Our Total Commitment
to Sustainability
Morgan Sindall Group is a leading construction and regeneration group with a turnover of over £2 billion and employing around 7,000 people. Our construction, infrastructure and design services provide clients with innovative and cost-effective solutions throughout the property and infrastructure lifecycle. All of our activities are dedicated to the regeneration and improvement of the built environment in the UK and to raising the quality of life of all communities with whom we interact. Operating as a long-term, trusted partner with clients and wider society, we apply innovative, yet cost-effective, solutions in design, construction, fit out, infrastructure development, urban regeneration, affordable housing and investment-led development. The solutions we deliver provide both immediate and whole lifecycle benefits as well as contributing to sustainable economic and social development throughout the country.

### Group at a glance

#### Construction and Infrastructure
Offers national design, construction and infrastructure services to private and public sector customers. The division works on projects of all sizes, across a broad range of sectors including commercial, defence, education, energy, healthcare, industrial, leisure, retail, transport, waste and water.

#### Fit Out
Specialises in fit out and refurbishment projects in the commercial and government office, education, retail, technology and leisure sectors through Overbury, as a national fit out company operating through multiple procurement routes, and Morgan Lovell, specialising in the design and build of offices, predominantly in London and the South.

#### Affordable Housing
Specialises in the design and build, refurbishment, maintenance, regeneration and repair of homes and communities across the UK. The division operates a full mixed-tenure model creating homes for rent, shared ownership and open market sale.

#### Urban Regeneration
Works with landowners and public sector partners to unlock value from under-developed assets to bring about sustainable regeneration and urban renewal through the delivery of mixed-use projects typically creating commercial, retail, residential, leisure and public realm facilities.

#### Investments
Facilitates project development, primarily in the public sector, by providing flexible financing solutions and development expertise covering a wide range of markets including urban regeneration, education, healthcare, housing, emergency services, defence and infrastructure.
We have delivered a resilient performance in line with expectations against a backdrop of demanding market conditions. The Group’s results are testament to its straightforward approach and are underpinned by its relentless focus on quality and the creative and innovative approach it brings to projects.

### Construction highlights

The Group is enhancing its market position in construction, having secured key opportunities in growing infrastructure sectors. The Group’s breadth of skills will enable it to provide integrated approaches to its clients’ most complex projects.

- **Secured key projects in growth infrastructure sectors of roads, rail, aviation and energy distribution**
- **Reducing public sector exposure, although opportunities remain in education and infrastructure**
- **Grown Fit Out market share to more than 25% in a fiercely competitive market**
- **Seeing slow and steady recovery of London commercial sector**
- **Increased level of joined up working and integrated approaches to clients’ projects**
- **Steady forward order book at £3.4bn.**

### Regeneration highlights

The release of land from the public sector will drive mixed-use and housing-led regeneration. The Group is investing in its regeneration business.

- **Secured five new major schemes together valued at £0.8bn**
- **Regeneration pipeline expanded significantly to £1.6bn with £0.6bn at preferred developer**
- **£20m investment in regeneration to underpin medium-term growth**
- **Affordable Housing expansion driven by full year impact of broadened offering**
- **Targeting 15% average return on capital employed on regeneration projects through the cycle**
- **Investments focus on land-swap opportunities as public sector grants reduce.**

### Key Financials

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenue £m</strong></td>
<td>2,227</td>
<td>2,102</td>
</tr>
<tr>
<td><strong>Profit before tax, amortisation and non-recurring items £m</strong></td>
<td>45.3</td>
<td>51.3</td>
</tr>
<tr>
<td><strong>Profit before tax £m</strong></td>
<td>40.0</td>
<td>40.7</td>
</tr>
<tr>
<td><strong>Dividend pence</strong></td>
<td>42.0</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>Forward order book £bn</strong></td>
<td>3.4</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Regeneration pipeline £bn</strong></td>
<td>1.8</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Full details of our business and financial performance can be found in Morgan Sindall Group plc’s 2011 annual report and accounts, which is available online at [www.annualreport2011.morgansindall.com](http://www.annualreport2011.morgansindall.com)
Chief Executive’s message 03
The Group’s approach to sustainability 04
What is our Total Commitment? 07
A safe workplace 08
Developing talented employees 10
Reducing waste 11
Reducing energy consumption and carbon emissions 12
Improving sustainable procurement 14
Supporting local employment 15
Reporting on our six Total Commitments 16
“Over the past decade, we have been progressively bringing sustainable best practice into our operations in order to provide positive and lasting economic, environmental and social benefits to all of our stakeholders.

In 2010 we decided that a more strategic approach was required to increase the pace of embedding the principles of sustainability throughout the Group. Much work has been done over the past 18 months, to understand more about both the positive part that we can play in delivering projects that are more sustainable and how our values and ideals can be communicated effectively to all our stakeholder groups, especially our employees and subcontractors.

The results of our endeavours to date are given here, in our first dedicated sustainability report. In the pages that follow, and online on the Group’s sustainability website, we review the progress made in the past 12 months as well as highlighting some of the major challenges that lie ahead. Where we are doing well and performing to targets we have set for the Group, we report this. Equally, where we fall short, we have examined what needs to be done to improve performance and will be providing regular updates on progress via our website.

An important development in 2011 was the launch of our Roadmap for Sustainability. The Roadmap uses the People, Planet, Profit model and is framed around our philosophy of Total Commitment to sustainability. It focuses initially on what we have identified as six key areas of the sustainability agenda that will drive improvement. We call these our six Total Commitments. Each of these is explained in detail in this report. The Roadmap is a very important and positive development for us. It has the full backing of the Board and all of our divisions have signed up to it. It is the result of extensive co-operation and I would like to take this opportunity to thank all of our employees who have contributed and embraced it with such enthusiasm.”

Paul Smith
Chief Executive
The Group’s approach to sustainability

Our Roadmap for Sustainability

We recognise the importance of driving sustainability across the Group by identifying those areas that are key to our future prosperity. It is also vital to understand what the future will look like and the role the Group will play in that. Our new Roadmap for Sustainability provides a detailed action plan for delivery:

- It maps out targets, milestones and actions for each of our divisions and for the Group.
- It provides a means for measuring progress and telling our stakeholders how we are getting on and what challenges lie ahead.
- It provides each of our divisions with a basis for their own roadmaps for sustainability and gives them targets to achieve as part of the Group.
- It provides a framework for communicating and reporting, both internally and externally.
- It encourages us to be forward-looking, identifying emerging issues and legislation and their potential impact on the Group.
- Ultimately, it will help us build a more resilient business.
- It helps to make the most of the knowledge and skills that are already present within the Group.
- It provides a framework for delivering what is possible, rather than a prescriptive approach to every aspect of sustainability.

The People, Planet Profit model

There are many ways to describe and report sustainable initiatives and actions. We have chosen to use the People, Planet, Profit model to describe the three pillars of sustainability: social, environmental and economic. It fits well with our business structure, particularly that of the Group Sustainability Forum and the various divisional forums that exist. It is easy to communicate to a wide range of stakeholders and enables us to report progress and KPIs that are meaningful and measurable.

How the Roadmap is organised

The Roadmap includes 22 objectives based around the People, Planet, Profit model and includes enabling activities such as leadership, governance and communication. Performance indicators have been established for each of the objectives and these will be reported internally through the Group Sustainability Forum. From the Roadmap objectives, six Total Commitments have been selected as being particularly crucial in driving improvement and supporting the Group’s strategy in the short to medium term. These may change over time as the priorities of the business change.
<table>
<thead>
<tr>
<th>Total Commitment</th>
<th>What we are striving to achieve</th>
<th>Objective</th>
<th>Measure / KPI</th>
</tr>
</thead>
<tbody>
<tr>
<td>A safe workplace</td>
<td>Providing a safe working environment for everyone is our key priority. We will make sure, through proper training and education, that our staff are fully engaged and involved in improving safety in the workplace, at home and on their journeys to and from work. We will ensure that everyone understands the part they play in their own safety and that of their co-workers, as well as the wider community.</td>
<td>No lost-time accidents</td>
<td>Total number of RIDDOR* incidents</td>
</tr>
<tr>
<td>Developing talented employees</td>
<td>Recruiting, empowering and training talented individuals is central to our business activities. To help develop talent, we undertake to provide all new staff with clear induction, appraisal and appropriate development programmes.</td>
<td>Attract and retain talented people</td>
<td>Average number of training days per employee</td>
</tr>
<tr>
<td>Reducing waste</td>
<td>We will improve resource efficiency, reduce the total amount of waste sent to landfill by 10% year-on-year and undertake to commit to recognised waste reduction schemes, as well as encouraging individual initiatives.</td>
<td>Minimise waste generated throughout the Group</td>
<td>Total waste generated and waste diverted from landfill</td>
</tr>
<tr>
<td>Reducing energy consumption and carbon emissions</td>
<td>We will play our part in reducing emissions by achieving, as a minimum, a 5% year-on-year reduction in energy consumption. By building more efficiently, we will create more resource and energy-efficient workplaces, housing, schools and offices. We will also help clients to reduce their own emissions.</td>
<td>Demonstrate net reduction in carbon emissions across the Group</td>
<td>Group carbon emissions</td>
</tr>
<tr>
<td>Improving sustainable procurement</td>
<td>Our supply chain has a vital role to play in helping us meet our sustainability objectives. We actively support the Construction Industry Research and Information Association (CIRIA) guidance on sustainable procurement in construction. We expect suppliers to source and provide sustainable materials. The performance of our suppliers, origin of key materials and compliance with recognised certified schemes will be monitored and reported as part of our sustainable procurement policy.</td>
<td>Ensure that the Group supply chain conforms to our minimum standards for sustainability</td>
<td>Percentage of total spend that is covered by Group-wide agreements</td>
</tr>
<tr>
<td>Supporting local employment</td>
<td>We aim to provide sustainable employment opportunities based on local communities. Schemes to recruit and train people locally will be monitored and measured.</td>
<td>To be the employer of choice in the construction sector</td>
<td>Distance travelled by workforce</td>
</tr>
</tbody>
</table>

*RIDDOR: Reporting of Injuries, Diseases and Dangerous Occurrences Regulations, Health and Safety Executive.
How we manage sustainability

It is the role of the Group to co-ordinate and facilitate implementation of the Roadmap by ensuring that we have appropriate systems and procedures in place, whilst recognising that all our divisions are different in the way they operate and in the projects they undertake.

The Group’s decentralised approach to business continues to prove successful for clients, employees and shareholders alike. Each division is a specialist in its own sector, able to respond quickly to market opportunities and challenges. Because each division is different, so are their sustainability priorities. The Roadmap provides the framework within which each division is able to contribute towards our overall sustainability performance, whilst allowing a degree of freedom and flexibility to meet the challenges of their own market sectors.

The Group Sustainability Forum

Active, ongoing involvement from sustainability experts and senior personnel plays a vital part in delivering the Roadmap. The Group Sustainability Forum meets four times a year to review progress and agree future actions. The Forum includes sponsorship and representation from the Group Board, the head office team, the head of each division’s own sustainability forum and the chairperson from each of the following Group forums, Health and Safety, Environment, Human Resources and Procurement. Where appropriate, external advisors are also seconded. The divisional and task-specific forums all meet regularly to manage relevant business issues and to provide a clear flow of information and knowledge transfer. The Group Sustainability Forum is ultimately responsible, on behalf of the Board, for the implementation and delivery of the Roadmap. It is also responsible for investigating the implications of emerging aspects of sustainability. For example, the respective specialist forums have been asked to review and report on the business impacts and opportunities of diversity and water.

Communicating sustainability

The Roadmap, our decentralised business model and the structure of our Group and divisional sustainability forums all encourage discussion and engagement across our workforce. We are introducing new initiatives such as our dedicated sustainability website and online reporting, developing existing activities including toolbox talks for subcontractors and improving communications with all employees on issues related to sustainability. The involvement and interest of each individual quickly builds the Group’s competence and capability. We will also ensure that we engage with our suppliers, regulators and others in the industry, through active participation in working groups and as part of our involvement in trade organisations including CIRIA and the UK Green Building Council - of which the Group is now a gold leaf member.

The Group’s sustainability initiatives and activities are communicated regularly to employees and other stakeholders via our TODAY newsletter.

Morgan Sindall Group plc is proud to be a Gold Leaf member of the UK Green Building Council (UK-GBC). It demonstrates our commitment to the UK-GBC and our desire to play a clear and leading role in the campaign for a sustainable built environment.
Total Commitment explains both our philosophical and practical approach to sustainability. As a major construction and regeneration group, we play a significant role in creating, renewing and improving the built environment. With this role comes responsibility for the people who work with us, the communities we are a part of and the impact we have on the environment.

**Total Commitment** is a wholehearted adherence to the aims and aspirations of sustainability.

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### 1 GROUP
We are a leading UK construction and regeneration group with an annual turnover of £2.2 billion.

### 3 PILLARS
Our approach to sustainability remains based around the three pillars model of People, Planet and Profit.

### 5 DIVISIONS
We operate through five divisions of Construction and Infrastructure, Fit Out, Affordable Housing, Urban Regeneration and Investments.

### 6 TOTAL COMMITMENTS
We have identified six key areas of strategic improvement that will form the main focus of our attention and activity in the short to medium term. We call these our **Total Commitments**.

### 22 OBJECTIVES
Our Roadmap is built around 22 priority objectives. These have been identified as important for delivering improvement and embedding sustainability across the Group. Aims, targets and milestones have been set for each and will be monitored and reported internally.

### 7,000 EMPLOYEES
Implementing our Roadmap will not be achieved without the support and commitment of all Group employees. Each and every member of staff has a part to play in helping us achieve our Total Commitments.

### 20,000 SUBCONTRACTORS
As a Group, we depend on a vast network of subcontractors. Developing long-term relationships with our supply chain partners is vital to achieving our sustainability objectives. Key to achieving success is engaging with, informing and educating our subcontractors about our aims and values.
A safe workplace

Our primary goal is to eliminate fatalities and serious injury from the workplace, and then to remove the threat of accidental injury and ill health from all of our operations. This can be achieved by planning and designing out risk, the safe deployment of injury reducing plant and equipment, increased use of prefabrication and off site manufacture and the adoption and advancement of behavioural disciplines that encourage a culture of health and safety.

John Scott
Head of Health and Safety Forum

Keeping our workforce safe is our key priority

Providing a safe working environment for employees, subcontractors and suppliers is vital to the continued success of the Group, and is our key priority. Of paramount importance to us is the preservation of lives and a reduction in the number of accidents on our sites and in our offices. We also acknowledge our wider responsibility to ensuring the safety of subcontractors, suppliers and the general public who come into contact with our projects. Senior members of staff are regularly seconded to industry taskforces and working parties to develop ways of improving safety. Safety performance is also important for our reputation (both as a contractor and employer), for delivering projects on time and budget (by reducing time lost due to accidents) and for reducing our operating costs (through fewer insurance claims) and thereby enhancing profitability.

Our commitment

We will make sure, through proper training and education, that our staff are fully engaged and involved in improving safety in the workplace, at home and on their journeys to and from work. We will ensure that everyone understands the part they play in their own safety and that of their co-workers, as well as the wider community.

Our objective

No lost time accidents

Our KPI

Total number of RIDDOR incidents = 96 (2010: 82)

Progress and achievements in 2011

Three years ago, we set ourselves the initial challenge of reducing the number of RIDDOR incidents to below 100 per annum. At the time, this required a reduction of over 40% and represented a major challenge. We are therefore pleased to report that 2011 was our second consecutive year of achieving fewer than 100 RIDDOR incidents. We recognise that each and every accident has an adverse effect, sometimes serious, on the individual concerned. However, trend analysis is a legitimate way of assessing whether the strategic response to managing safety is working. Preserving the well-being of our employees, subcontractors and the public is, and will remain, the most important aspect of all our operations.

We are measuring all incidents of one day or more, and will continue this going forward, in addition to the data required under the RIDDOR reporting framework, which is due to change during 2012. In spite of performing better than the industry average, we are disappointed that the total number of RIDDOR incidents across the Group increased to 96 in 2011 (2010: 82). Consequently, our Accident Incident Rate (‘AIR’)* has increased from 429 in 2010 to 472 in 2011, though it remains well below the construction sector average of 536.

Some of this increase can be apportioned to our acquisition of Connaught’s response maintenance business in September 2010, with 10 reportable accidents occurring in this new sector of operations. We are working hard to bring its health and safety procedures and standards in line with the rest of the Group. Elsewhere, we have undertaken additional training to address identified specific risk areas.

Accidents are the exception to the rule. It is our intention to balance our reporting by focusing equally on the safe delivery of work and highlighting exceptional performance in the field of health and safety.

Encouragingly, our Construction and Infrastructure division has undertaken 221,000 health and safety inductions in 2011 to prepare people for work. During the same period the division has only had 51 RIDDOR incidents and has completed 1,350 projects in 2011 with no RIDDOR incidents.

As a Group, we have maintained a high profile externally with representation on the Construction Industry Advisory Committee, the Construction Health and Safety Group and other industry health and safety forums.

* AIR is defined as the total number of accidents average number employed during the period x 100,000
We were also actively involved in the development and promotion of the new Leadership and Worker Involvement (‘LWI’) Toolkit with the Health and Safety Executive.

A safe workplace is also a healthy workplace. Much has been achieved during the year to ensure that our employees’ health is safeguarded and maintained.

During 2011 we assessed and screened approximately 850 people for early warning signs relating to lifestyle or specific occupational health hazards including hand arm vibration (‘HAVS’), respiratory, musculoskeletal and skin disorders. This is allowing us to build up an intelligence database that will help to identify trends or hot spots which can then be addressed. Of those screened, over 97% did not require any further assessment or referral.

We have delivered a wide range of awareness and education modules dealing with issues ranging from the hazards of working with silica and asbestos to prolonged exposure to the sun. A bespoke asbestos management training programme has been developed for our Fit Out division project managers which is being delivered in addition to standard asbestos awareness training.

Challenges for 2012

First and foremost, our main challenge for the year ahead is to reduce the number of RIDDOR incidents from 2011 levels, to support our total commitment to a safe workplace. Our medium-term goal is to reduce total RIDDOR incidents to an average of less than one per week, while our ultimate objective is of course to report zero incidents.

To help us work towards this, we will continue to develop our reporting and communication regime during 2012 which will improve the way in which lessons are learned and best practice from near misses are shared across the Group. We are also producing a new health and safety behavioural DVD, which will provide a flexible training resource that can be used in various ways across a wide range of our construction sites, and which we hope will help to effect behavioural change through its use. We are also seeking to ensure that all people working with us, including directly-employed staff and subcontractors, should be covered by a certificated occupational health and safety scheme. In line with the Strategic Forum for Construction (‘SFfC’) priorities, we are aiming to increase the number of projects that offer a route to occupational health support.

Our Construction and Infrastructure division launched its 100% Safe programme in April 2011, a new approach to safe working that is centred on five pillars of Safe places, Safe by choice, Safe relationships, Safe by design and Safe lives.
Our commitment
To help develop talent, we undertake to provide all new staff with clear induction, appraisal and appropriate development programmes.

Our objective
Attracting and retaining talented people.

Our KPI
Average number of training days per employee = 5.8 (2011 is base year)

Why it is important to us
Recruiting, empowering and training talented individuals are central to our business activities. Recessionary strain on the supply chain has had an adverse impact on skills development, while the organisational structure of the UK contractor industry is not well-placed to provide the craft apprenticeships that are so badly needed.

Delivering sustainable construction is only possible with a workforce that understands the issues involved and the emerging solutions available to them. We recognise the urgent need to provide further training and skills development to our existing workforce, at the same time encouraging our subcontractors to adopt new models for apprenticeship schemes and the development of craft skills, to sit alongside our own. Developing talented employees will therefore be a key focus area for us during 2012 and beyond.

Progress and achievements in 2011
Over the course of 2011, we provided an average of 5.8 training days per employee. As part of the implementation of the Roadmap, measuring and reporting procedures for all key data have been scrutinised. (The basis on which data was collected in 2010, for this Total Commitment, is not considered sufficiently robust for a meaningful comparison with the 2010 statistics). The Group’s commercial director represents us on the London First Employment and Skills Advisory Group. Programmes are in place across the Group to provide existing employees with opportunities for further skills development. Online training modules have also been made available to support compliance with relevant legislation.

Challenges for 2012
During 2011, we took on 33% fewer apprentices and recruited 54% fewer graduates than in 2010, although we had almost twice as many undergraduates on years out or being sponsored. These reductions reflect the fact that 2011 was a tough year for the construction industry. With our workforce as a whole reducing in size during the course of the year, providing new opportunities for external recruits could not always be justified.

It is vital that we continue to look ahead to identify emerging and critical skill areas. During 2012, we intend to develop a work-stream scanning procedure to better enable us to identify future staffing demands and potential skills shortages across the Group. With UK demographics changing, the challenge is to ensure that the construction and regeneration sector is seen as a good place to work. We need to make it more attractive in order to attract new recruits to the industry. We will play our part in this, to ensure our own future as a dynamic, forward-thinking company.

To support our total commitment to developing talented employees, our divisions have undertaken various initiatives during 2011. All professional staff in our Urban Regeneration division have undertaken and passed the Construction Engineering Management (‘CEM’) accredited programme on Introduction to Sustainability in the Built Environment. The course has created a consistent level of knowledge of sustainability across the division.
Our KPI

Total amount of waste produced = 1,311,800 tonnes (2010: 1,699,569)

Total amount of waste produced that was diverted from landfill = 1,127,035 tonnes (2010: 1,483,518)

Percentage diverted = 86% (2010: 87%)

2011 figures exclude data from our Affordable Housing division’s response maintenance business, which was acquired in September 2010. Systems are being introduced to capture this data in 2012.

Why it is important to us

The UK construction industry is responsible for over 100 million tonnes of construction, demolition and excavation waste every year, which accounts for around one third of all waste arising in the UK. The Strategic Forum for Construction estimates that in 2008, almost 13 million tonnes of this waste ended up in landfill, without any form of recovery or reuse, in England alone.

Recognising that the UK is running out of landfill capacity, improved understanding of negative environmental impacts associated with landfill waste and increasing awareness of the need to use raw materials more efficiently, we believe that reducing the volume of construction waste we produce as a Group is a priority. Furthermore, the disposal of construction waste costs more and more each year, and waste targets are commonly specified by our clients on a wide range of projects.

Progress and achievements in 2011

The quantity and type of waste arising from our divisions’ activities is as diverse as the work they carry out. Our Construction and Infrastructure and Affordable Housing divisions have to contend with large quantities of demolition, excavation and construction waste, while our Fit Out division predominantly generates skip waste associated with clearing old office interiors.

All our divisions have signed up to the Waste and Resources Action Programme’s ("WRAP") ‘Halving Waste to Landfill’ commitment, to publicly demonstrate that as a Group we will play our part in reducing waste sent to landfill by the construction sector. Figures from the 2011 WRAP signatories report show between 2008 and 2009 (the most recent years for which data is available) there was a 28% decrease in waste sent to landfill. When construction spend is taken into account, the amount of waste sent to landfill per £ million turnover decreased by 44%.

Our own waste figures indicate that the Group’s overall percentage of waste diverted from landfill has fallen slightly from 87% in 2010 to 86% in 2011. However, the total amount of waste produced across the Group has decreased by 23%, a significant reduction taking into account an 8% increase in turnover during the same period.

Challenges for 2012

In 2012 our divisions will seek to develop ‘Positive Steps’ action plans on waste, with the aim of reducing the quantity of waste they send to landfill by 10% year-on-year.

Our Affordable Housing division has targeted improved recycling of old plastic windows and gypsum plasterboard and is developing a strategy to improve how its response maintenance business manages waste.

The research and implementation of innovative approaches to waste management will be a central theme for our operations. The Construction and Infrastructure division, through its utility services business, has been working with a key supply chain partner to deliver full recycling and reuse of utility trench arising, avoiding the need to dispose of waste. The Ecotrench approach is in use on some of our projects, establishing best practice that can be rolled out across the Group where appropriate.

Our Construction and Infrastructure division has reduced its waste by turning disused plastic hard hats into site hoardings. Following the division’s re-branding in 2010, the hard hats were surplus to requirements but this imaginative re-use meant that they were diverted from landfill. The hoardings are re-usable between projects and fully recyclable at the end of their life. The new Pudding Mill Lane DLR station in London is one of the projects that has benefitted.

Our commitment

We will improve resource efficiency, reduce the total amount of waste sent to landfill by 10% year-on-year and undertake to commit to recognised waste reduction schemes, as well as encouraging individual initiatives.

Our objective

Minimise waste generated throughout the Group.

Reducing waste is one of the most tangible examples of conserving natural resources and at the same time improving profitability. The more that is reused or recycled, the lower the cost to the client and the higher the potential profitability of the project.

Brian Handcock
Head of Environment Forum
Reducing our energy use and carbon emissions means lower energy bills and lower Carbon Reduction Commitment Energy Efficiency Scheme (‘CRC scheme’) payments. If, as expected, the cost of energy and carbon continue to increase over the coming years, the already strong business case can only get stronger.

We believe that by providing properly designed and constructed energy efficient solutions, using new technologies and building procedures where appropriate, the longer term benefits of improved energy efficiency will outweigh any short-term gains in cost cutting at the construction phase.

Progress and achievements in 2011

During 2011, we were certified under the Certified Emissions Management and Reduction Scheme (‘CEMARS’) which recognises the actions of businesses and organisations that measure their greenhouse gas emissions, understand their liabilities and put in place strategies to reduce emissions in their organisation and more widely through their supply chain. Working to the CEMARS reporting protocol, we reported our Group-wide carbon emissions for the first time for 2010/11. The resulting value of 74,515 tonnes CO$_2$e, provided us with a baseline against which future emissions reductions would be calculated and measured. The size and diversity of our Group means that calculating our carbon footprint is a complex procedure. The Group will also report audited figures annually, as part of the UK Government’s CRC scheme. Final figures for 2011 Group carbon emissions will be available in May 2012 following completion of the CEMARS audit and will be reported online.

We also submitted to the 2011 Carbon Disclosure Project (‘CDP’), scoring 61 out of 100 for our disclosure and band C for our performance. This compares with an average score for all ‘Industrials’ of 64. It also marks a considerable improvement from the 2010 CDP when, with a score of 46 for disclosure, we were unrated for performance.
Challenges for 2012

Now that we understand our Group-wide carbon emissions, we are in a much stronger position to make progress towards reducing them. Making a public commitment to manage and reduce greenhouse gas emissions at source is an important aspect of our CEMARS accreditation, and it is our intention to achieve a 5% year-on-year reduction.

Work will continue through the early part of 2012 to ensure that our data collection processes remain rigorous and that they are automated as far as possible. Increasing the granularity of the data we have available, especially electricity consumption, will enable focused management of operations leading to a reduction in consumption.

The impact associated with transport and travel across the Group is one of the largest contributors to our carbon emissions. Because of this, the Construction and Infrastructure division undertook a thorough review of its company car policy during 2011. A direct cash incentive process has been adopted to encourage those who opt for lower emission vehicles and a revised system for data capture of business mileage is being rolled out across the fleet as vehicles are replaced.

Trials took place in 2011 on van hybrid systems for the Group’s commercial fleet. Further research on options appraisal in the selection of commercial vehicles including fuel efficiency, emissions and utilisation will continue, with improvements being implemented in 2012.

Our Affordable Housing division has been addressing its energy consumption across its offices and has commenced the installation of solar panels. Through 2012, all our divisions will continue to explore and implement energy efficiencies and the sourcing of renewable energy.

In 2011, Morgan Lovell, part of our Fit Out division, became the first company in the UK to achieve the BS ISO 50001:2011 standard for its Energy Management System, following its accreditation to the preceding British Standard EN 16001 standard. The standard sets a framework to ensure Morgan Lovell is systematically monitoring, managing and reducing its energy consumption, and has helped it achieve a 21% reduction from 2008 in its two head offices. It also ensures that Morgan Lovell is examining options for energy reduction for clients as part of creating best practice fit outs or refurbishments.
Our commitment

Our supply chain has a vital role to play in helping us meet our sustainability objectives. We actively support the CIRIA guidance on sustainable procurement in construction, and expect suppliers to source and provide sustainable materials. The performance of our suppliers, origin of key materials and compliance with recognised certified schemes will be monitored and reported as part of our sustainable procurement policy.

Our objective

Ensuring that the Group supply chain conforms to our minimum standards for sustainability.

Our KPI

Percentage of total spend that is covered by Group-wide agreements = 85% (not reported in 2010)

Why it is important to us

As a Group, we require a high level of quality, competitiveness and sustainability from our suppliers and subcontractors to ensure that we can continue to bid projects competitively and secure long-term revenue. In total we use around 7,000 suppliers and over 20,000 subcontractors (‘our supply chain partners’). We do our best to treat our plant and materials suppliers and workforce subcontractors as part of the Group. By adopting a collective responsibility to improving sustainable performance, the benefits of the policies and best practices we implement can also be adopted by many of our supply chain partners. We have an opportunity to exert a significant positive influence in terms of their sustainability performance. Through Group procurement arrangements we are able to establish minimum standards of supply that include responsible sourcing criteria, such as not using child labour, the percentage of recycled material or other applicable sector-driven requirements.

Progress and achievements in 2011

At the end of 2011, Group-wide agreements covered 250 of the Group’s 7,000 suppliers and over 85% of the Group spend, as well as incorporating a significant proportion of those materials provided by subcontractors. We have agreements with the top five aggregate and materials businesses in the UK, all of which are 100% compliant to BES 6001 Responsible Sourcing of Construction British Standard. Currently, over 94% by value of the timber we purchase directly is either certified or declared as from a sustainable source (2010: 88%), and directly-purchased timber with full Chain of Custody stands at almost 50% by value.

We have also been measuring the average number of road miles travelled by bricks used in our projects for the past six years. By 2011 it was down to 80.5 miles per 1000 bricks, compared to 83.0 miles in 2010 and over 120 miles in 2005.

Challenges for 2012

The SFfC has set an overarching target that materials used in construction have the least environmental and social impact as is feasible both socially and economically. In 2012, we will be establishing a supply chain forum, comprising representatives from some of our key suppliers, to discuss how we can minimise the environmental and social impact of the materials we use. We will also continue to measure, report and improve responsible sourcing performance for specific materials, as relevant to the industry. We will further aim to establish a target for proportion of products used in our projects that are from schemes recognised for responsible sourcing, to be consistent with the SFfC target of 25%.

Improving the quality of training for sustainable procurement is a challenge that is faced by the whole construction sector. We aim to extend our existing supply chain training tools and workshops during 2012 to a wider audience of suppliers. We will also be working with a consortium of other leading construction companies to deliver sustainability training that focuses on procurement and the supply chain.
Supporting local employment

Our Affordable Housing division is committed to apprenticeships as an important way of bringing a diverse range of talented people into the Group and the construction industry. Lovell established its national apprenticeship programme in 2003, which sees an average of 60 men and women graduate each year, and has recently taken on its 500th apprentice. All apprentices receive teaching in selected local colleges or in a residential programme at Stephenson College in Leicestershire, and every apprenticeship features site mentoring and support.

Employing staff at every level from a pool of local talent is currently an aspiration rather than a reality. If we really are going to provide employees and subcontractors with a better quality of life, shorter journeys to work and less time away from their families, we are going to have to change many deep-rooted attitudes in our industry.

Paul Whitmore
Group Commercial Director

Our commitment
We aim to provide sustainable employment opportunities based on local communities. Schemes to recruit and train people locally will be monitored and measured. The strongest communities are very often those that are self-sustaining in terms of their draw on skilled and unskilled resources. Our objective is to support such communities by building business centres that develop local talent for the benefit of both the Group and the community. Shorter journeys to and from work, quicker response times, an enhanced sense of localism and community engagement are some of our target priorities.

These objectives sit comfortably alongside our encouragement of local charitable activities that nurture a sense of civic pride and self esteem.

Providing jobs within a community is the most tangible means of ensuring its survival and prosperity, but it is also the most difficult thing to do successfully.

Our objective
To be the employer of choice in the construction sector

Our KPI
Distance travelled by workforce – specific to two sites in each division will be reported in 2012.

Why it is important to us
Construction is a major contributor to the UK economy and historically a driver of GDP growth. Research conducted by the UK Contractors Group found that the sector employs around 3 million people, representing 8% of UK employment. It is also a relatively localised profession, with many parts of the UK heavily dependent on construction jobs.

A significant proportion of construction employees (over 60%) are lower-skilled and young workers who have relatively few alternative opportunities and who are typically most vulnerable during tough economic times. Since the start of the current recession in 2008, the construction sector as a whole has had the highest redundancy rate in the UK at around 28 per 1,000 employees.

Against this challenging backdrop, we recognise that by increasing our commitment to supporting local employment we will be able to deliver on all three aspects of sustainability. Environmentally, shorter travel distances will reduce the carbon footprint of a project. Socially, the benefits to the individuals and the local community of improved quality of life will be significant. Economic benefits will also follow, including greater retention of wealth within an area close to the project.

Progress and achievements in 2011
We have delivered many projects in 2011 that have made a significant contribution to local employment, particularly at a time when unemployment levels are high. In order to ensure that we deliver on this Total Commitment, we are currently developing a new KPI that will help us better quantify the impact of our operations in term of local employment opportunities.

Challenges for 2012
In 2012, in order to better understand the local employment profile of our sites, we will be collecting information on the distance travelled to work by directly employed, monthly and weekly paid staff and subcontractors for two pilot projects selected by our Construction and Infrastructure, Affordable Housing and Fit Out divisions. This information will help us to establish a meaningful KPI that will better demonstrate whether we are meeting our total commitment to using a locally-employed workforce.
## Reporting on our six Total Commitments

### Health and Safety
- **Priority**: A safe workplace
- **KPI**: Total number of RIDDOR incidents\(^1\)
  - 2011: 96 (2010: 82)

### Training, Skills and Education
- **Priority**: Developing talented employees
- **KPI**: Average number of training days per employee
  - 2011: 5.8 (Base year)

### Waste
- **Priority**: Reducing waste
- **KPI**: Total waste generated, Waste diverted from landfill\(^3\)
  - 2011: 1,311,800 t (2010: 1,699,569 t) 86% (2010: 87%)

### Energy and Carbon
- **Priority**: Reducing energy consumption and carbon emissions
- **KPI**: Group carbon emissions
  - 2011: 70,800\(^2\) tCO\(_2\)e (2010: 74,515 tCO\(_2\)e)

### Procurement
- **Priority**: Improving sustainable procurement
- **KPI**: Percentage of total spend that is covered by Group wide agreements
  - 2011: 85% (2010: Not reported)

### Employment
- **Priority**: Supporting local employment
- **KPI**: Distance travelled by workforce
  - New KPI from 2012

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**NOTES:**

1. The definition of RIDDOR is due to change during 2012 from over three day incidents to over seven day incidents. The Group will continue to record and report incidents of three to seven days to ensure that year-on-year figures can be compared meaningfully in the future, as well as recording lost time incidents.

2. This figure is estimated, pending the result of the Group’s 2011 CEMARS audit in mid-2012. The audited figure will be reported on our sustainability website, when available.

3. Figures for 2011 exclude Affordable Housing’s response maintenance business, which was acquired in September 2010.
This sustainability report was published online in March 2012. Regular updates on the progress being made by the Group on our six Total Commitments are provided online at our dedicated sustainability website: www.morgansindall.com/sustainability

Case studies featuring recent projects and news updates from the Group and our divisions can also be found online.