

MORGAN SINDALL GROUP

Sustainability report 2014



User guide

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Group at a glance

G4-Primary brands, products and services | G4-Markets served | G4-Scale of the organisation**

Group	<p>Morgan Sindall Group is a leading construction and regeneration group operating via a network of offices around the UK. Through its construction activities the Group provides clients with design, new build, refurbishment and maintenance services for their property and infrastructure assets. Working in long-term partnerships, the Group's regeneration activities comprise mixed-use and housing developments which are creating economic and social value throughout the country. The Group's five divisions operate in the public and private sectors across a wide range of markets.</p>		<p>Revenue £2,220m 2013: £2,095m</p> <p>Operating profit – adjusted* £28.9m 2013: £33.6m</p>
Construction	<p>Construction & Infrastructure Offers design, construction and infrastructure services, working on projects, and in frameworks and strategic alliances of all sizes. Markets include commercial, defence, education, energy, healthcare, industrial, leisure, retail, transport and water.</p> <p>The division's professional services business offers multi-disciplinary engineering and design consultancy services.</p>	<p>MORGAN SINDALL CONSTRUCTION INFRASTRUCTURE</p> <p>MORGAN SINDALL PROFESSIONAL SERVICES</p>	<p>Revenue £1,172m 2013: £1,234m</p> <p>Operating profit – adjusted* £3.5m 2013: £12.7m</p>
	<p>Fit Out Specialises in fit out and refurbishment projects. Overbury operates through multiple procurement routes in the commercial, central and local government office, further education and retail banking markets. Morgan Lovell specialises in workplace strategy and the interior design and build of offices.</p>	<p> overbury</p> <p> Morgan Lovell</p>	<p>Revenue £507m 2013: £427m</p> <p>Operating profit – adjusted* £15.0m 2013: £10.9m</p>
	<p>Affordable Housing Specialises in the delivery of complex regeneration schemes and in the design, build, refurbishment and maintenance of homes. Operates a full mixed-tenure model, creating homes for rent, shared ownership and open market sale.</p> <p>The division's response maintenance services include facilities management and planned and responsive repairs to social housing providers and public buildings.</p>	<p>LOVELL</p> <p>MORGAN SINDALL PROPERTY SERVICES</p>	<p>Revenue £423m 2013: £381m</p> <p>Operating profit – adjusted* £6.0m 2013: £8.6m</p>
	<p>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 and residential-led projects. Typically creates commercial, retail, residential, leisure and public realm facilities.</p>	<p> muse</p>	<p>Revenue £113m 2013: £62m</p> <p>Operating profit – adjusted* £10.0m 2013: £1.0m</p>
	<p>Investments Creates long-term strategic partnerships to realise the potential of under-utilised assets, promotes sustained economic growth through regeneration and drives cost efficiencies through innovative and integrated estate management solutions. Markets include asset backed, education, healthcare and social care, residential, student accommodation, leisure and infrastructure.</p> <p>The division's community solutions business provides management, project development and funding through a one-stop service, allowing partners to invest in local communities.</p>	<p>MORGAN SINDALL INVESTMENTS</p> <p> Community Solutions</p>	<p>Average capital employed £17.3m 2013: £22.7m</p> <p>Operating profit – adjusted* £0.9m 2013: £6.1m</p>
Regeneration			<p>Revenue £113m 2013: £62m</p> <p>Operating profit – adjusted* £10.0m 2013: £1.0m</p>
			<p>Average capital employed £17.3m 2013: £22.7m</p> <p>Operating profit – adjusted* £0.9m 2013: £6.1m</p>

*Before intangible amortisation.

** Disclosure labels used throughout the report, as recommended in the Global Reporting Initiative's G4 Sustainability Reporting Guidelines. See our GRI Technical Supplement (available on our website, www.corporate.morgansindall.com/sustainability) for more details.

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Group highlights

Revenue £m	
2014	2,220
2013	2,095

Adjusted profit before tax* £m	
2014	25.2
2013	31.3

Operating profit – reported £m	
2014	26.5
2013	16.2

Dividend pence	
2014	27.0
2013	27.0

Adjusted EPS* pence	
2014	46.7
2013	60.9

Committed order book £bn	
2014	2.7
2013	2.4

Regeneration and development pipeline £bn	
2014	3.2
2013	3.0

*Adjusted is defined as before intangible amortisation of £2.4m (2013: £2.7m), exceptional operating items of £nil (2013: £14.7m) and (in the case of earnings per share) deferred tax credit due to a change in the statutory tax rate £nil (2013: £2.5m).

Cover image
University of East Anglia's Enterprise Building

Foreword

G4-Statement from most senior decision-maker



Graham Edgell
Group Director of Sustainability
and Procurement

Throughout 2014, the Group has developed its approach to being a responsible business and maximising the efficiency of its operations. This year we have set ourselves a bold aspiration of being best in class for sustainability where it makes economic sense as a business differentiator.

The Group's strategy is embodied in its 'Total Commitments' (see page 03). Our objectives, targets and progress against our Total Commitments are publicly shared through our annual sustainability reports.

I am pleased to confirm that our 2014 report has been based on the requirements of the Global Reporting Initiative's ('GRI') G4 standard.

The Group's sustainability agenda can only be delivered through the efforts of our colleagues and supply chain partners. In 2014, the Morgan Sindall Group People Promise ('the People Promise') was launched as part of our drive to attract and retain the best talent and become the employer of choice within the industry.

Managing the health and safety of everyone working on our projects remains a key priority. In 2014, our RIDDOR¹ incidents increased by one incident (2013: 67), however the Group's accident incident rate ('AIR') reduced by 21% during 2014, a significant reduction reflecting the hours worked.

In 2014, the Group progressed towards achieving its stretching objectives and targets. Notable amongst them was the continued recognition by the CDP's ranking of the Group in the Climate Disclosure Leadership Index ('CDLI') with an improved score of 97/B (2013: 91/B).

As one of the founding members of the Supply Chain Sustainability School, the Group continues to actively support and promote its success. To date the School has 6,670 members registered from over 3,380 unique companies.

At the core of sustainability are the communities where we work and do business. The Group has been recognised in its community engagement through success with the Considerate Constructors Scheme ('CCS'), securing 48 awards, the highest number by any contractor in the sector. We continue to work on better understanding the economic impact of our activities and have implemented the use of a local multiplier tool called LM3 Online which measures the local economic contribution made by our projects.

As stated in our 2013 report, we indicated that we would supplement our sustainability structure and intelligence by establishing three stakeholder panels to assist in driving our strategy. The Supply Chain and the 2025 Next Generation panels have already met and provided feedback which is included in this report. The final panel comprising clients will convene in early 2015.

¹ The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

Total commitments and material issues

G4-Identified material aspects

In line with emerging best practice, our sustainability reporting is focused on those issues that matter most to the Group and to our stakeholders.

The Group has six Total Commitments that are aligned to the People, Planet, Profit model. Through our Total Commitments a standard approach to sustainability is embedded across the Group, whilst affording each division the freedom and flexibility to meet the challenges of its own markets and business needs. The Total Commitments are supplemented with material issues (sustainability priorities) that were identified in 2013 following engagement with stakeholders.

People



Total commitments:

A safe work environment

Developing talented employees

Material issues:

- Engagement and satisfaction
- Inclusion and diversity
- Recruitment and retention
- Community engagement

Planet



Total commitments:

Reducing energy consumption and carbon emissions

Reducing waste

Material issues:

- Sustainable building and labelling
- Water

Profit



Total commitments:

Improving sustainable procurement

Supporting local economic growth

Material issues:

- Advocacy and leadership
- Customer feedback and satisfaction
- Ethical business
- Bribery and corruption
- Legal compliance
- Economic and business performance.*

*See the Company's 2014 annual report for more details at www.corporate.morgansindall.com

2014 Group sustainability performance

The following table sets out the Group's performance in 2014 against its targets and objectives. Each of the Total Commitments is addressed as well as the material issues relevant to the Group. Further commentary on some of the material issues can be found in the Company's 2014 Annual Report.

People		2014 target	2014 performance ¹	
Total Commitments	A safe work environment (see page 06)	• Zero safety incidents	●	68 RIDDOR incidents
		• Zero major environmental incidents	●	Zero incidents
	Developing talented employees (see page 07)	• Above median training days compared with industry/sector benchmark – 1.2 days per employee in 2013/14 ²	●	2.2 training days per employee
Material issues	Engagement and satisfaction (see page 08)	• Benchmark of employees taking part in staff satisfaction survey	●	37% of the Group's employees eligible to take part in scheduled surveys. 70% response rate achieved
	Inclusion and diversity (see page 09)	• Diversity profile of our workforce benchmarked against peer groups:		
		• % women employed = 19% in 2014 ²	●	18%
		• % people from black or minority ethnic backgrounds = 3.3% in 2014 ³	●	10.6%
		• % people employed aged under 24 = 7% in 2014 ²	●	People employed aged under 25 = 9.4%
Recruitment and retention (see page 10)	• Employee turnover rate reducing toward UK industry average – 14-19% in 2014 ⁴	●	16% voluntary turnover rate	
Community engagement (see page 11)	• Average CCS score of 40 (2013 scoring scheme)	●	38.6 average score	

1 2013 performance data reported in 2013 sustainability report at www.corporate.morgansindall.com/sustainability
 2 Source: UK Industry Performance Report 2014 (Glenigan/CITB/Constructing Excellence)
 3 Source: Race Discrimination in the Construction Industry Inquiry Report, 2009 (Equality Research and Consulting Limited)
 4 Source: Paydata research commissioned by Morgan Sindall Group, December 2014

- Target achieved
- Performance within 10% of target
- Performance 10% or more outside target

2014 Group sustainability performance

Planet		2014 target	2014 performance ¹	
Total Commitments	Reducing energy consumption and carbon emissions (see page 12)	• At least 5% year-on-year reduction in carbon emissions against 2010 baseline	●	18% reduction in carbon emissions
		• Reduction in transport carbon emissions in line with Group carbon targets	●	15,107 tCO ₂ e emissions from plant and transport fleet
	Reducing waste (see page 13)	<ul style="list-style-type: none"> • To reduce the volume of waste sent to landfill by 10% year on year • 90% diversion from landfill 	●	33% increase in absolute waste sent to landfill
Material issues	Sustainable building and labelling (see page 14)	• Internal benchmarking of the number of projects achieving BREEAM, CEEQUAL, LEED, SKA or other industry relevant sustainability ratings	●	49 projects
	Water (see page 15)	• To quantify total consumption levels normalised against revenue across the Group	●	Measured as 343,000m ³ potable water (0.154m ³ /£100k)
Profit				
Total Commitments	Improving sustainable procurement (see page 16)	• Minimum 70% of total spend covered by Group-wide agreements	●	72% spend via Group-wide agreements
		• 25% of high risk materials screened and sustainably sourced	●	Process has commenced, identifying materials, with full screening underway, but none yet completed.
		• Participation of Group supply chain in the Supply Chain Sustainability School	●	c. 1,000 companies unique to the Group registered with the Supply Chain Sustainability School
Material issues	Supporting local economic growth (see page 17)	• Benchmarking of economic contribution in terms of local multiplier effect on applicable projects	●	Local multiplier effect calculated for 14 projects
	Advocacy and leadership (see page 18)	• Zero expenditure on political donations	●	Zero donations
	Customer feedback and satisfaction (see page 19)	<ul style="list-style-type: none"> • Perfect Delivery scores, as set by divisions • Number of stakeholder meetings per year 	●	81% average Perfect Delivery score
Material issues	Ethical business	• Total legal actions for anti-competitive practices	●	All scheduled meetings completed
	Bribery and corruption	• 100% of workforce aware of bribery and corruption legislation	●	No legal actions
	Legal compliance	• Value of monetary fines for non-compliance with environmental or health and safety laws and regulations	●	100%
Material issues	Legal compliance	• Value of monetary fines for non-compliance with environmental or health and safety laws and regulations	●	Zero fines

People

Total commitment

A safe work environment

G4-Occupational health and safety

The Group is committed to providing a safe work environment for all its employees, both in offices and on site. We also recognise that we have a wider responsibility in safeguarding the health, safety and wellbeing of subcontractors, suppliers and the general public who have contact with our projects.

The Group is saddened to report the death of one of our subcontractors on a project this year. Having worked closely with the regulatory agencies and undertaken our own investigation, we can confirm that no subsequent changes to our processes and procedures were needed. However, our core safety policies remain under constant review.

We make sure, through proper training and education, that our people are fully engaged and involved in improving safety in the workplace, at home and on their journeys to and from work. We ensure that everyone understands the part they play in their own safety and that of their co-workers, as well as the wider community and environment in which they work. The nature of risks that our people are exposed to, and the most effective ways of mitigating them, vary depending on the type of construction activity. As a result, our divisions manage health and safety in a way which is appropriate to the type of work they do and the risks their employees face.

There was a slight increase in the number of RIDDOR incidents in 2014, up to 68 from 67 in 2013. However, the underlying performance of the division has been positive, with AIR, or number of RIDDOR incidents normalised against hours worked, at its lowest ever in Affordable Housing (0.18) and approaching what is considered as world-class performance (0.10) of 0.12 in Construction & Infrastructure. As a whole, the Group's AIR has fallen by 21% in the year.

The focus for 2015 will include the continued use of 'close the gap' plans, a detailed management tool for the delivery of the Total Commitment to a safe work environment, as well as a comprehensive cultural development programme within Construction & Infrastructure. Affordable Housing has plans to address three key areas of working at height, good housekeeping and strategy documents. Fit Out has identified six areas of health and safety training: safety improvement team meetings, maintaining OHSAS 18001, dust and face fit testing (ensuring that respiratory protective equipment fits properly), occupational health clinics and working at height.

We were awarded a total of 16 RoSPA Occupational Health and Safety Awards in 2014, one more than in 2013. They included one Order of Distinction (for a minimum of 15 consecutive Gold Awards) for Construction & Infrastructure's Scotland business, and two President's Awards (for 10 to 14 consecutive Gold Awards) for Affordable Housing in both London and Scotland.

Target

Zero

safety incidents and major environmental incidents

2014 performance

68

RIDDOR incidents



King's Lynn pupils use poster power to promote safety message

Safety posters designed by King's Lynn schoolchildren went on display at the town's Hillington Square estate. Children from Whitefriars primary school entered a competition organised by Affordable Housing, which is carrying out a £30m regeneration programme for Freebridge Community Housing. Youngsters were asked to come up with a design to warn other children to stay clear of construction sites, part of the division's continuing community safety awareness campaign.

First construction company to achieve Welsh health quality mark



Construction & Infrastructure achieved Bronze level following its submission for the Corporate Health Standard ('CHS') Award. CHS is a Welsh Government initiative run by Public Health Wales ('PHW') and represents a quality mark for workplace health promotion in Wales. We have been confirmed as the first construction company to achieve the award, and have been encouraged by PHW to go for the Silver level as we are already very close to the required standard.

Fit Out looking after their staff

Following successful trials in 2013, Fit Out continued with a series of four regional health clinics for all its staff.

With focus on wellbeing, a range of tests were offered including blood pressure, cholesterol, glucose testing for diabetes, lung function and heart. Lifestyle discussions were also held, with individually tailored feedback provided. In addition, an anonymised summary report was provided to the division's health and safety team to help guide future occupational health campaigns.

People

Total commitment

Developing talented employees

G4-Training and education

In order to successfully deliver projects for clients, it is critical that we employ the right people with the right skills, and offer a variety of training and career development opportunities to all our people.

To help develop talent, we undertake to provide all employees with clear induction, appraisal and appropriate development programmes. We believe that ensuring our employees have the skills and ability to anticipate future market demands and incorporate new and emerging technologies is an essential investment. We offer a variety of training and development opportunities for all our people, including vocational skills training, apprentice and graduate development and professional development schemes. Whilst we have some Group-wide initiatives, most recruitment and training is coordinated and organised at divisional level.

The average number of training days fell slightly in 2014 to 2.2 days per employee (2013: 2.3 days per employee), yet remains almost double the median value of 1.2 training days per full-time equivalent employee for the construction sector as a whole.

Through 2014, considerable research and activity was completed, identifying the best way for the Group to remain an employer of choice. This has culminated in the development of the People Promise which is a promise by the Group to all its employees explaining what they can expect from the Group and their team members and, in turn, what is expected from them. In 2014, the People Promise has focused on implementing tools around succession planning and talent management across the Group.

Throughout 2015, a programme of promotion, engagement, implementation and measurement will occur. In addition to this Group-wide initiative, the divisions will continue to implement individual talent management tools, training and development plans.

Target

Above 1.2

median training days, i.e., compared to an industry/sector benchmark of 1.2 days per employee in 2013/14

2014 performance

2.2

training days per employee

Acting now to improve performance and development feedback

In support of the People Promise, Fit Out trained over 100 directors and line managers in holding productive performance and development conversations.

Performance and development planning is a central component of employee engagement. Employees want to know how their performance is viewed, the development opportunities available to them and how they can support the growth of the business. Historically, training in this area has focused on the planning process but it is the conversation itself that managers often find most difficult. This is not surprising, as very few have received any formal training on how to give feedback (particularly difficult feedback) or set meaningful objectives.

The half-day sessions focused on making development conversations more productive. Actors were used to demonstrate what good and bad looks like, and delegates were challenged to reach better outcomes. Each delegate was given the chance to get real-time feedback on the impact they are having as well as to repeat specific scenarios in a safe environment.

Feedback from the courses was excellent and the division's line managers feel more confident about approaching these conversations with their staff.

New graduate scheme launched

Affordable Housing has launched a two-year graduate scheme to nurture its next generation of leaders. The scheme enables graduates to gain insight into the division by undertaking six-week placements across the business. At the end of the two-year training period, the graduates are appointed to a permanent role.

In 2014, Derby's £100m Castleward development gave graduate quantity surveyor Matt McLachlan the opportunity to develop his career. As well as gaining professional experience on site in Derby, Matt is studying for a Master's degree in construction project management at Nottingham Trent University with support from the division.



"Our aim has always been to attract the very best graduates to our business and we have a strong record of providing opportunities for talented people such as Matt to progress their careers."

Bruce Boughton
People Development
Manager, Affordable Housing

People

Material issue

Engagement and satisfaction

We rely on our dedicated people who continue to strive for and achieve a high level of service for our clients and partners. The engagement and satisfaction of our people is therefore important to our continued success.

Most of our employees have the opportunity to provide feedback through a bi-annual employee satisfaction survey.

Fit Out, Affordable Housing and Urban Regeneration each conducted employee satisfaction surveys in 2014. The output from the Fit Out survey was also used as part of the division's application for Best Companies accreditation, leading to Fit Out being listed as 'One to Watch' for 2015 in the medium-sized category (250-3,000 employees). Construction & Infrastructure last undertook such a survey in 2013, with the next scheduled for 2015 and Investments is planning a staff survey in 2015, following implementation of the People Promise.

Target

2014 performance

Benchmark 37%

of employee participation in staff surveys

of the Group's employees were invited to take part in a staff survey, achieving a response rate of over 70% (69% in Construction & Infrastructure in 2013)

Property Personality of the Year

Matt Crompton, Joint Managing Director of Urban Regeneration, was named Property Personality of the Year at the Insider North West Property Awards 2014. Voted for by a panel of 75 property professionals in the region, the award recognises outstanding achievement and contribution to the property sector.

"I'm very honoured to have won this award, especially as it's voted for by my peers and colleagues. I have a committed, hard-working and tenacious team behind me – we've all worked very hard and I'm extremely proud of what we've achieved. There are no quick wins in this industry, it takes a lot of commitment and dedication to deliver these schemes and that's what we've done. We try to do things differently."

Matt Compton

Joint Managing Director, Urban Regeneration



Double recognition at the house-building 'Oscars'

Two Affordable Housing employees have been honoured with a leading industry accolade for their work. Chris King and Alex Impraim were both awarded a highly coveted National House Building Council ('NHBC') Pride in the Job award for their work at new housing developments in Llanharry near Pontyclun and Ealing, London, respectively.

A Pride in the Job award is the highest house-building accolade a site manager can receive. Only 446 site managers were selected by the NHBC for the award in 2014 from around 15,000 working on housing projects across the UK.

"It means a huge amount to get this kind of recognition from the NHBC. I'm lucky to have a job that I love and the support of a highly skilled and dedicated team. We've all enjoyed working at Bryn Celyn and seeing the houses we've built proving so popular with homebuyers."

Chris King

Site Manager, Affordable Housing

People

Material issue

Inclusion and diversity

G4-Employment

A talented and diverse workforce is critical to the long-term success of any business. Diversity encourages new ideas and alternative ways of thinking, fosters innovative practice and problem-solving and ultimately enables us to provide better services to our clients. It also provides us with a larger pool of potential employees, which is vital in a shrinking labour market.

We strive to promote careers in construction to the widest possible cross-section of the population. A current focus for us is young people who are not in education, employment or training. Targeting young people to enhance our in-house talent is a key part of our response to an ageing workforce.

While the percentage of women employed across the Group remains consistent with the industry average, it represents a reduction from 2013 (23%), a trend which we are looking to reverse. Construction & Infrastructure has supported the Women into Construction project, launched by the Olympic Delivery Authority in partnership with the Construction Industry Training Board ('CITB').

Construction & Infrastructure has also continued its support of Opportunity Now, led by Business in the Community ('BITC'), with the broader objective of addressing diversity issues in the workplace.

Target	2014 performance
<p>Diversity profile of our workforce (gender, age and ethnicity) benchmarked against peer groups:</p> <p>19%</p> <p>Median % women employed in 2013-2014¹</p>	<p>Diversity profile in 2014:</p> <p>18%</p> <p>Median % women employed (1,108/5,750)</p>
<p>7%</p> <p>Median % people employed aged under 24 in 2013/14</p>	<p>9.4%</p> <p>Median % employees aged under 25</p>
<p>3.3%</p> <p>Median % people from black or minority ethnic backgrounds 2013/14</p>	<p>10.6%</p> <p>Median % of employees from black or minority ethnic backgrounds</p>

Commitment to fairness, inclusion and respect

Construction & Infrastructure's London business achieved a Bronze accreditation in the Be Fair pilot initiative. This is a CITB scheme to promote fairness, inclusion and respect across the built environment sector.

This award demonstrates that it is an organisation that has systems in place to ensure it is fair and inclusive towards its employees and supply chain members. Construction & Infrastructure is one of only 12 large main contractors to earn a place on the pilot assessment. It received consistently high scores in each of the five module areas assessed by CITB.

"We take fairness, inclusion and respect very seriously. This certification from CITB is testament to the fact that our approach is more than rhetoric. Our systems are put into practice, and they work".

Sam French

Strategic Inclusion and Community Manager, Construction & Infrastructure



Women-led team tackles Liverpool school project

A Construction & Infrastructure site in Liverpool is showing how women in construction are inspiring the next generation. Five women hold senior roles on our St Hilda's School project.

As project manager, Karen Fairhurst is leading the team constructing a replacement school building on a small site constrained further by the existing School. Sharon Moss (managing surveyor), Rachel Brown (senior M&E manager), Jane King (sustainability manager) and Alison Pernavas (community engagement manager) complete the line-up. In addition, Lisa Foy is undertaking a student placement.

"It is still really unusual to have so many women at such senior levels in a construction project team. Given St Hilda's is currently an all girls' school, we hope that our work here can inspire some of the pupils and open their eyes to the varied opportunities within the construction sector."

Karen Fairhurst

Project Manager, Construction & Infrastructure

People

Material issue

Recruitment and retention

G4-Employment

There is a widely acknowledged skills shortage in the construction industry, with trade and technical skills in highest demand. Crucial to the continued success of the Group is maintaining a healthy balance between attracting the right talent into the business and retaining existing employees.

Supporting apprenticeship schemes and education programmes is an important way in which we can encourage new talent into the sector. Maintaining a stable level of employee turnover is an important indicator of employee satisfaction.

Employee turnover, measured as those people leaving of their own accord, increased to 16% in 2014 (2013: 13%). While this reported turnover rate is high, our performance is in line with sector and industry averages. However there is opportunity for improvement.

Programmes being implemented in 2015 as part of the People Promise will provide the Group with the tools for attracting and developing talent.

A key finding of the People Promise research is that employees would like better assistance with career management. To address this, a dedicated careers website will be launched in early 2015. This will focus upon attracting new employees, sharing vacancies across the Group and providing an interactive toolkit so that individuals can manage their careers via a careers portal.

The Group has been actively supporting the Born to Build campaign led by the UK Contractors Group ('UKCG'), with the aim of attracting more young people into construction. Supporting the initiative with examples of some of the young people that work in our business we have opened up pathways by which potential new recruits can access construction as a career.

Target

14–19%

Reducing employee turnover rate toward construction industry average of 14–19%

2014 performance

16%

voluntary turnover rate

A continuing commitment to help young people find work

Construction & Infrastructure remains committed to the Jobcentre Plus work experience programme, offering support, guidance, work experience and job opportunities to young people across the country in a sector that is notoriously difficult for young people to break into. The division exceeded its pledge to offer 64 work experience placements in 2014, and 17 of these have resulted in full-time, sustainable employment either with the division or its supply chain as a direct result of the placement.



"I feel that the extra value of the Morgan Sindall partnership work is seen in the great outcomes for our customers. The offer of a real opportunity which places the young people at the heart of a construction site or on the rail network is not one that we often see within the sector and it has made a real difference to the aspirations of these people who are truly wanting to work in this field."

Jo Willson

Senior Employer Relationship Manager, Department for Work & Pensions



Affordable Housing celebrates 1,000th apprentice

An unemployed 28-year-old from Cumbria became the 1,000th apprentice recruited by Affordable Housing since launching its national apprentice training programme in 2003. The division had 52 apprentices nationally at the end of 2014, and expects to take on 40 more in 2015.

With the division's support, John Postlethwaite will work towards the nationally-recognised Level 2 NVQ Diploma qualification in joinery and carpentry, learning his trade on site with Affordable Housing in Carlisle and studying at Carlisle College on day release.

"The apprenticeship will get me the life I want and means I can stand on my own two feet and support myself. It gives me the chance to learn on the job and get a wage as well. I have a two-year-old daughter and this means I'll be able to help her have a better life."

John Postlethwaite

Affordable Housing's 1,000th apprentice

"Apprenticeships are one of the ways by which we ensure that the benefits of the housing developments and regeneration programmes we deliver extend to the wider community and have a lasting, positive impact for local people. At the same time, both our business and the industry as a whole gain from the skills and expertise of the workers we train."

Bruce Boughton

People Development Manager, Affordable Housing

People

Material issue

Community engagement

G4-Local communities

At any one time, we operate within many different local communities. This makes community engagement a vital aspect of our work, helping to minimise disruption and inform the longer-term outcomes of our projects, such that they better meet local communities' needs and help our public sector clients and partners deliver social value.

As a responsible employer, we believe that making a positive contribution to our communities today helps improve tomorrow's society. We do not ascribe to a common Group-wide approach to community engagement; rather our divisions assess the most effective ways of engaging with the local community in which they work on a project-by-project basis. Common approaches include: registering sites with the CCS; engaging with local stakeholders to raise awareness of our projects; working with schools, colleges and universities near our construction sites; and making donations to good causes based close to our offices or construction sites. Our two largest divisions (Affordable Housing and Construction & Infrastructure) both employ dedicated community engagement personnel.

The Group's average CCS score increased from 37.3 in 2013 to 38.6 in 2014 though remains slightly below our stretch target of 40. As a Group, we achieved 48 awards in the CCS National Site Awards 2014, the highest level of any participating contractor and a significant increase on our 2013 total of 36. Of the 48 winning projects, 38 were from Construction & Infrastructure, five from Affordable Housing and two from Fit Out. Five of the prizes were Gold Awards, including two projects that were named as runners-up in the prestigious Most Considerate Site category, Fulston Manor School and Crossrail C512 Whitechapel Main Station Works.

Target	2014 performance
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40

Average score of 40 in CCS (2013 scoring scheme)

38.6

Average score



Construction & Infrastructure supports Give & Gain Day

104 employees from Construction & Infrastructure participated on nine projects to support BITC's Give & Gain Day 2014. For example, the division's London business partnered with St Joseph's Catholic Primary School in Archway by maintaining and repainting the School's garden and grounds.

Give & Gain Day is a celebration of the power and potential of employee volunteering, when skilled and experienced staff from businesses across the UK provide their resources and skills to local community organisations, social enterprises and schools.



Ship ahoy at new school play area

Thanks to generous support from Construction & Infrastructure, the foundation stage classroom at Catton Grove Primary School now boasts a brand new pirate ship play area for pupils to enjoy. The division is currently delivering a £1.6m extension project at the School, and the project team gave the children's pirate play area a new lease of life during a community day. The revamp, which was carried out during the summer holidays, comprised new decking and play areas, a freshly painted shed and new wave backdrop complete with wooden pirate characters.

"The Morgan Sindall team has done a brilliant job! The children love the pirate ship, it's bright and colourful and they are using it a lot more than they used to."

Tim Lawes
Catton Grove Primary School Headteacher

Planet

Total commitment

Reducing energy consumption and carbon emissions

G4-Energy G4-Emissions

Our expenditure on fuel to power our buildings, construction sites and vehicles is significant. Commercially, it makes sense to reduce our energy consumption due to rising energy costs and uncertainty about future supplies. In addition, our activities produce carbon emissions which we must reduce to help contribute to the UK Government's target to halve carbon emissions in the 2020's, compared with 1990 levels.

We are actively reducing our own energy use and, through building more efficiently, can help create more energy-efficient buildings that allow our clients and suppliers to reduce their own energy bills and carbon emissions. We measure our carbon emissions through the Achilles' Certified Emissions Measurement and Reduction Scheme ('CEMARS'), which provides annual third-party verification of emissions and reduction performance. We are already subject to the Carbon Reduction Commitment Energy Efficiency Scheme, a mandatory emissions reporting scheme, and will now also comply with new legislation on mandatory greenhouse gas reporting as well as the requirements of the Energy Saving Opportunity Scheme.

In 2014, we achieved a further reduction in carbon emissions to 37,627 tCO₂e. Nearly 95% of the Group's emissions come from Construction & Infrastructure and Affordable Housing, so we will continue to focus attention in these divisions.

For the third year running, the Group has been rated the highest-scoring construction company in the CDP's UK Climate Change Report 2014, continuing its year-on-year score improvement by achieving a 97/B (2013: 91/B). This ensured that the Group retained its place in the CDLI, which recognises the highest performing companies for disclosure on climate change. In 2012, the Group became the first non-FTSE 350 company to be included in the CDLI and we have retained our place ever since.

Target

5%

At least 5% year-on-year reduction in carbon emissions against 2010 baseline, and a 26% reduction by 2020 compared to 2010

2014 performance

18%

Carbon emission of 37,627 tCO₂e: an 18% reduction in absolute emissions from 2013 and 41% against the 2010 baseline

National energy award

Number One Bickerstaffe Square, home to Blackpool Council and part of Urban Regeneration's Talbot Gateway regeneration scheme, was recognised as the most energy-efficient building in the UK. Winner of the Energy Efficient Building Project of the Year category at the Energy Awards 2014, the office was praised for its use of energy-efficient systems and low/zero carbon technologies.



Reducing emissions from our plant machinery

Construction & Infrastructure has been reducing emissions from plant machinery at the site of the new Pudding Mill Lane Station in London, part of the wider Crossrail project to extend London's railway network.

Following on from becoming the first company in the UK to use the Mercedes-Benz Arocs lorry, the cleanest commercial vehicle in production, the division took receipt of the first Stage 4 Caterpillar 311F Excavator in Europe for use at the Pudding Mill Lane site. This 'digger' is one of a new generation of cleaner, more efficient engines that comply with the latest EU legislation to reduce nitrogen oxides and particulate matter (air pollutant) emissions from diesel engines. This particular model reduces nitrogen oxide emissions by 90%, particulate matter by 90% and is up to 22% more fuel-efficient compared to its predecessors.

Furthermore Construction & Infrastructure has developed the first Low Emission Zone ('LEZ') compliant crawler crane for use on the same project. The vehicle is currently being used to support structural concrete works, through use of an approved diesel particulate filter, thereby meeting Crossrail's strict LEZ contract requirements.

Taking action to save fuel

A fuel-saving initiative by Construction & Infrastructure's utility services business for its Western Power Distribution contract is expected to save over 40,000 litres of fuel and over 110 tonnes of CO₂e emissions per year, as well as helping reduce other harmful vehicle emissions such as nitrogen oxides.

The initial focus was on engine idling, which is expected to produce annual savings of more than £60,000. Trials of further options are now also underway, including a new visual tracker system to help drivers understand their driving behaviour in real time, in conjunction with speed limiters and additional awareness briefings to improve driving style. Drivers have also put forward their own fuel-saving suggestions such as improvements to journey planning and the provision of fuel bowsers (tankers) in yards.

"We plan to apply our best practice findings to other utility services projects and potentially right across the Group. The fleet for this project comprises over 120 vehicles but as the business as a whole has more than 2,000 vehicles, we believe that huge savings can also be made elsewhere."

John Stephenson

Senior Operations Manager, Construction & Infrastructure

Total commitment

Reducing waste

G4-Effluents and waste

Construction and demolition waste is one of our largest direct environmental impacts. There are real and significant opportunities for sending less waste to landfill including better utilisation of new and emerging waste recovery and recycling processes.

Our focus on reducing waste and increasing resource efficiency will help the Group to meet emerging waste regulations, industry targets, client demands and in particular removal of the facility to landfill certain waste types.

Our overarching objective is to minimise waste produced by the Group, both in terms of the total amount generated and the proportion that ends up as landfill, with an aspiration of 100% waste recovery. The majority of our waste comes from excavation which, through following appropriate codes and protocols, is relatively straightforward to reuse or recycle. Our use of the Waste & Resources Action Programme ('WRAP') quality protocols and the Contaminated Land: Applications In Real Environments ('CL:AIRE') code of practice are both highly effective ways for us to significantly reduce the waste we send to landfill. For construction waste that is more difficult to reuse, such as plasterboard and insulation, designing out waste and manufacturer take-back schemes offer the best opportunities for improving waste management.

With the diversified and extended supply chain that forms waste management services across the UK, we have established a Group-wide agreement with a major waste broker offering efficiencies in approach, better traceability of waste disposal, and the collating and reporting of metrics and recycling rates. With a clearer understanding of the waste types and quantities being generated the Group is better placed to focus on its reduction and diversion strategies.

The overall proportion of waste diverted from landfill decreased in 2014 to 86% (2013: 91%), and we fell far short of our targeted 10% reduction in absolute waste to landfill. The challenge in delivering these targets is that the production of waste can be influenced by many external factors, outside the control of the Group, including the design of the projects we undertake as well as ground conditions. The main influence on the downward trend can be attributed to a single project in Scotland where no economic alternative other than landfill was available for a significant quantity of waste.

In 2015, the Group will continue to focus on its waste management activities, drawing on industry leading programmes such as the 'circular economy', new British Standards in designing out waste, and new requirements regarding segregating wastes to improve the quality of potentially recyclable materials.

Target

10%

Year on year reduction in the volume of waste sent to landfill

90%

division from landfill

2014 performance

1,326,247

tonnes waste produced (41% increase)

1,140,306

tonnes waste diverted from landfill (33% increase)

86.0%

diversion rate

Reusable pallets reduce waste and cost

Following a successful two-month trial, Affordable Housing introduced a reusable pallet service across all its regions. Used pallets from over 30 sites were collected and assessed, with all fit-for-purpose pallets going back into the supply chain and unsuitable pallets recycled for other uses.

Repairing reusable pallets requires less timber than manufacturing a single-trip pallet, thereby reducing the amount of virgin timber consumed, and all the materials used for repair are from sustainable sources. When the pallets reach the end of their life, they are chipped and used as raw material for animal bedding or firewood.

"The service is achieving considerable all-round environmental benefits as well as financial ones. It's reducing our direct impact on the environment, helping our suppliers to be more sustainable and helping to protect us from any volatility in timber prices. It's also exceptionally cost-effective."

Alice Flint

Sustainability Co-ordinator, Affordable Housing

Collaboration is the key to minimising waste during fit out

On a major project in the City of London, Fit Out was challenged to achieve a recycling rate of at least 95.3%. The division engaged directly with its supply chain to develop several waste-saving initiatives:

Designing out waste The partitioning contractor researched optimum cutting patterns for plasterboard sheets, reducing the amount of plasterboard ordered by approximately 10%.

Pre-fabrication Several items, including joinery and partitioning, were pre-measured and built off site to ensure accurate sizing and zero waste.

Just-in-time delivery Many trades had materials delivered as needed to reduce the potential for damage and to minimise over-ordering.

Minimising and reusing offcuts Audio-visual cabling was either pre-formed, or pulled from reels and cut as close as possible to the final length, while offcuts of plasterboard and insulation were reused on site.

Take-back schemes Cable reels and pallets were taken back by suppliers for reuse and carpet offcuts and metal pipework by the manufacturers for recycling.

Packaging and protection Collaboration between the electrical services contractor and their lighting suppliers led to the development of a fully reusable packaging solution for light fittings, saving the need for large quantities of cardboard and plastic.

Office furniture The mechanical contractor used second-hand office furniture in the site office that was returned to the furniture provider for reuse.

Waste champions Some contractors nominated on-site waste champions to ensure site workers took ownership for waste and materials management.

These initiatives contributed to a final recycling rate of 97.6% (based on BRE figures).

Material issue

Sustainable building and labelling

G4-Products and services

Third-party ratings provide an objective way of benchmarking and improving the sustainability of the buildings and infrastructure we deliver.

It is important that we continue to develop and deliver more sustainable buildings and infrastructure in line with clients' expectations. This means meeting or exceeding ratings where they are a client requirement and, on projects where they are not, advocating and demonstrating the many benefits of sustainable buildings.

The number of projects that achieved BREEAM, CEEQUAL, LEED, SKA or other industry relevant sustainability ratings increased by 63% to 49 in 2014 (2013: 30). Despite this positive trend, we recognise that it still represents a relatively small proportion of all projects in which we were involved in 2014.

Urban Regeneration recognises the potential benefit that such sustainability assessments can have in the developments that it commissions. Indeed, recent industry research¹ has confirmed that setting lower BREEAM standards adds little or no additional capital cost whilst higher standards typically adds less than 2% of additional cost; however, operational savings through utility cost savings can be paid back within two to five years for higher standard buildings. Mindful of this, Urban Regeneration specifies that all its developments seek to achieve a BREEAM Excellent rating as a minimum standard.

Target

2014 performance

Benchmarking 49

Internal benchmarking of the number of projects achieving BREEAM, CEEQUAL, LEED, SKA or other industry relevant sustainability ratings

Constructing the UK's greenest building

During 2014, Construction & Infrastructure has been on site at the University of East Anglia's landmark Enterprise Centre, on target to be the UK's greenest building and one of the most sustainable buildings in Europe. The Enterprise Centre is targeting BREEAM Outstanding and Passivhaus certification (the global standard for energy-efficient, low-carbon buildings) as well as having one of the lowest embodied carbon footprints of any building of its size in the UK.

For the building, the project team used a specially designed carbon concrete mix that contains around 40% of the embodied carbon of normal concrete. The mix exceeds the 25% recycled content required by BREEAM and can be polished to create the final finish, further reducing embodied carbon.

¹ Abdul. A, Quartermaine. R, Delivering sustainable buildings: savings and payback, Sweett BREEAM, IHS BRE Press, FB 63, 2014



Many aspects of the development are being constructed using traditional methods and locally sourced materials including timber, straw and heather. 'Cassette cladding' – a completely new way of using thatch – is one of the key sustainable elements being incorporated into the build project. Developed by the University's Adapt Low Carbon Group and delivered by Construction &

Infrastructure, it combines traditional craft with modern methods of construction and it is the first time this unique system has been used anywhere in the world.

The Enterprise Centre also incorporates 98% recycled steel for the reinforced concrete of the foundation and 58 tonnes of recycled newspapers were used for insulation.

"The Enterprise Centre is an inspiring project that seamlessly marries cutting-edge techniques with traditional sustainable methods. The project team is dedicated to delivering an exemplar building that will serve as a catalyst for excellence in the region. Innovation has been at the core of the project and this will ensure that the methods used in the construction of the Enterprise Centre will continue to be used industry wide, as the project strives to leave a lasting legacy, in the region and beyond."

Gavin Napper

Area Director, Construction & Infrastructure

Encouraging sustainable living

Affordable Housing produced an online guide to help people moving into their new homes reduce their environmental impact and save money. The Sustainable Living brochure provides tips on how to minimise household waste, water and energy usage as well as how to support biodiversity and the local community.

The brochure also clearly shows where and how sustainability has been embedded into the location, design and construction of the homes, including energy efficiency, water conservation, waste reduction, protection of wildlife habitats and transport considerations. To raise awareness of these features in advance of people moving in, the division is placing stickers around the show homes to highlight them.

Awards success for Fit Out

Two projects previously completed by Fit Out won accolades at the 2014 British Council for Offices ('BCO') awards. The Guardian News & Media headquarters at Kings Place was recognised with the national Test of Time award, while PwC's offices above Charing Cross station won the refurbished/recycled workplace category for London and South East. The PwC office project was an exemplary, sustainable office building refurbishment, which achieved a BREEAM score of 96.31% – the highest ever. It was also the first building in London and the first major office in the UK to be awarded a BREEAM Outstanding rating.

Planet

Material issue

Water

G4 - Water

The use of potable water and the disposal of waste water into water courses by the Group have potential impacts on the local environment. Managing our water use should help mitigate these impacts as well as the risk of operational constraints at times of water scarcity in the future. It also provides us with an opportunity to realise cost savings from lower water bills and ensures we remain compliant with legislation and in line with the Government's water strategy.

Monitoring water use across all our construction sites is not a straightforward task, but we are working to better understand how we use water and seeking to minimise its use and disposal as effluent.

Our goal for 2014 was to better understand the quantity and type of water used on our projects, and this has been achieved in part. We have improved the collection of data relating to potable water use; however, monitoring the use of other types of water as well as discharge quantities (where not governed by discharge consents) remains a challenge. The quality of the data gathered also requires further improvement and verification.

The water consumption benchmark of 4.0m³/£100k of project value (UK Industry Performance Report 2014) suggests that the Group's reported consumption of 343,000m³ or (0.154m³/£100k) is significantly under-declared and that the data requires further work. While the Group has good data relating to the direct purchase and consumption of metered supplies, the use of unmetered water supply and its quantification remains a challenge that will be addressed in 2015. This issue is not unique to the Group, and a reliable internal benchmark is required for the divisions.

Target

Quantify

To quantify total consumption levels normalised against revenue across the Group

UK Construction Industry KPI:
4.0m³/£100k

2014 performance

343,000m³

Total quantity of water consumed normalised against revenue
0.154m³/£100k

Award-winning sustainable urban drainage

A pioneering sustainable urban drainage scheme ('SUDS') that Construction & Infrastructure helped design and construct in partnership with Dŵr Cymru Welsh Water, Arup and EC Harris, has been recognised as a blueprint for sustainable and affordable water management.

A new playground at Stebonheath Primary School, Llanelli was designed to reduce the amount of rainwater entering the local public drainage systems, helping to reduce the risk of sewer flooding and pollution. It became the first school in the UK to have a sustainable surface water scheme retrofitted.

The scheme used a range of SUDS techniques to help absorb surface water, which previously ran straight off the playground into the sewer network. These included a pond, a swale (vegetated channel), a range of trees and plants, planters, an all-weather outdoor classroom and water butts. The transformed playground is anticipated to remove 3,000m³ from the sewer network, the equivalent of six million bottles of water.

The schoolchildren were involved in the design of the scheme and participated in a workshop with the engineers where they provided suggestions about how the playground should look. The pond and outdoor classroom were added to the design as a result of feedback from the pupils.

In 2014, the scheme was recognised by the water industry, winning Exemplar Project in Wales at the Environment Agency & Waterwise UK Water Efficiency Awards 2014 and Sustainable Drainage & Flood Management Initiative of the Year at the Water Industry Achievement Awards 2014.

Profit

Total commitment

Improving sustainable procurement

G4-Supplier environmental assessment G4-Supplier assessment for labour practices

G4-Supplier assessment for impacts on society

Over 80% of the Group's total spend is through our supply chain, meaning that how and what we procure, as well as the ways in which we can influence our suppliers, are crucial to how we make a difference to our own sustainability performance as well as that of our supply chain.

We aim to procure goods and services that minimise risks associated with procuring from vulnerable sources and to implement best practice procurement standards in line with client expectations. Driven by changing regulations and new standards, responsible sourcing of materials has become increasingly important in recent years. Helping our suppliers and subcontractors assess and improve their knowledge of sustainability issues, for example through the Supply Chain Sustainability School, is another area where we feel we can have a positive impact.

While we have identified a range of materials to review and are collaborating with our supply chain, work continues to complete this target. We have continued to engage with our major suppliers, particularly for aggregates where through our six main providers, all materials are procured against BES 6001. In addition, we continue to use steel rebar (reinforcement) certified by CARES – the Certification Authority for Reinforcing Steels. We have identified a further three key materials for which we are beginning to engage our supply chain to examine their origin and manufacture.

As an active member of the UK Green Building Council, the Group has signed up to its Member Commitment Statement, with one specific commitment requiring us to address sustainable procurement by leading and advocating practices that are environmentally responsible, ethical and fair. The Group actively participates in industry reviews relating to sustainable procurement, including the UKCG environment committee and its 'materials' sub-group. In 2014, we signed up to the Grown in Britain commitment, designed to create new sustainably managed woodland to increase the supply of British timber destined for use by local people and businesses.

Target

25%

of high risk materials screened and sustainably sourced in 2014

2014 performance

Assessment

of materials remains a work in progress.

Construction & Infrastructure connects with local subcontractors in Essex

The division strengthened its supply chain and extended its network of local contractors in Essex during a special Meet the Buyer event. Contractors had the chance to get involved, develop new relationships and strengthen existing ones with relevant Construction & Infrastructure representatives.

Construction & Infrastructure is currently working on a number of major developments in Essex, and wanted to boost local employment opportunities it currently offers by giving local contractors the chance to learn more about the division and how it operates.

"We already work closely with subcontractors in the region and boosting local employment and ensuring that we're connecting and engaging with local companies are real priorities for the business. We're committed to further developing local relationships and ensuring that our projects have a positive economic impact on the communities where they are based."

Rachel Johns

Framework Manager, Construction & Infrastructure



Supply Chain Sustainability School

As one of the original founding partners of the Supply Chain Sustainability School, the Group continues in its active support of this industry-wide initiative with the aim of encouraging its suppliers in developing a common approach to sustainability competence.

Through 2014, the Group has continued to support events promoting the School and access to its free resources to assist our supply chain in improving its competence and understanding of sustainability.

Group representatives have been active in their leadership of the School through membership and participation in its leadership board as well as two sector leadership groups, 'Infrastructure' and 'Horizon'. The Infrastructure group has the remit to ensure that all the School's resources remain relevant for the infrastructure and civil engineering sectors, while the Horizon group focus is forward-looking, identifying trends and issues for which the industry is likely to need guidance and learning materials in the future.

The Group's supply chain remains very active with the School; over 1,750 suppliers, including over 1,000 unique companies, have registered as being connected with the Group. The Group will continue to support and contribute to the leadership of the School throughout 2015.



Profit

Total commitment Supporting local economic growth

G4-Indirect economic impacts

It has been estimated that every £1 spent on construction output generates a total of £2.84¹ in total economic activity, as well as providing financial returns to the Treasury in tax income and welfare savings. Construction is also a localised activity, so the provision of jobs, training and investment often directly benefits local communities and businesses.

We recognise that our projects can contribute towards a local positive legacy which endures long after our people have left the construction site. We aim to provide sustainable opportunities for local communities through engaging with local supply chain partners, employees and apprentices, charities and other NGOs that lead to sustained local economic improvement. Although we know the local impact of our work is important, reliable quantifiable measurement of the social and economic impacts presents considerable challenges.

Throughout 2014, the Group has been trialling a local multiplier tool called LM3 Online to assess the economic impact of its activities in local communities. Through analysis of expenditure, within a predefined geographical area, it is possible to identify where the project activity has been procured and therefore measure the local economic impact. The tool allows detailed quantification of such activity and can provide objective evidence to all stakeholders of the wider benefits of construction investment. For example, for a recent Midlands-based project with a budget of £1.3m, 81% of the supplier spend was shown to be 'local' and overall the project contribution was such that for every £1 of project spend, an economic impact of £2.05 was realised in the local area.

In 2015, the Group will continue to roll out the tool across all divisions with the goal of developing a regional understanding of the wider impact the Group's activities have across the UK.

Target	2014 performance
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Benchmarking	14
of economic contribution in terms of local multiplier effect on applicable projects	Local multiplier effect calculated for 14 projects

Recognition for enabling social enterprises in Leeds

Affordable Housing's response maintenance business has won national recognition for its community-focused approach for work with the Leeds Independent Living Accommodation Company ('LiLAC').

The division was awarded a Performance Beyond Compliance certificate by the CCS for its work carrying out maintenance to 75 LiLAC housing schemes across the Leeds area, following an independent assessment of its approach to the project. It was particularly praised for the way it has enabled local social enterprise organisations to work on the LiLAC maintenance contract, creating work for around 30 local people.



Local jobs boost from Dalmarnock development in Clyde Gateway

Construction & Infrastructure has been able to find opportunities for over 50 local job seekers as part of its construction of a new £24m office development for Police Scotland at Dalmarnock in Clyde Gateway.

The division has worked with the Clyde Gateway urban regeneration company on an employment programme to deliver jobs, apprenticeships and work experience opportunities to the people of Glasgow's East End. So far, 23 people have been employed, 11 apprenticeships have been established and 25 individuals have benefited from work experience opportunities, either directly with the division, or with our subcontractors.

"I was determined to get into the decorating trade from the outset but found it really difficult to get a chance to get my foot in the door. I then found out about the apprenticeships through Clyde Gateway and Morgan Sindall's schools programme and was lucky enough to be selected. I'm just starting out on my career and know I have an awful lot to learn, but I'm determined to make the most of the opportunity and learn from the experienced people around me."

Angela Myers

Working towards an apprenticeship in painting and decorating with Spectrum Decorating

"Our core business is delivering key construction and infrastructure projects, but we know that our work goes a lot deeper than that. We have a duty to not only ensure that the local communities in which we work benefit while we are on site, but also that we leave a lasting legacy in the shape of a better skilled workforce who are more economically productive."

Harry Thorburn

Managing Director, Construction & Infrastructure – Scotland

¹ Source: UK Contractors Group, LEK Consulting, Construction in the UK Economy – The benefits of Investment, 2012

Profit

Material issue

Advocacy and leadership

G4-Public policy

The Group is committed to ensuring the highest levels of integrity and transparency in all our business dealings. We use our influence to advocate sustainable solutions where possible on all our projects.

In 2014, we were one of 30 organisations to demonstrate their commitment to the UK Green Building Council (‘UK-GBC’) by signing up to the new Member Commitment statement before it was officially launched. The statement reflects UK-GBC’s vision of a built environment that enables a high quality of life for people within limits the planet can support.

We were also among a small group of global corporations and investors who signed a joint statement by the Climate Disclosure Standards Board and United Nations Environment Programme, reinforcing our commitment to report and make use of climate change information in our annual reporting whether or not required by regulation.

In 2015 we will review the requirements of the UN Global Compact and its 12 provisions, with a view to the Group fully committing to its principles.

Target

Zero

expenditure on political donations

2014 performance

Zero

donations

Leeds College of Building appoints Affordable Housing’s training expert to board of governors

A regional training manager at Affordable Housing has been appointed to the board of governors of Leeds College of Building, the UK’s only specialist further and higher education construction college. Sharon Jarvis, as a governor at the 8,000-student college, will help oversee its work delivering a wide range of building and construction courses at all levels.

“We are delighted that Sharon has joined the board of governors at the College, as her experience and background can offer a great deal in supporting the students and helping to ensure the College offers a first class service to them and to industry.”

Rosaline Scanlan

Executive Director – Support Services at Leeds College of Building

Construction & Infrastructure scores Gold in Environment Index

The division was awarded three stars out of five in the BITC’s Corporate Responsibility (‘CR’) Index, making it the joint second highest placed construction company. The CR Index is the UK’s leading voluntary benchmark of corporate responsibility. It provides businesses with a robust framework to help measure, manage and integrate responsible business practice into organisational strategy and operations.

As part of the assessment process, it is also entered into the BITC Environment Index which focuses exclusively on the division’s strategic and operational approach to climate change, unplanned environmental incidents and waste. It scored 94%, falling within the ‘Gold’ performance band.

“Construction & Infrastructure is a determined advocate of minimising its environmental impact and bringing the green credentials of our industry to the fore. Our ranking in an assessment as rigorous as the BITC Environment Index is testament to this.”

Martin Worthington

Director of Safe and Sustainability, Construction & Infrastructure

Leading the way in ethical standards

Construction & Infrastructure is reinforcing its commitment to ethical business by working towards achieving BS 10500 certification. It is only the fourth business in the UK to do this, with the process involving independent assessment of its anti-bribery management system against the standard’s criteria. The first stage of the assessment was successfully completed in 2014, and the process will complete in early 2015. Certification will help meet growing stakeholder demand for anti-bribery measures, as well as ensuring that appropriate governance systems are in place for suppliers.

Profit

Material issue

Customer feedback and satisfaction

G4-Product and service labelling

Engaging closely with clients is the only way to fully understand satisfaction levels and expectations. Client feedback helps us identify strengths and areas that require improvement, which is vital to our strategy of achieving leading positions in our chosen markets.

At the heart of the Group's operations is our philosophy of Perfect Delivery. Perfect Delivery status is granted to a project that achieves its cornerstone goals which are set by each division. In addition to this, the Customer Satisfaction Questionnaire gives our clients the chance to provide more detailed feedback. The vast majority of projects we complete are assessed in terms of Perfect Delivery, with headline results communicated to the Group Board every month.

All divisions continue to focus on Perfect Delivery and in 2014, 667 projects were eligible for assessment against the Perfect Delivery or Service First (Affordable Housing's equivalent of Perfect Delivery) principles. Within Construction & Infrastructure and Fit Out, 81% of eligible projects achieved Perfect Delivery.

Target

2014 performance

Perfect

81%

Delivery scores, as set by divisions

average Perfect Delivery score

Affordable Housing takes gold for customer satisfaction

Affordable Housing secured three Gold Awards for Customer Satisfaction in its regional businesses in an independent survey of new homebuyers. People who bought homes in 2013 were asked if they would recommend the business, based on their overall experience of purchasing a new home. In Scotland, South Wales and North West England, over 90% of those who responded said they would recommend the division to other homebuyers.

"Ensuring that people who move into the homes we have built are absolutely delighted is of the utmost importance to us, so we are pleased to get such positive feedback. Our construction and sales teams strive to deliver the very highest standards for both build quality and customer service and the In-house Gold Award is a great testament to their continuing hard work and commitment."

Alan Taylor

Regional Director, Affordable Housing – Scotland

Fit Out brings Liverpool to London

The University of Liverpool secured premises in Central London and nine floors were fitted out in just 11 months to accommodate 1,300 students and 100 staff at maximum capacity.

The Fit Out project team went to great lengths to make the process seamless and engaging for the client. Temporary hoarding was erected bearing the University's logo and its staff were provided with high-vis hats, personally named rucksacks and branded site shoes. As a reminder of the University's heritage, the site included a small exhibition about Liverpool and its history and featured a giant yellow submarine on one wall, while a TV screen showing Liverpool themes was built into the hoarding.

To minimise disruption, noisy works were undertaken outside working hours, dust extracted and dampened down and deliveries carefully scheduled to reduce traffic around the site. The project achieved Perfect Delivery status from the client and professional consultants and was awarded a CCS score of 41/50. Fit Out's site manager, Martin Williams, earned a CCS Performance Beyond Compliance certificate.

"It was a very good experience and you exceeded my expectations with the quality."

Tony Mulhearn

University of Liverpool

"It was a difficult task and I think Overbury made it easy for the client. If we thought we would be sitting here when we started we wouldn't have believed it... I would definitely recommend Overbury and I would love to work with you again in any capacity."

Clive Small

Smok: Architecture and Design



How we manage sustainability

G4-Precautionary approach G4-Governance structure

Being sustainable is fundamental to the Group creating value, both in terms of the way we operate and in terms of the projects that we deliver. In practice we balance the need to deliver a solid financial return with the requirement to understand and take responsibility for our wider social, environmental and economic impacts over the longer term.

We recognise that it is typically more cost-effective to take advance action to prevent negative impacts than it is to deal with the consequences after they have occurred. We also believe that many of the challenges associated with sustainable construction actually represent business opportunities when managed correctly.

The way we manage sustainability reflects the Group's decentralised structure. Responsibility for sustainability begins at Group level and is driven down through each division.

Executive responsibility for sustainability is held by the Group Director of Sustainability and Procurement (chair of the Sustainability Steering Group ('the Steering Group')) and the Group's Head of Sustainability. It is the role of the Steering Group to drive progress on our Total Commitments, ensuring that we adopt a consistent approach and share good practice across our divisions. The Steering Group brings together individuals with a variety of roles from across the Group. It oversees development and implementation of our sustainability strategy by ensuring that appropriate systems and procedures are in place, and develops new policies and initiatives if we believe there is benefit in a standardised approach.

The Steering Group scrutinises quarterly performance metrics and reviews the output of our three stakeholder panels (see page 26).

Each division has its own sustainability forum that is responsible for translating the Group's strategy into deliverable actions, integrated into their own way of working. These plans are adopted by individual projects where appropriate.

How we manage risk

Risk registers document risks and controls at different levels within the organisation. Group and divisional risk registers are reviewed and updated at least every six months to ensure that risks are properly evaluated and that controls remain appropriate (further details can be found in Morgan Sindall Group plc's 2014 annual report).

We also map risks and opportunities related specifically to sustainability. Our sustainability risk and opportunity register considers the risks and/or opportunities related to meeting (or failing to meet) our strategic objectives. To be included, the risk or opportunity should meet all of the following criteria:

- (i) influence one of the Group's sustainability key risks;
- (ii) be strategic and/or compliance-related; and
- (iii) provide differential for the Group.

Risks and opportunities associated with global trends are also considered. The sustainability risk and opportunity register is reviewed by the Steering Group on an annual basis.

Risk and opportunity register

The following key risks have been identified following stakeholder engagement.

People	Risk area	Impact	Mitigation	Opportunity
Total Commitments	A safe work environment Safety or environment incident	<ul style="list-style-type: none"> Failure to comply Adverse negative impact on people or the environment Prosecution, fines, insurance claims, reputational damage and project delays Failure to prequalify in selected markets due to poor health, safety and environmental record Failure to deliver targets. 	<ul style="list-style-type: none"> Key personnel with leadership responsibility Robust policies and management systems (OHSAS 18001) Group-wide health, safety and environment ('HSE') forum Established safety systems, site visits, monitoring and reporting procedures Regular HSE training including behavioural training. 	<ul style="list-style-type: none"> Less lost time due to accidents Enhanced reputation and ability to prequalify for contracts.
	Developing talented employees Not attracting, developing or retaining the right talent.	<ul style="list-style-type: none"> Inability to deliver projects, increased employee turnover, reputational impact Difficult to maintain the highest levels of service and technical excellence. 	<ul style="list-style-type: none"> Launch of the People Promise which aims to build the Group's talent pool Further investment in graduate and apprenticeship schemes to secure an annual inflow of new talent Monitoring future skills and capability requirements Annual employee appraisal process in place Training and development plans seek to maximise relevant skills and experience Remuneration packages are benchmarked where possible. 	<ul style="list-style-type: none"> Increased attractiveness of the business to skilled and talented employees Development of in-house capability.
Material issues	Inclusion and diversity Undifferentiated workforce with poor representation from minority groups.	<ul style="list-style-type: none"> Unable to attract the right talent to the Group Reduced challenge and perspective in the Group Reduced pool of potential employees and skills. 	<ul style="list-style-type: none"> Maximising opportunity to engage with and recruit from a wide and diverse range of people Increasing awareness of existing employees on diversity issues. 	<ul style="list-style-type: none"> Increased attractiveness of the business to skilled and talented employees Ability to draw on diverse, new and challenging views.
	Recruitment and retention Achieving a balance between attracting new talent into the business and the retention of existing employees.	<ul style="list-style-type: none"> Failure to attract the right skills and talent to the Group to deliver projects. 	<ul style="list-style-type: none"> Monitoring future skills and capability requirements Launch of the People Promise. 	<ul style="list-style-type: none"> To become employer of choice for the industry.
	Community engagement Adverse resistance from local communities and negative impact in media.	<ul style="list-style-type: none"> Restriction to project delivery, prosecution, reputational damage. 	<ul style="list-style-type: none"> Robust planning and identification of project risks, active engagement with local communities Associate membership of CCS Use of Public Liaison Officers. 	<ul style="list-style-type: none"> Reputational enhancement of the business Added value and direct benefit to communities and associated charities.

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Risk and opportunity register

Planet	Risk area	Impact	Mitigation	Opportunity
Total Commitments	Reducing energy consumption and carbon emissions Legal action through non-compliance with legislation, and increased exposure to inflating energy costs.	<ul style="list-style-type: none"> • Direct contribution to climate change, reputational impact, increased operating costs, inability to address client needs • Adverse environmental impact from operation of the Group's vehicle fleet. 	<ul style="list-style-type: none"> • Energy efficiency campaigns, clear policies on vehicle and plant selection and use, monitoring and management of fuel consumption • Engaging with clients and through industry groups on best practice • Robust environmental management system (ISO 14001) • Clear policies on vehicle and plant selection and use, monitoring and management of fuel consumption • Use of technology and alternative methods of transport. 	<ul style="list-style-type: none"> • Business differentiator in ability to deliver climate change adaptation and mitigation solutions • Increased operational efficiency through efficient logistics and use of alternatives to road transport.
	Reducing waste Legal action through poor waste management and increased cost to projects.	<ul style="list-style-type: none"> • Direct impact on the environment, increased use of scarce resources, prosecution, increased project cost • Inability to address client needs. 	<ul style="list-style-type: none"> • Strategies for waste reduction in place. • Engagement with waste and recycling businesses • Engaging with clients and through industry groups on best practice. 	<ul style="list-style-type: none"> • Reduced operating costs and application of innovative solutions delivering client expectations and benefit • Prolonged availability of scarce resources.
Material issues	Sustainable building and labelling Inability to deliver client requirements associated with BREEAM, CEEQUAL, LEED, SKA, etc.	<ul style="list-style-type: none"> • Non-completion of client expectations, poor performing buildings and structures. 	<ul style="list-style-type: none"> • Detailed understanding and implementation of labelling schemes through professional teams in the divisions • Understanding of client expectations and delivery of contract requirements. 	<ul style="list-style-type: none"> • Reputation as a business delivering wider sustainable benefits and reduced operating cost of assets built.
	Water Depletion of natural resource, pollution impact on inland fresh waters, controlled water, flooding and drought.	<ul style="list-style-type: none"> • Increased cost and potential reduced availability or flood impact on projects and national infrastructure, negative reputational impact. 	<ul style="list-style-type: none"> • Awareness raising exercises, measurement, reporting and management of consumption levels. 	<ul style="list-style-type: none"> • Ability to offer drought-tolerant and flood-resilient infrastructure.

Risk and opportunity register

Profit	Risk area	Impact	Mitigation	Opportunity
Total Commitments	Improving sustainable procurement Sourcing of goods and materials with poor governance, quality and depletion of natural resources.	<ul style="list-style-type: none"> • Reputational impact • Negative environmental impact • Association with poor labour practices. 	<ul style="list-style-type: none"> • Establishing minimum standards through procurement policy • Risk assessment of potential high risk materials and services. • Promotion of Supply Chain Sustainability School to suppliers. 	<ul style="list-style-type: none"> • Driving improved labour sourcing and ethical procurement across supply chain with wider benefits on materials sourcing.
	Supporting local economic growth Inability to address client expectations, negative portrayal of the Group in the local community.	<ul style="list-style-type: none"> • Reduced client engagement, community resistance, inability to win contracts and reduced opportunity for growth. 	<ul style="list-style-type: none"> • Continued investigation of means of measuring and reporting on economic growth, use of LM3 Online approach. 	<ul style="list-style-type: none"> • Being seen as a forerunner in addressing economic growth and adding value to communities through construction activity.
Material issues	Advocacy and leadership Reputational damage.	<ul style="list-style-type: none"> • Reputational damage. 	<ul style="list-style-type: none"> • Policy of non-engagement in government lobbying. 	<ul style="list-style-type: none"> • Reputation enhancement as an ethical and leading organisation.
	Customer feedback and satisfaction Not understanding client demands and future expectations.	<ul style="list-style-type: none"> • Failure to adapt and innovate to deliver client expectations. 	<ul style="list-style-type: none"> • Implementation of Perfect Delivery philosophy across the Group • Regular client engagement, stakeholder and client sustainability panels • Extension of ISO 11000 standard across the Group. 	<ul style="list-style-type: none"> • Reputational enhancement as a client-focused organisation delivering in accordance with our values and philosophy.
	Ethical business Failure by employees to observe the appropriate standards of integrity and conduct in dealing with clients, suppliers and other stakeholders.	<ul style="list-style-type: none"> • Could expose the Group to significant potential liability and reputational damage that results in it failing to pre-qualify for contracts. 	<ul style="list-style-type: none"> • Independent raising concerns helpline available for all employees • Audit committee reviews incident log from raising concerns phone line which includes the outcome of investigations into such incidents and any follow-up actions • Ethics policy communicated to all employees. 	<ul style="list-style-type: none"> • Reputation enhancement as an ethical and leading organisation.
	Bribery and corruption Prosecution and reputational damage.	<ul style="list-style-type: none"> • Could result in the Group failing to pre-qualify for contracts. 	<ul style="list-style-type: none"> • Training in place to ensure awareness of and compliance with both competition law and the Bribery Act • Regular reviews undertaken to ensure procedures in place are adequate, followed and up to date. 	
	Legal compliance Removal of licence to operate.	<ul style="list-style-type: none"> • Prosecution, fines, reputational impact, restrictions on future ability to both deliver and win work, reduced turnover and opportunity for growth. 	<ul style="list-style-type: none"> • Robust management systems (OHSAS 18001, ISO 9001, ISO 14001) • Maintaining professional advisory teams. • Regular self-assessment and audit of projects, with corrective action processes. • Contingency plans for the management of incidents. 	<ul style="list-style-type: none"> • Ability to win work, attract talented employees and engage with the community and the environment positively.

How we engage stakeholders

G4-Stakeholder groups engaged | G4-Basis for identifying stakeholder groups

G4-Approach to stakeholder engagement

Understanding the views of our clients, supply chain partners and employees as well as others, from the Government to local community groups, is of fundamental importance to the Group's strategy.

The table below lists our most significant stakeholder groups and provides details on how we engage with them.

Stakeholder group	How we engage with this stakeholder group and impacts	
Current employees	<ul style="list-style-type: none"> Monthly e-newsletter giving progress on all pillars of sustainability sent to all employees Four 'sustainability days' per year within Construction & Infrastructure 	<ul style="list-style-type: none"> Bi-annual employee surveys Consulted as part of the sustainability objectives-setting preparation process
Future employees	<ul style="list-style-type: none"> Annual Open Doors event Continuing work with various external partners to promote and create job opportunities in the construction industry such as Opportunity Now, Remploy, STEMNET 	<ul style="list-style-type: none"> Project-specific engagement with local communities School talks Undergraduate sponsorship Apprenticeship schemes
Investors	<ul style="list-style-type: none"> Communication of financial and shareholder information, including the Group's annual report Annual submission to CDP 	<ul style="list-style-type: none"> Annual sustainability report Presentations to analysts Site visits for analysts
Clients	<ul style="list-style-type: none"> Project-specific engagement Case studies 	<ul style="list-style-type: none"> Consulted as part of the sustainability objectives-setting preparation process
Supply chain partners	<ul style="list-style-type: none"> Supply Chain Sustainability School Project-specific engagement Toolbox talks for subcontractors as required Bid/service requirements as required 	<ul style="list-style-type: none"> Seminars/workshops Bi-annual sustainability and innovation conference Consulted as part of the objectives-setting preparation process
Joint venture partners	<ul style="list-style-type: none"> Joint venture project-specific engagement 	
Local communities	<ul style="list-style-type: none"> Project-specific community engagement Dedicated full-time community liaison employees Schools talks Frequent charitable community projects 	<ul style="list-style-type: none"> Local apprenticeship/employment schemes Letters/newsletter drops Face-to-face visits Project-specific microsites
Industry associations	<ul style="list-style-type: none"> Regular meetings Involvement in sub-groups and task forces of industry groups 	<ul style="list-style-type: none"> Sponsorship of initiatives Consulted as part of the sustainability objectives-setting preparation process
Government/regulators	<ul style="list-style-type: none"> Annual reporting to the Carbon Reduction Commitment Energy Efficiency Scheme ('CRC') Annual RIDDOR reporting 	<ul style="list-style-type: none"> Annual greenhouse gas reporting Input to legislation consultations both directly and via trade bodies as required

Stakeholder panels

In 2014 the Group established three stakeholder panels: Client, Supply Chain and 2025 Next Generation, to challenge our perceptions and assist in our critical thinking, reporting and horizon-scanning sustainability activities. Stakeholder engagement is now seen as fundamental to the success of our business and to challenging the Group's sustainability perceptions.

With two panels comprising external stakeholders and the third bringing together younger generation employees, we are able to draw upon a 360-degree perspective of our operations and activities.

The Supply Chain and 2025 Next Generation panels each met twice in 2014, providing valuable insight into the interpretation of the Group's sustainability agenda and its application to responsible business practices as well as considering risks, opportunities and future trends that could impact on our operations.

The 2025 Next Generation panel has additionally been tasked with undertaking projects that will assist in a step-change in performance and responsible business practices across the Group through challenging the status quo and applying fresh thinking.

Our final panel, comprising client representatives, is in the process of being formed and is expected to convene in early 2015.

For the first time, we have asked two of the panels to comment on this report and have summarised below their perspectives on our approach to sustainability, responsible business and performance in 2014.

All three panels are scheduled to meet three times each throughout 2015 and will help develop and influence the Group's sustainability strategy and plans. This will be achieved through site visits, meetings with key Group personnel and review of performance information and plans.

Stakeholder panels

Client Panel:	For the Group to gain a deeper understanding of its clients' sustainability ambitions and how better to work collaboratively with clients to help drive sustainability standards across the industry.	The client panel is in the process of being formed.
Supply Chain Panel:	To achieve a fully aligned supply chain that understands the Group's sustainability strategy and approach. In turn the panel enables the Group to understand the challenges faced by its suppliers and subcontractors in meeting its sustainability requirements.	Includes representatives from ALD Automotive UK, Arnold Laver, British Gypsum, Hanson UK, Jewson, Lafarge Tarmac, Lyreco, SIG plc, Speedy Services and Travis Perkins plc.
2025 Next Generation Panel:	To capture the opinions of younger employees on sustainability and the Group's approach towards it.	Includes representatives from across the Group's five divisions.

The independent chair of the Supply Chain and 2025 Next Generation panels, IMS Consulting, has summarised the feedback from stakeholders.

Supply Chain Panel

Morgan Sindall Group has demonstrated clear leadership by establishing the Supply Chain panel to help realise its ambitious sustainability commitments. The report shows clearly how the Group is working towards its goals in a very practical way without sidestepping any large challenges. The Group's approach to its reporting and stakeholder engagement is well structured, focused and engaging.

One area to review would be the Community Engagement section where it would be good to see more on the proactive initiatives entered into by the Group. It would be good to see more detail on future mega trends in the industry as well as imminent change in the field of sustainability.

It is clear that the Group's more devolved approach to sustainability creates good ownership and exemplar performances at the site level where it really matters. The focus on procurement and improving resource efficiency in the value chain of construction and infrastructure projects is becoming a business 'need to do' rather than 'nice to do'. Collaboration is essential to deliver this efficiency.

The report is very transparent. The Group has achieved many of the 2014 targets and clearly states areas where progress is not up to its expected standard. This is a sign that Morgan Sindall Group really want to be best in class.

2025 Next Generation Panel

It is good to see Morgan Sindall Group taking an aspirational look at sustainability, and putting it at the forefront of its operations. It continues to maximise efficiency through its People, Planet, Profit ethos and to look long term.

The Total Commitment issues are broad and detailed and will ultimately have far reaching benefits. The most refreshing part of this report is its honesty. So much effort is put into caring about the impact of activities and reporting back objectively on achievements or shortfalls. Water consumption and waste issues have been highlighted; it's important these issues are resolved quickly.

The most compelling part of this document is being able to see the fantastic things achieved, and as members of the 2025 Next Generation Panel we have been given the invaluable opportunity to develop and invest in Morgan Sindall Group's sustainable future.

Objectives and targets

People	Risk area	Key objective	2015 target	KPI/Additional measure
Total Commitments	A safe work environment We will make sure, through proper training and education, that our employees are fully engaged and involved in improving safety in the workplace, at home, on their journeys to and from work and in the environment. 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 and the environment where we work.	<ul style="list-style-type: none"> No lost time, or RIDDOR incidents or major environmental incidents. 	<ul style="list-style-type: none"> Zero incidents. 	<ul style="list-style-type: none"> Total number of RIDDOR incidents Total number of major environmental incidents.
	Developing talented employees To help develop talent, we undertake to provide all employees with clear induction, appraisal and appropriate development programmes.	<ul style="list-style-type: none"> Attract and retain talented people within our organisation To be the employer of choice in the construction industry. 	<ul style="list-style-type: none"> Above median training days compared with industry/sector benchmark for 2015 	<ul style="list-style-type: none"> Average number of training days per employee.
Material issues	Engagement and satisfaction	<ul style="list-style-type: none"> Increased employee participation in staff surveys. 	<ul style="list-style-type: none"> Benchmark of employee participation in staff surveys. 	<ul style="list-style-type: none"> Number of employees taking part in staff satisfaction survey.
	Inclusion and diversity To understand the diversity profile of our business, and supply chain partners, and to present opportunity to engage with our business.	<ul style="list-style-type: none"> Increase diversity profile of our workforce (gender, age and ethnicity) as benchmarked against peer groups. 	<ul style="list-style-type: none"> Full diversity benchmark across all divisions. 	<ul style="list-style-type: none"> % of women employed % of people from black or minority ethnic backgrounds employed % of people employed aged under 24.
	Recruitment and retention Maintain a balance in terms of attracting new talent into the business and the satisfaction of existing employees thereby minimising recruitment costs.	<ul style="list-style-type: none"> Monitor total number and rates of new employee hires and employee turnover by age group and gender. 	<ul style="list-style-type: none"> Employee turnover rate reducing trend toward UK industry average. 	<ul style="list-style-type: none"> Employee turnover rate.
	Community engagement We will minimise the potential negative impact of our operations on the communities in which we work.		<ul style="list-style-type: none"> Average score of 40 in CCS (2013 scoring scheme) 	<ul style="list-style-type: none"> Divisional considerate contractor scores.

Objectives and targets

Planet

	Risk area	Key objective	2015 target	KPI/Additional measure
Total Commitments	Reducing energy consumption and carbon emissions We will play our part in reducing emissions by targeting, 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 and we will also help clients to reduce their own emissions. Reduction of environmental impact (emissions) through selection and operation of vehicles that match or exceed emissions standards.	<ul style="list-style-type: none"> Demonstrate net reduction in operational carbon emissions across the Group. 	<ul style="list-style-type: none"> At least 5% year-on-year reduction in carbon emissions compared to 2010 baseline. 	<ul style="list-style-type: none"> Annual Group carbon emissions (tCO₂e) Emissions from directly controlled vehicle fleet.
	Reducing waste 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.	<ul style="list-style-type: none"> Minimising waste generated throughout the Group with an aspiration of 100% waste recovery. 	<ul style="list-style-type: none"> To reduce the ratio of waste to turnover by 10% year on year. 	<ul style="list-style-type: none"> Total waste to turnover ratio.
Material issues	Sustainable building and labelling Provision of commercially sustainable buildings and assets in line with client expectations.		<ul style="list-style-type: none"> Internal benchmarking of number of projects achieving BREEAM, CEEQUAL, LEED, SKA or other industry relevant sustainability ratings. 	<ul style="list-style-type: none"> Number of projects achieving sustainability ratings.
	Water	<ul style="list-style-type: none"> Fully understand how we use water and seek to minimise its use and disposal as effluent. 	<ul style="list-style-type: none"> To quantify total consumption and discharge levels normalised against revenue across the Group. 	<ul style="list-style-type: none"> Total quantity of water consumed and discharged.

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Objectives and targets

Profit	Risk area	Key objective	2015 target	KPI/Additional measure
Total Commitments	Improving sustainable procurement We aim to procure goods and services that minimise risks associated with procuring from vulnerable groups or sources and to implement best practice procurement standards.	<ul style="list-style-type: none"> Sustainability assessment of directly purchased materials where there is a high risk profile. 	<ul style="list-style-type: none"> 25% of high risk materials screened and sustainably sourced with established policy definitions. 	<ul style="list-style-type: none"> % of total spend covered by Group-wide agreements % of high risk materials assessed and sustainably sourced % of the Group's supply chain that participate in the Supply Chain Sustainability School.
	Supporting local economic growth We aim to provide sustainable opportunities for local communities through engaging with local supply chain partners, employees and apprentices, charities and other NGOs.	<ul style="list-style-type: none"> Through commercially sustainable construction activities, positively contribute to economic growth of the communities where we work. 	<ul style="list-style-type: none"> Benchmark of economic contribution in terms of local multiplier effect on applicable projects. 	<ul style="list-style-type: none"> Number of projects using LM3 Online model.
Material issues	Advocacy and leadership Ensure the highest standards of integrity and transparency in business dealings.		<ul style="list-style-type: none"> Zero expenditure on political donations. 	<ul style="list-style-type: none"> Amount spent on donations.
	Customer feedback and satisfaction Establishment of client stakeholder panel.			<ul style="list-style-type: none"> Perfect Delivery scores Number of stakeholder meetings per year.
	Ethical business Our aim is to ensure that all our employees are aware of their roles and responsibilities towards ethical business practices.	<ul style="list-style-type: none"> Execution of business practices to the highest ethical standards. 	<ul style="list-style-type: none"> No legal actions for anti-competitive practices. 	<ul style="list-style-type: none"> Number of legal actions taken for anti-competitive practices.
	Bribery and corruption Aim is to ensure that all our employees are aware of their roles and responsibilities not to participate in bribery or corrupt activities.		<ul style="list-style-type: none"> 100% of workforce trained in anti-bribery policies and procedures. 	<ul style="list-style-type: none"> % of workforce trained in anti-bribery policies and procedures
	Legal compliance Minimise reputational risks associated with non-conformance with legislation.		<ul style="list-style-type: none"> Zero legal actions or fines for breaches of environmental or health and safety legislation. 	<ul style="list-style-type: none"> Number of legal actions or fines for breaches of environmental or health and safety legislation.

Report profile

[G4-Significant changes since last report](#) [G4-List all organisation's entities](#) [G4-Reporting period](#) [G4-Date of last report](#)
[G4-Reporting cycle](#) [G4-Point of contact](#) [G4-GRI 'in accordance' option](#) [G4-External assurance](#)

This is our fourth annual dedicated sustainability report, and covers the activities and operations of the Group and its five divisions for the calendar year 2014. This is the same reporting basis as is used for the Group's annual report.

This report has been prepared in accordance with the GRI G4 Sustainability Reporting Guidelines under the 'core' option. A GRI G4 content index is contained in our GRI Technical Supplement, available on our website, www.corporate.morgansindall.com/sustainability. We do not currently externally assure our sustainability report, although our greenhouse gas emissions are externally verified through Achilles' CEMARS.

Our reporting covers the same issues that we reported in our 2013 report, reflecting the results of a materiality assessment in late 2012. There have been no significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain. Any restatements of information are indicated and accompanied by an explanation.

We welcome feedback on any aspect of this report. All feedback or queries should be addressed to sustainability@morgansindall.com

Abbreviations used in the Report

AFR

Accident Frequency Rate

BITC

Business in the Community

CCS

Considerate Constructors Scheme

CDLI

Climate Disclosure Leadership Index

CDP

Carbon Disclosure Project

CEMARS

Certified Emissions Measurement and Reduction Scheme

CHS

Corporate Health Standard

CITB

Construction Industry Training Board

CR Index

Corporate Responsibility Index

GRI

Global Reporting Initiative

HSE

Health, safety and environment

LEZ

Low Emission Zone

LiLAC

Leeds Independent Living Accommodation Company

PHW

Public Health Wales

NHBC

National House Building Council

RIDDOR

The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013

RoSPA

The Royal Society for the Prevention of Accidents

SUDS

Sustainable urban drainage scheme

UKCG

UK Contractors Group

UK-GBC

UK Green Building Council

MORGAN SINDALL GROUP

G4-Name of organisation

G4-Location of headquarters

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