

Business review

Sustainability review

Delivering today for tomorrow

The Group's approach to sustainability has continued to strengthen throughout 2009. Significant progress has been made in developing policy, encouraging best practice at all levels and communicating achievements to a wider stakeholder group that includes employees, suppliers, investors and regulators.

The Group's new sustainability statement *Delivering today for tomorrow* was launched to all employees during the year. To give sustainability more meaning and relevance at all levels of the organisation, the terms People, Planet and Profit have been adopted. These describe the three elements of sustainable development; social, environmental and economic. During the year, the Group also initiated a continuous dialogue with stakeholders through a dedicated sustainability section on the Group's website.

The Group particularly values the engagement of its employees. It continually keeps them informed on matters affecting their employment and wellbeing, as well as the various factors that affect the Group's performance. The main channel used for this is the Group's intranets which are supported by regular divisional newsletters, as well as direct engagement through facilitated focus groups and employee surveys. Feedback gathered from these internal and external communications activities is considered and, where appropriate, acted upon.

A year of progress and recognition for achievements

Carbon management and reduction has been a particular focus area in 2009, along with an ongoing emphasis on safety, education and training. Morgan Sindall continues to improve sustainability at Group and divisional level as described in this review. Reporting procedures have been improved during the year, providing detailed data on key performance indicators covering health and safety, employment, environmental protection, procurement, supply chain and waste and further improvements will continue to be made in 2010.

Recognition by clients, the media and other third parties of the Group's efforts in all areas of sustainability increased significantly during 2009. The many completed projects recognised by regional and national sustainability awards include Clackmannanshire Bridge, DLR Woolwich Arsenal extension, Longannet flue-gas desulphurisation and Waverley Station regeneration. The Group continues to be a member of FTSE 4Good and has extended its support of social projects and sponsorship during the year, notably by becoming a corporate member of the Wildfowl and Wetlands Trust (WWWT).

PEOPLE: the social element of sustainability

Attracting, developing and retaining talented people are priorities for the Group. There is an ongoing commitment to investing resources to support, engage and motivate employees. A policy of equal opportunity employment is actively promoted, helping to attract and retain the best talent in the industry. Disabled persons have equal opportunities when applying for vacancies, due regard being given to their aptitudes and abilities. Procedures are also in place to ensure that disabled employees are treated fairly and that their training and career development is carefully managed.

Delivering today for tomorrow is an appropriate description of how the Group recruits and trains employees. It begins with an active schools programme operating in several divisions. For example, Morgan Est's 100 Club helps schools bring construction topics into their teaching to increase pupil understanding of civil engineering. Morgan Sindall graduates provide curriculum support to teaching staff throughout the year and pupils are given the opportunity to learn about working in the construction industry on a four-day residential course, organised in conjunction with the Smallpeice Engineering Trust.

Developing skills and changing behaviours

The Group's divisions recognise that providing opportunities coupled with the correct type of training and guidance can help people to develop more worthwhile careers. For example, Lovell actively supports schools in delivering the Government's Construction and Built Environment diploma and was one of the first companies to be recognised by this scheme. Lovell is also an active partner in a programme which provides adult construction apprenticeships and additional support and supervision for ex-offenders.

Safety is a shared responsibility

Safety continues to be emphasised at all levels throughout the Group. Behavioural change and education play vital roles in promoting a healthy, safe workplace. The priority is to ensure that safe working practices are always maintained by employees and subcontractors. One example of how increased employee engagement has led to safety improvements is the Learning Events programme introduced by Morgan Ashurst.

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Reporting near misses after they occur is being replaced by employees and subcontractors proactively alerting site safety managers of potential hazards and safety issues prior to an incident taking place. The result has been a marked increase in employee feedback and a 40% reduction in accidents across the Construction division.

Shared ownership of the responsibilities for a safer working environment is promoted through another Morgan Ashurst programme, the LIFE (Looking to an Incident Free Environment). During 2009, 48 people from within the Construction division were trained as LIFE coaches and provided training to the great majority of their employees.

Finding new ways to improve safety further

Innovative approaches to health and safety education play a central role in reducing accidents. A good example is training undertaken on the West Midlands Gas Alliance project which included demonstrations by a partially-sighted person to illustrate how pedestrians with disabilities encounter pavement obstructions. At Morgan Est, behavioural based safety training has been taken to employees' and subcontractors' places of work through two mobile training facilities. The outreach has been

impressive; over 270 members of the Heathrow pavement repair team were briefed in a single week.

The Group's commitment to safety is reflected in the year's accident figures and is further illustrated by the following examples: Lovell reports a further decrease in the number of incidents recorded in 2009, with a 23% reduction in reportable accidents under RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995) and a 34% drop in minor injuries compared with the previous year. Zero incidents were recorded on 19 Lovell projects. There were no RIDDOR incidents in 42 Morgan Est projects, accounting for 4.6m hours worked. Within Morgan Ashurst, 92% of all projects were RIDDOR-free, including long-term projects.

Social engagement aids biodiversity

The Group's commitment to support the WWT demonstrates how working with a charity can deliver benefits for everyone. Practical advice provided by the WWT is being applied by Muse Developments through the inclusion of water and wetland areas in urban regeneration schemes to improve local biodiversity as well as making developments more appealing to residents and visitors. This co-operation has been extended to

examine the viability of similar schemes for other development projects for Muse Developments and Lovell.

PLANET: the environmental element of sustainability

As a leading construction group, Morgan Sindall has a major role to play in reducing emissions of carbon and other greenhouse gases. Actions that can be directly controlled within the Group focus primarily on more efficient monitoring and use of electricity, better utilisation of plant and reducing transportation costs. In addition, the Group is able to offer advice to clients on design and build projects for reducing the carbon footprint of a building throughout its life.

New regulation provides business opportunities

An independent carbon management review was completed during 2009. This gave a clear understanding of where performance can be improved, particularly in the measurement and reporting of electricity consumption. It provides an excellent platform on which all divisions can build robust carbon management programmes.



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Muse Developments

Changing landscapes for the better

By improving the biodiversity of urban regeneration projects, Muse Developments is transforming living and working environments at Cheadle Royal Business Park, Stockport.

Business review

Sustainability review

The work undertaken has already enabled the Group to report publicly under the Carbon Disclosure Project in 2009. This follows a break from reporting in 2008 to carry out the review, having previously participated in 2006 and 2007.

The review has also ensured that all divisional companies are properly prepared for their obligations under the CRC Energy Efficiency Scheme ('CRC'). The implementation of the CRC in April 2010 is seen by the Board as an opportunity, rather than a cost. A focus on the CRC should deliver further improvements in energy management and may provide new business opportunities. The divisions will be able to apply their existing knowledge of low carbon design, build, refurbishment and regeneration to benefit clients whose own operations are covered by the CRC.

In preparation for implementation of the CRC, the Group has examined where potential energy savings can be made. This has already led to significant improvements in procurement, including improved monitoring of hire fleet fuel use and centralised purchasing of electricity.

The Group is also able to use its influence externally to deliver carbon reductions in supplier companies and clients' businesses. Action in these areas includes promoting behavioural change throughout the supply chain and providing expert help on low-carbon construction techniques to clients.

Working with the supply chain to reduce impact and improve performance

The Group's plant desk is a major new supply chain initiative responsible for providing machinery and equipment to sites throughout the UK. Sharing data and information with registered suppliers through the Group's back-office procurement systems is helping to minimise plant hire costs and reduce the carbon footprint of machinery used on site. Multiple deliveries are now consolidated and the nearest hire depot can

be easily identified. The system also improves safety as alerts relating to faulty equipment are now shared with participating suppliers.

The Group recognises the important role that suppliers play in improving sustainable performance. Its procurement teams seek to ensure that all supply agreements are supported by suitable environmental policies and are actively involved in driving responsible sourcing and waste minimisation through the entire supply chain.

The re-use of waste material is actively encouraged. The Group participates in the Wood for Good recycling programme and unused off-cuts of materials, including plasterboard and ceiling tiles, are collected by the manufacturer to be recycled. Timber is used widely across the Group. Directly purchased wood either Forest Stewardship Council

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Lovell

Delivering homes today for tomorrow's population

Lovell is helping to lead the national move towards zero carbon housing through its involvement in the Code Level 6 research project at Nottingham University.



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(FSC) or the Programme for the Endorsement of Forest Certification (PEFC) accounted for 88% of the timber used in 2009.

Raising environmental performance standards

Design and build projects provide the opportunity for the Group to deliver maximum benefit to clients who are looking to minimise the carbon footprint of a factory, office, school or hospital throughout its life. The recently completed research and development facility at GlaxoSmithKline's Les Ulis site in France is one example of a project where sustainability was a key driver. The building was designed and construction managed by Morgan Professional Services to the client's own global standard, equivalent to the BRE Environmental Assessment Method (BREEAM) Excellent rating.

Improvements in environmental performance and reductions in energy use need not be limited to new build, as the Fit Out division has demonstrated repeatedly during 2009. Morgan Lovell's own premises in London are an example of what can be achieved with a carefully planned refurbishment. A 30% reduction in energy consumption and a BREEAM Excellent rating were obtained. Other examples from the Fit Out division

include Overbury's delivery of RWE nPower Renewables' new headquarters in Swindon. It is one of the UK's first projects completed to the new SKA rating, an environmental performance benchmark operated by the Royal Institution of Chartered Surveyors specifically for office fit outs.

Innovation in sustainable construction

The Affordable Housing division has delivered a highly innovative low carbon project. Working with Tarmac Limited, Lovell completed two semi-detached houses built to Sustainability Code Level 4 and the highly demanding Code Level 6 as part of the University of Nottingham's Creative Energy Homes research project. Lovell's expertise in low carbon construction techniques, coupled with its willingness to work with conventional materials, made it Tarmac's ideal partner. The experience gained will be applied to future social housing projects.

PROFIT: the economic element of sustainability

Profit is an essential aspect of sustainability. Without it, the Group would be unable to invest in the many social and environmental initiatives highlighted in this review. The economic performance of the Group, underpinning all its business activities, is described in detail elsewhere in this annual report and accounts, providing further examples of *Delivering today for tomorrow*.

Health and safety

	2009	2008	2007
Fatalities	0	1	1
Major incidents (AIR)	206	330	202
Other over 3 day incidents (AIR)	312	389	535
Total of all reportable incidents (AIR)	518	719	737

Accident incident Rate (AIR) is per 100,000 persons employed and is calculated as:

$$\frac{\text{Number of reported incidents}}{\text{Average number of persons employed}} \times 100,000$$

People

	2009	2008	2007
Average number of employees	7,977	8,585	7,209
Average absence due to sickness Days	20	4.5	5.0
Proportion of women employed %	16	15	15
Proportion of ethnic minorities employed %	7	6	3
Average training per employee Days	5.0	5.0	6.0
Apprentices at different stages of development	138	188	188
Undergraduates on year out or being sponsored	94	110	55
Graduates recruited during the year	50	37	47

Below
MSLI

Committed to delivering on all aspects of sustainability

Four new police and fire facilities were completed in December 2009 by the Investments unit for the Dorset Emergency Services Partnership Initiative. Working as part of the Partnership for Fire, Morgan Sindall Investments ensured that all aspects of sustainability were considered. Local employees and suppliers were used extensively during construction. Morgan Ashurst undertook the construction of the facilities.



Environmental

	2009	2008	2007
Total waste diverted from landfill* Tonnes	1,411,358	938,090	505,000
Total waste produced* Tonnes	1,701,214	1,400,262	808,000
Percentage diverted from landfill* %	83.0	66.9	62.5
Percentage of directly purchased timber from FSC/PEFC certified sources %	88	77	Not provided
Number of permanent buildings	46	Not provided	Not provided
Amount of electricity used in permanent buildings kWh	4,537,548	Not provided	Not provided
Amount of gas used in permanent buildings kWh	1,442,676	Not provided	Not provided
CO ₂ emissions for company vehicle fleet Tonnes	27,466	Not provided	Not provided
CO ₂ emissions per employee Tonnes	1.89	Not provided	Not provided

*This data includes all materials classified as waste and that are removed from site irrespective of whether they are disposed to landfill or recycled/reused elsewhere. The Group's recycling figures relate to waste that has been identified as being reused or recycled.