship meetings at least every 6 months <p>Infrastructure funders</p> <ul style="list-style-type: none"> • Quarterly returns are made to our infrastructure funders as part of servicing present infrastructure loans • Relationship development with funders is largely driven by our funding needs <p>Bond provider</p> <ul style="list-style-type: none"> • Liaison with our bond provider is via our insurance brokers, Marsh Risk Consulting ("Marsh"). Engagement is regular due to the frequency of new and renewal bond applications

This identifies our key stakeholders, records how we engage with them, identifies the strengths in that engagement but also, importantly, the challenges we face and the improvements we can make. Second, we decided that the consideration of stakeholder interests needed to be embedded into Board decision-making in a more systematic way. We concluded that the best way to achieve that was to amend our Board transaction approval template to include two new sections on stakeholder interests. Clearly it is not enough merely for Board papers to reference stakeholder interest. It is those references which prompt discussion and form part of the decision-making process. From this year, the Board will undertake an annual review of the “stakeholder map” and the effectiveness with which it considers stakeholder interests in decision-making.

STRENGTHS	CHALLENGES AND SCOPE FOR IMPROVEMENT
<ul style="list-style-type: none"> • Lines of communication with the Peel Group and the Pension Protection Fund are strong given Board representation • Improved profile amongst investors, with the largest shareholders remaining long-term holders and new institutions joining the share register in the past twelve months. We feel the latter in part reflects improvements in the content and volume of our Investor Relations programme • The step-up to premium list and admission to the FTSE index has improved the profile of the Company’s shares 	<ul style="list-style-type: none"> • There is scope to improve our profile further with generalist investors • We must continue to implement a detailed and rigorous investor relations programme in conjunction with our brokers and communication advisers • We will continuously improve the look and feel of our investor relations materials
<ul style="list-style-type: none"> • Relationships are managed by small groups of Harworth employees, which promotes strong personal relationships between Harworth personnel and their counterparts at our various suppliers • We use overarching framework agreements for many of our trusted suppliers, with work orders for specific engagements. This promotes consistencies between engagements • Payments are typically within 30 days of presentation of an invoice, provided a purchase order has been raised in a timely manner • Work has been undertaken with our legal advisors to produce “standard” consultant appointment documents which can be rolled out across the regions 	<ul style="list-style-type: none"> • We are currently operating with a long “tail” of approved suppliers, whilst in practice we only use a small proportion of those on the approved list. We intend to rationalise our list of approved suppliers to reflect the smaller number of trusted parties with whom we work • We are looking to implement a more robust mechanism for regular review of the ongoing status/suitability of suppliers. Work is planned to update our finance system so that it triggers regular reviews of supplier status • Updates to our suite of precedent construction contracts are progressing • Our central functions (Planning, Engineering and Build) will need to ensure that, following regionalisation, a consistent approach is maintained to our engagement of consultants and contractors. This will be addressed as part of a wider initiative to evolve our internal controls and processes to reflect our new regional model
<p>Banks</p> <ul style="list-style-type: none"> • We have a strong and well-established relationship with RBS and are well on our way to a similar relationship with Santander following its entry into RCF in 2018. These positive relationships reflect the transparency of our communication and the regularity of our reporting, alongside consistent compliance with banking covenants <p>Infrastructure funders</p> <ul style="list-style-type: none"> • Our track record of effective delivery of schemes and repayment of loans means that we have a good reputation amongst public sector funders <p>Bond provider</p> <ul style="list-style-type: none"> • We have a strong track record with HCC as a result of our successfully delivering infrastructure works which are backed by HCC bonds 	<ul style="list-style-type: none"> • Discussions will continue with incumbent and additional funders about site specific funding opportunities as and when these arise

OUR PARTNERS

Continued

STAKEHOLDER GROUP	ENGAGEMENT
REGULATORY BODIES	<p>Environment Agency (“EA”)</p> <ul style="list-style-type: none"> • Our Environmental Manager is in regular telephone contact with regional EA officers to discuss permit compliance, monitoring results, variations and surrenders • We undertake regular site visits and inspections with EA representatives, hosted by our Environmental Manager • We report monitoring results to the EA in a timely fashion to comply with permit conditions for certain sites • When issues do arise (infrequently), our Environmental Manager is proactive in engaging with the EA <p>Health and Safety Executive (“HSE”)</p> <ul style="list-style-type: none"> • There is regular, informal engagement between our Operations Director and local HSE officers to discuss quarry and demolition operations • Otherwise, engagement is reactive in the event of (infrequent) incidents <p>Forestry Commission</p> <ul style="list-style-type: none"> • Our engagement is largely proactive, with regional officers, where we are in any doubt about our entitlement to fell trees pursuant to planning permission conditions. Engagement is typically via our retained ecologist for the site in question
LOCAL COMMUNITIES	<ul style="list-style-type: none"> • We engage early with local communities on all planning applications and maintain that engagement throughout all our planning promotion exercises. Once development begins, we actively engage with community groups on all our Major Development sites. For example, we meet monthly with the Cutacre (Logistics North) and Waverley residents’ groups. A more detail explanation of our seven-stage approach to local stakeholder engagement appears in the Social Responsibility section on pages 66 to 68 • We have appointed the Lands Trust to manage the public open space at Waverley, our most mature residential development site. The public open space at all other residential development sites is managed internally by our management company function and steps are being taken to align our systems and service levels with those of the Lands Trust. For example, we have introduced welcome packs for existing and new occupiers on all sites and have established a more structured approach to service charge budgeting, invoicing and collection
JOINT VENTURE PARTNERS	<ul style="list-style-type: none"> • We operate three principal joint venture arrangements on our sites at Waverley (Waverley Square Limited), Gateway 45 (The Aire Valley Land LLP) and Logistics North (Multiply Logistics North LP). The forward funding arrangement with M&G Investments for the development and letting of units LN175 and LN225 at Logistics North has also operated in a similar manner. We tailor engagement with each of our joint venture partners to suit the project and partner. In most cases engagement is very structured, with scheduled Board and/or project meetings. Often, and particularly during periods of heightened activity, engagement is intensive, but informal, with regular (often daily) telephone and face-to-face contact as projects evolve and progress quickly • At sites such as Cinderhill, we frequently work in collaboration (which can be formal or informal) with adjoining landowners who share a common purpose, typically the promotion of land for planning permission. In those circumstances, and in a similar way to our careful engagement with local communities, our planning managers work very closely with adjoining landowners and their agents every step of the way

STRENGTHS	CHALLENGES AND SCOPE FOR IMPROVEMENT
<p>EA</p> <ul style="list-style-type: none"> Our Environmental Manager has established a strong relationship with local officers who, we believe, appreciate our openness and respect our professionalism and desire to “do the right thing” <p>HSE</p> <ul style="list-style-type: none"> Similarly, we have had positive feedback from the HSE as to our expertise and openness 	<p>EA</p> <ul style="list-style-type: none"> The recent engagement by our environmental consultants with the EA has been sub-standard. We have recently appointed replacement consultants which should address this challenge
<ul style="list-style-type: none"> We have a track record for effective engagement with local communities, particularly for significant planning applications. At Ironbridge and Thoresby, for example, we have hosted successful public consultation events on site which were very well attended and, feedback suggests, well received. At Thoresby, this has facilitated our securing planning permission for an 800-plot residential scheme. See the Social Responsibility section on pages 66 to 68 for more details Liaison with local communities at our more mature developments sites, such as Waverley and Logistics North, is well established, which has led to improved communication, and collaboration, with residents 	<ul style="list-style-type: none"> We are working to establish a more structured approach to local community liaison on our less mature Major Development sites The engagement by our management company function with residents on our residential development sites will continue to improve as we embed the initiatives and structure introduced in 2018 The recruitment of planning managers into our regional teams will facilitate early engagement with the public ahead of more of our planning applications The public sensitivity on some planning issues will continue to require careful management, emphasising the importance of our effective community engagement
<ul style="list-style-type: none"> The success of all our joint venture arrangements is due, in large part, to effective engagement between us and our joint venture partners. We have seen evidence of that success including: the development and promotion of units LN175 and LN225, resulting in sizeable fees paid to Harworth; our collaborative approach with Evans Properties to engagement with HS2, facilitating sales at Gateway 45 notwithstanding HS2 safeguarding; and the speed at which the “Multiply” units have been built and let at Logistics North. Effective engagement stems from: <ul style="list-style-type: none"> senior buy-in for, and visibility on, all joint ventures; very regular contact, whether that be formal or, more often, informal; openness, transparency and careful management in all dealings, particularly where there is potential for a misalignment of interests; a collaborative approach; and ultimately, delivery. 	<ul style="list-style-type: none"> There are inevitably instances on some joint venture projects where aspirations diverge. We will continue to work transparently and collaboratively with our partners where this arises. Clearly there may be strong and divergent characters and approaches amongst joint venture partners. We will continue to manage carefully our interface with all joint venture partners

OUR PARTNERS

Continued

STAKEHOLDER GROUP	ENGAGEMENT
PROFESSIONAL ADVISERS	<ul style="list-style-type: none"> • Our business model relies heavily on professional advisers and, as such, involves intensive engagement with many of them on a consistent basis <p>Corporate advisers</p> <ul style="list-style-type: none"> • Auditors. Engagement with the external auditors includes but is not limited to: a review of audit strategy by the Audit Committee with the auditor every six months, ahead of preparation of the preliminary and interim results; an annual audit planning meeting between the auditor and the Finance team ahead of the year end audit; extensive engagement during the external audit of the year-end results and review of interim results; and lighter engagement throughout the year for the subsidiary company audits • Brokers. We have overarching engagements in place with Peel Hunt and Liberum. Our engagement with brokers is ad-hoc as the need for advice arises but is usually monthly. However, it is clearly more intensive ahead of the announcements of preliminary and interim results and during periods of capital markets activity • Communication advisers. We have an overarching engagement agreement in place with FTI Consulting (“FTI”). Fortnightly calls are held with FTI to review the external communications tracker. There is more intensive engagement with FTI alongside stock market and media announcements • Remuneration consultants. We have recently appointed Deloitte LLP (“Deloitte”) on a 3-year retainer. Our engagement with them has been intensive since appointment, as Deloitte is advising on the proposed revisions to the Remuneration Policy • Insurance brokers. We undertake annual relationship review meetings with Marsh. Engagement is more intensive ahead of the insurance renewal. Otherwise, engagement is ad hoc when claims and/or queries arise and/or acquisitions are completed • Tax advisers. Deloitte are the Company’s retained tax advisers. There is intensive engagement ahead of the annual tax computations together with ad-hoc advisory instructions during the year. Deloitte also provides pension accounting advice <p>Operational advisers</p> <ul style="list-style-type: none"> • Legal panel. There are framework agreements in place with our six panel firms. The panel is reviewed every 2 years. The Business Space team meets monthly with Keebles LLP, which undertakes all asset management legal work on our Business Space portfolio. Otherwise, relationship reviews with legal panel firms are typically ad hoc and largely reactive to issues identified by the business or firms • Valuers. BNP Paribas and Savills are subject to annual appointments. There is extensive engagement ahead of publication of the year-end valuations. BNP Paribas and Savills are consulted on the half-year valuation review undertaken by management, but this is “lighter touch”. There is also ad hoc engagement with BNP Paribas during the year when we consult it on planned acquisitions • Agents. Monthly operational review meetings are held with LSH and Savills, our retained managing agents. Our sales and letting agents are subject to overarching appointments by region. Typically, monthly operational meetings are held with all agents in each region

STRENGTHS

- We have long-standing relationships with our managing agents, letting agents, our legal panel firms, valuers, external auditors, insurance brokers and tax advisers, all of whom have a very good understanding of the business, our sites and the way we work
- Where relationships are less mature, such as with our current corporate brokers and remuneration advisers, we work hard to build relationships quickly, to help our advisers understand the business and to establish consistent working practices
- Our advisers appreciate the “partnership” approach we adopt with all of them. We are demanding but collaborative and appreciative of the work our advisers undertake
- We have narrowed the focus of our Head of Communications and Investor Relations who is now based in London. He has established effective working relationships with our brokers and communications advisers

CHALLENGES AND SCOPE FOR IMPROVEMENT

- Our legal panel will be reviewed at the end of June. Following that review, we will be looking to establish a more structured programme of regular relationship reviews with all panel firms
- We are building strong relationships with Liberum, who were appointed in February 2019 as joint brokers, and Deloitte, who were appointed as remuneration advisers in September 2018
- A review of the insurance brokerage role will be undertaken ahead of the 2020 renewal or, if the Rate Stability Agreement with our incumbent insurers is extended (see Audit Committee report), the 2021 renewal
- A tender process for the external auditor’s appointment is planned for the second half of 2019 and we are already engaging with prospective replacements for PwC
- We are conscious that certain of our engagements with professional advisers rely on the long-standing relationships of a small number of people and so will be making a conscious effort to broaden the interface between Harworth and each of our advisers

OUR PARTNERS

Continued

STAKEHOLDER GROUP	ENGAGEMENT
LOCAL AND CENTRAL GOVERNMENT	<ul style="list-style-type: none"> • We engage with Local Government and Local Enterprise Partnerships principally via three methods: <ul style="list-style-type: none"> • submission of, and all work related to, planning applications and discharge of planning conditions; • bids for loan and/or grant monies to facilitate and/or accelerate infrastructure delivery; and • promotion of key strategic opportunities at certain of our sites • We engage with Central Government and MPs principally via three methods: <ul style="list-style-type: none"> • bids for grant or loan monies, for example via Homes England; • active participation in Central Government consultation exercises on key policy matters such as the National Planning Policy Framework (“NPPF”); and • direct engagement and collaboration with MPs in connection with plans for, and initiatives at, certain of our sites
CUSTOMERS (SITE PURCHASERS AND TENANTS)	<p>Capital Growth</p> <ul style="list-style-type: none"> • Our principal customers remain housebuilders and commercial developers/occupiers. We maintain regular contact with housebuilders, both directly and via the residential agents, outside of the deal cycle • Our engagement with existing and prospective commercial occupiers is principally through direct deal-making and typically via our professional advisors, including commercial agents <p>Income Generation</p> <ul style="list-style-type: none"> • Our customers principally comprise Business Space, Natural Resources and agricultural tenants and power station operators • Day-to-day engagement with Business Space and Natural Resources tenants is largely via our managing agents. We hold monthly meetings with our managing agents to identify where direct involvement and engagement with tenants by our Business Space and/or Natural Resources teams is needed • Business Space site inspections (which often include some engagement with tenants) are undertaken by our site supervisor (fortnightly); our managing agents (monthly); and our asset managers (quarterly) • There is regular (typically daily) engagement with power station operators, principally by our Director of Operations, to manage sales volumes

STRENGTHS

- Our representations to Central Government on matters such as HS2 alignment, the NPPF and Land Value Capture have been welcomed and accounted for, as evidenced by HS2 reducing land-take for its rolling stock depot at Gateway 45, Leeds
- Harworth is represented on a number of key professional bodies, with Owen Michaelson chairing the BPF’s Regional Policy Committee, Iain Thomson being a member of the BPF’s Communications Committee and Tim Love being a member of the Royal Institution of Chartered Surveyors’ Policy Panel

CHALLENGES AND SCOPE FOR IMPROVEMENT

- Work is required to establish more regular engagement, and improve the knowledge of Harworth, with Central Government departments beyond the Department for Housing, Communities and Local Government
- We will continue to work with industry organisations such as the British Property Federation and Royal Institution of Chartered Surveyors to participate in key Central Government consultations, such as on Land Value Capture

Capital Growth

- We have strong relationships with a number of national and regional housebuilders, evidenced by the repeat buyers of our engineered land parcels (Strata, Barratt, Taylor Wimpey, Harron Homes, Avant Homes); the competition for our residential development sites; and the breadth of our customer base
- We are now seeing direct approaches – sites brought to us with development opportunities – because of our profile and track record for delivering serviced land parcels for both housebuilders and commercial occupiers

Income Generation

- Our relationships with existing tenants is good, evidenced by the increased WAULT, reduced vacancy rate and comparatively little tenant churn across our Business Space and Natural Resources portfolios

- We plan to run tender processes for the Business Space managing agent role during 2019 and for the Natural Resources managing agent role in 2020