Morgan Sindall Group

Sustainability Materiality Assessment 2016

Produced by IMS Consulting
Jan 2016

Materiality assessment for Morgan Sindall Group
January 2016

- IMS Consulting (Europe) Ltd was commissioned by Morgan Sindall Group to conduct a materiality assessment, updating a similar exercise undertaken in 2013.

- The IMS Consulting Materiality Tool was used to solicit the views of both internal and external stakeholders. The tool combines a customised online consultation with an inbuilt statistical analysis to help businesses understand which issues matter most to their stakeholders.

- In the absence of a Group workshop (as in 2013) to inform which issues matter most to the business, the identification of material issues in 2016 is based entirely on the outputs from this online consultation. A full description of the methodology is given in Appendix 1.

- All issues have been grouped into one of three categories:

  - **Material** Either relevant or significant or both
  - **Possibly material** Some evidence (either in terms of relevance or significance) that these issues could be material
  - **Unlikely to be material** Neither relevant nor significant

- Due to the large volume of employee responses compared to external stakeholder responses the material issues' table 2' depicting all business and all stakeholders will have a significant employee bias. Table 3 depicts the split between internal and external perspectives.

- **IT IS IMPORTANT TO NOTE THAT AS PART OF THE MATERIALITY PROCESS STAKEHOLDERS ARE FORCED TO PRIORITISE THE MOST IMPORTANT SUSTAINABIITY ISSUES IN THE 'PEOPLE', 'PLANET' AND 'PROFIT' CATEGORIES. THEREFORE THE MATERIALITY FINDINGS DEPICT THE MOST IMPORTANT ISSUES TO PRIORITISE. ISSUES CLASSIFIED AS 'UNLIKELY TO BE MATERIAL' COULD BE IN THIS CATEGORY FOR A NUMBER OF REASONS:**

  1. They aren't of significance

     OR

  2. They weren't deemed a priority compared to the other issues listed

     OR

  3. They are seen to be 'done' and therefore not a priority

The open text responses in the Full Data Report give further detail on stakeholders thinking and justification.

Table 1. Responses by stakeholder type and division

Business	All	Employees	External stakeholders	Suppliers	Customers
Morgan Sindall plc	1137	898	220	199	21
Morgan Sindall Professional Services	115	107	4	4	0
Construction and Infrastructure	**1252**	**1005 (82%)**	**224 (18%)**	**203**	**21**
Overbury	130	103	27	26	1
Morgan Lovell	31	27	5	2	3
Fit Out	**161**	**130 (80%)**	**32 (20%)**	**28**	**4**
Lovell Partnerships	278	217	53	49	4
Property Services	79	66	12	12	0
Affordable Housing	**357**	**283 (81%)**	**65 (19%)**	**61**	**4**
Urban Regeneration	**27**	**25 (96%)**	**1 (4%)**	**0**	**1**
Investments	**42**	**38 (93%)**	**3 (7%)**	**1**	**2**
Group	**61**	**40 (70%)**	**17 (30%)**	**17**	**0**
TOTAL	**1900**	**1521 (82%)**	**342 (18%)**	**310**	**32**

Note: Not all columns will add up exactly, due to response degradation throughout the survey

Table 2. Scoring of <u>priority</u> material issues for Morgan Sindall Group

		Issue	Classification
PLANET ISSUES		The impact of our operations on **biodiversity and habitats**	Unlikely to be material
		The **carbon emission**s of our operations	Possibly material
		The **energy use** of our operations	Possibly material
		How we manage **land** and remediate **brownfield** sites	Unlikely to be material
		Responsible sourcing of materials	**Material**
		Waste created by our operations	**Material**
		The **water** use of our operations	Unlikely to be material
		The **environmental performance of buildings and infrastructure** we deliver	Unlikely to be material
		The e**nvironmental performance of our suppliers and subcontractors**	Unlikely to be material
PROFIT ISSUES		How we demonstrate **advocacy and leadership** on sustainability issues	Unlikely to be material
		How we prevent **bribery and corruption**	Possibly material
		Our **business ethics**	Possibly material
		Our **corporate governance**	Possibly material
		How we are **engaging with customers**	**Material**
		Our **economic** and business **performance**	**Material**
		Our **innovation**	Possibly material
		Our **legal compliance**	**Material**
		How we are **engaging with our suppliers**	Possibly material
		Details of senior **executive remuneration**	Unlikely to be material
		Details of the **taxes** we pay	Unlikely to be material
PEOPLE ISSUES		How we are **engaging with local communities** where we operate	Unlikely to be material
		The **development and training** of our employees	**Material**
		How we are promoting **equality and diversity** of our employees	Possibly material
		How we are **engaging with our employees**	**Material**
		Our approach to **health and safety**	**Material**
		How we are helping promote **Industry-wide skills**	Unlikely to be material
		How we are creating **opportunities for young people**	Possibly material
		How we are **recruiting and retaining** our employees	**Material**
		Our approach to v**olunteering and charities**	Unlikely to be material
		How we are improving our understanding of the wider **benefits to local communities**	Unlikely to be material
		The **employee practices** of our **suppliers and subcontractors**	Unlikely to be material

Table 3. Materiality grid for Morgan Sindall Group internal vs external perspectives on priority issues

Importance to 'external' stakeholders[2]	Unlikely to be material	Possibly material	Material
Material			• **Responsible sourcing** • **Waste** • **Engaging with customers** • **Economic and business performance** • **Legal compliance** • **Development and training of employees** • **Engaging with our employees** • **Health and safety**
Possibly material	• Innovation • Employee practices of suppliers	• Bribery and corruption • Business ethics • Corporate governance • Engaging with our suppliers • Equality and diversity • Creating opportunities for young people	• **Recruitment and retention**
Unlikely to be material	• Biodiversity and habitats • Brownfield and remediation • Water use • Env perf of buildings and infr • Env perf of suppliers • Executive remuneration • Taxes we pay • Engaging with local communities • Promoting industry-wide skills • Approach to volunteering and charities • Improve wider benefits to local communities	• Energy use • Carbon emissions • Advocacy and leadership	
	Unlikely to be material	**Possibly material**	**Material**

Importance to business[1]

1 Based on responses from management-level employees
2 Based on all other responses (non-management employees and external stakeholders)

Table 4. Scoring of <u>priority</u> material issues for Morgan Sindall Group's divisions (split by Commitment area)

		Issue	C&I	FO	AH	UR	I	Group
PLANET ISSUES		The impact of our operations on **biodiversity and habitats**		Possibly	Possibly			
		The **carbon emission**s of our operations					Possibly	Possibly
		The **energy use** of our operations						
		How we manage **land** and remediate **brownfield** sites				Material		
		Responsible sourcing of materials	Material	Material	Possibly	Possibly	Material	Material
		Waste created by our operations	Material	Material	Material	Possibly		Material
		The **water** use of our operations				Possibly		
		The **environmental performance of buildings and infrastructure** we deliver			Possibly	Material	Material	Possibly
		The e**nvironmental performance of our suppliers and subcontractors**		Possibly		Possibly		Possibly
PROFIT ISSUES		How we demonstrate **advocacy and leadership** on sustainability issues					Possibly	
		How we prevent **bribery and corruption**	Possibly			Possibly	Possibly	Possibly
		Our **business ethics**	Possibly	Material	Material	Material	Material	Material
		Our **corporate governance**	Possibly					
		How we are **engaging with customers**	Material	Material	Material	Material	Material	Material
		Our **economic** and business **performance**	Material	Possibly	Material	Material	Material	Material
		Our **innovation**	Material					
		Our **legal compliance**	Material	Material	Material	Possibly	Material	Material
		How we are **engaging with our suppliers**		Material		Material		Possibly
		Details of senior **executive remuneration**				Possibly		
		Details of the **taxes** we pay						
PEOPLE ISSUES		How we are **engaging with local communities** where we operate				Possibly		Possibly
		The **development and training** of our employees	Material	Material	Material	Material	Material	Material
		How we are promoting **equality and diversity** of our employees	Possibly		Material	Possibly		
		How we are **engaging with our employees**	Material	Material	Possibly			Material
		Our approach to **health and safety**	Material	Material	Possibly	Material	Material	Material
		How we are helping promote **Industry-wide skills**				Possibly		
		How we are creating **opportunities for young people**	Possibly		Possibly			Material
		How we are **recruiting and retaining** our employees		Material		Possibly		Material
		Our approach to v**olunteering and charities**		Possibly		Possibly		Possibly
		How we are improving our understanding of the wider **benefits to local communities**			Possibly			
		The **employee practices** of our **suppliers and subcontractors**		Possibly			Possibly	Possibly

Key: ▮ **= Material**   ▯ **= Possibly material**   ☐ **= Unlikely to be material**

Table 5. Scoring of priority material issues for Morgan Sindall Group's divisions (split by classification)

	C&I	FO	AH	UR	I	Group
MATERIAL	• Responsible sourcing • Waste • Engaging with customers • Economic and business performance • Legal compliance • Development and training of emp • Engaging with our employees • Health and safety	• Responsible sourcing • Waste • Business ethics • Engaging with customers • Legal compliance • Engaging with our suppliers • Development and training of emp • Engaging with our employees • Health and safety • Recruitment and retention	• Waste • Engaging with customers • Economic and business performance • Legal compliance • Development and training of emp • Equality and diversity • Health and safety • Recruitment and retention	• Brownfield and remediation • Waste • Env perf of buildings and infr • Business ethics • Engaging with customers • Economic and business performance • Engaging with our suppliers • Development and training of emp • Recruitment and retention	• Responsible sourcing • Env perf of buildings and infr • Business ethics • Engaging with customers • Economic and business performance • Development and training of emp • Health and safety	• Waste • Business ethics • Engaging with customers • Economic and business performance • Development and training of emp • Health and safety • Recruitment and retention
POSSIBLY MATERIAL	• Bribery and corruption • Business ethics • Corporate governance • Innovation • Engaging with our suppliers • Equality and diversity • Creating opportunities for young people • Recruitment and retention	• Biodiversity and habitats • Env perf of suppliers • Bribery and corruption • Economic and business performance • Innovation • Executive remuneration • Approach to volunteering and charities • Employee practices of suppliers	• Biodiversity and habitats • Responsible sourcing • Env perf of buildings and infr • Env perf of suppliers • Business ethics • Engaging with our suppliers • Engaging with our employees • Creating opportunities for young people • Understand wider benefits to local communities	• Responsible sourcing • Water • Env perf of suppliers • Bribery and corruption • Legal compliance • Executive remuneration • Engaging with local communities • Equality and diversity • Engaging with our employees • Health and safety • Promoting industry-wide skills • Creating opportunities for young people • Approach to volunteering and charities	• Carbon emissions • Energy use • Water • Advocacy and leadership • Bribery and corruption • Corporate governance • Legal compliance • Engaging with our suppliers • Executive remuneration • Engaging with local communities • Engaging with our employees • Recruitment and retention • Employee practices of suppliers	• Carbon emissions • Responsible sourcing • Env perf of buildings and infr • Env perf of suppliers • Bribery and corruption • Innovation • Legal compliance • Engaging with our suppliers • Engaging with local communities • Engaging with our employees • Promoting industry-wide skills • Creating opportunities for young people • Approach to volunteering and charities • Employee practices of suppliers
UNLIKELY TO BE MATERIAL	• Biodiversity and habitats • Carbon emissions • Energy use • Brownfield and remediation • Water • Env perf of buildings and infr • Env perf of suppliers • Advocacy and leadership • Executive remuneration • Taxes we pay • Engaging with local communities • Promoting industry-wide skills • Approach to volunteering and charities • Understand wider benefits to local communities • Employee practices of suppliers	• Carbon emissions • Energy use • Brownfield and remediation • Water • Env perf of buildings and infr • Advocacy and leadership • Corporate governance • Taxes we pay • Engaging with local communities • Equality and diversity • Promoting industry-wide skills • Creating opportunities for young people • Understand wider benefits to local communities	• Carbon emissions • Energy use • Brownfield and remediation • Water • Advocacy and leadership • Bribery and corruption • Corporate governance • Innovation • Executive remuneration • Taxes we pay • Engaging with local communities • Promoting industry-wide skills • Approach to volunteering and charities • Employee practices of suppliers	• Biodiversity and habitats • Carbon emissions • Energy use • Advocacy and leadership • Corporate governance • Innovation • Taxes we pay • Understand wider benefits to local communities • Employee practices of suppliers	• Biodiversity and habitats • Brownfield and remediation • Waste • Env perf of suppliers • Innovation • Taxes we pay • Equality and diversity • Promoting industry-wide skills • Creating opportunities for young people • Approach to volunteering and charities • Understand wider benefits to local communities	• Biodiversity and habitats • Energy use • Brownfield and remediation • Water • Advocacy and leadership • Corporate governance • Executive remuneration • Taxes we pay • Equality and diversity • Understand wider benefits to local communities

Table 6. Scoring of <u>priority</u> material issues for Construction & Infrastructure (split by classification)

	C&I
MATERIAL	• Responsible sourcing • Waste • Engaging with customers • Economic and business performance • Legal compliance • Development and training of employees • Engaging with our employees • Health and safety
POSSIBLY MATERIAL	• Bribery and corruption • Business ethics • Corporate governance • Innovation • Engaging with our suppliers • Equality and diversity • Creating opportunities for young people • Recruitment and retention
UNLIKELY TO BE MATERIAL	• Biodiversity and habitats • Carbon emissions • Energy use • Brownfield and remediation • Water • Env perf of buildings and infr • Env perf of suppliers • Advocacy and leadership • Executive remuneration • Taxes we pay • Engaging with local communities • Promoting industry-wide skills • Approach to volunteering and charities • Understand wider benefits to local communities • Employee practices of suppliers

Table 7. Scoring of <u>priority</u> material issues for Fit Out (split by classification)

	FO
MATERIAL	• Responsible sourcing • Waste • Business ethics • Engaging with customers • Legal compliance • Engaging with our suppliers • Development and training of employees • Engaging with our employees • Health and safety • Recruitment and retention
POSSIBLY MATERIAL	• Biodiversity and habitats • Env perf of suppliers • Bribery and corruption • Economic and business performance • Innovation • Executive remuneration • Approach to volunteering and charities • Employee practices of suppliers
UNLIKELY TO BE MATERIAL	• Carbon emissions • Energy use • Brownfield and remediation • Water • Env perf of buildings and infr • Advocacy and leadership • Corporate governance • Taxes we pay • Engaging with local communities • Equality and diversity • Promoting industry-wide skills • Creating opportunities for young people • Understand wider benefits to local communities

Table 8. Scoring of <u>priority</u> material issues for Affordable Housing (split by classification)

	AH
MATERIAL	• Waste • Engaging with customers • Economic and business performance • Legal compliance • Development and training of employees • Equality and diversity • Health and safety • Recruitment and retention
POSSIBLY MATERIAL	• Biodiversity and habitats • Responsible sourcing • Env perf of buildings and infr • Env perf of suppliers • Business ethics • Engaging with our suppliers • Engaging with our employees • Creating opportunities for young people • Understand wider benefits to local communities
UNLIKELY TO BE MATERIAL	• Carbon emissions • Energy use • Brownfield and remediation • Water • Advocacy and leadership • Bribery and corruption • Corporate governance • Innovation • Executive remuneration • Taxes we pay • Engaging with local communities • Promoting industry-wide skills • Approach to volunteering and charities • Employee practices of suppliers

Table 9. Scoring of <u>priority</u> material issues for Urban Regeneration (split by classification)

	UR
MATERIAL	• Brownfield and remediation • Waste • Env perf of buildings and infr • Business ethics • Engaging with customers • Economic and business performance • Engaging with our suppliers • Development and training of employees • Recruitment and retention
POSSIBLY MATERIAL	• Responsible sourcing • Water • Env perf of suppliers • Bribery and corruption • Legal compliance • Executive remuneration • Engaging with local communities • Equality and diversity • Engaging with our employees • Health and safety • Promoting industry-wide skills • Creating opportunities for young people • Approach to volunteering and charities
UNLIKELY TO BE MATERIAL	• Biodiversity and habitats • Carbon emissions • Energy use • Advocacy and leadership • Corporate governance • Innovation • Taxes we pay • Understand wider benefits to local communities • Employee practices of suppliers

Table 10. Scoring of <u>priority</u> material issues for Investments (split by classification)
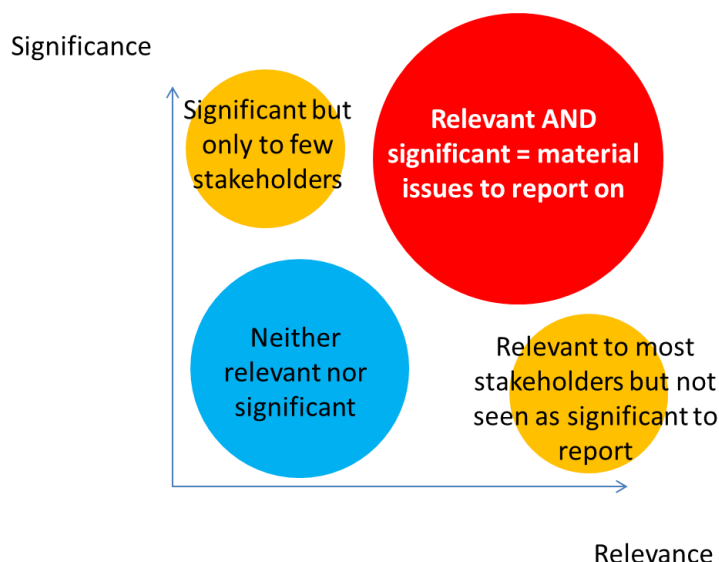
	I
MATERIAL	• Responsible sourcing • Env perf of buildings and infr • Business ethics • Engaging with customers • Economic and business performance • Development and training of employees • Health and safety
POSSIBLY MATERIAL	• Carbon emissions • Energy use • Water • Advocacy and leadership • Bribery and corruption • Corporate governance • Legal compliance • Engaging with our suppliers • Executive remuneration • Engaging with local communities • Engaging with our employees • Recruitment and retention • Employee practices of suppliers
UNLIKELY TO BE MATERIAL	• Biodiversity and habitats • Brownfield and remediation • Waste • Env perf of suppliers • Innovation • Taxes we pay • Equality and diversity • Promoting industry-wide skills • Creating opportunities for young people • Approach to volunteering and charities • Understand wider benefits to local communities

Table 11. Scoring of <u>priority</u> material issues for Group only (split by classification)

	Group
MATERIAL	• Waste • Business ethics • Engaging with customers • Economic and business performance • Development and training of employees • Health and safety • Recruitment and retention
POSSIBLY MATERIAL	• Carbon emissions • Responsible sourcing • Env perf of buildings and infr • Env perf of suppliers • Bribery and corruption • Innovation • Legal compliance • Engaging with our suppliers • Engaging with local communities • Engaging with our employees • Promoting industry-wide skills • Creating opportunities for young people • Approach to volunteering and charities • Employee practices of suppliers
UNLIKELY TO BE MATERIAL	• Biodiversity and habitats • Energy use • Brownfield and remediation • Water • Advocacy and leadership • Corporate governance • Executive remuneration • Taxes we pay • Equality and diversity • Understand wider benefits to local communities

Appendix 1: Methodology

- The IMS Consulting Materiality Tool establishes material issues using a combination of the 'relevance' and 'significance' assigned to each issue. In this context, 'relevance' is the frequency with which any given issue is said to be material by respondents, while 'significance' is the perceived importance of that issue. For an issue to be material, it must be relevant and/or significant above certain thresholds. It is the combination of these two elements (i.e. the red zone in the graph) determines which issues are most likely to be material.

- In the online consultation, stakeholders were presented with a 'long list' of potentially material issues – divided up by the People, Planet and Profit pillars. These were the same issues as used in the 2013 assessment, albeit with better descriptors.

  - First, stakeholders were asked to select which issues are most relevant to their relationship with Morgan Sindall Group (up to maximum of five per pillar).

  - Then, for the issues they selected only, they were asked to score their significance out of 100.

  - This means the subsequent assessment of material issues to stakeholders is based on both (i) the number of stakeholders who identify a particular issue as relevant as well as (ii) the average significance stakeholders assign to that issue.

- For relevance (i.e. number of stakeholders), the results of this online consultation were used to calculate a relevance score (the percentage of respondents who selected each issue, potentially ranging from 0% to 100%).

- For significance (i.e. average score), the online consultation provided the average score for each issue (between 0 and 100).

- These two values were used to produce the following materiality groupings for Morgan Sindall Group based on the views of its stakeholders:

  - **Material** To be in this group, issues were EITHER selected by over 75% of respondents OR have an average score greater than a statistically-defined threshold

(i.e. relevant OR significant) or both (i.e. relevant AND significant). Any issue must have been selected by at least 25% of respondents to be considered 'material'.

- o **Unlikely to be material** To be in this group, issues were BOTH selected by less than 50% of respondents AND have an average score less than a lower statistically-defined threshold[1] (i.e. neither relevant nor significant).

- o **Possibly material** All remaining issues are in this group. It means there is some evidence (either in terms of relevance or significance or both) that these issues could be material (perhaps to some stakeholders or some parts of the business), but not enough evidence to designate them as material at Group level.

- To establish a 'final' potential list of material issues, it is important to consider internal as well as external views. In the absence of a Group workshop (as in 2013) to inform which issues matter most to the business, the 2016 assessment is based on the following:

  - o The internal view is provided by <u>management-level employees</u>

  - o The external view is provided by <u>all other employees and external stakeholders</u>

- These results are combined using a 'highest common denominator' approach – that is taking the highest materiality level provided for each issue by the two views (e.g. if internal view is material and external view is possibly material, that issue would be considered material overall).

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[1] The lower threshold was the overall average score across all issues

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