

Building Towards Sustainability

Performance and Progress Among
the UK's Leading Housebuilders

Part of WWF's One Million Sustainable Homes Campaign

For further information go to:

www.wwf.org.uk/sustainablehomes



HBOS plc

Introducing Insight Investment

Insight Investment is the asset manager of UK financial services company HBOS. It currently manages £67.8 billion. These funds represent the assets of millions of people in the form of their pensions, life insurance and other stock market-based investments. Insight has an explicit commitment to act as a responsible investor on behalf of its clients. For further information see Insight's Investor Responsibility Policy, available online at www.insightinvestment.com/corporate/responsibility

There are two principal reasons why Insight pursues a policy of engaging with companies in which it invests.

First, Insight believes it is in its clients' long-term financial interests that the companies in which it invests behave responsibly. Failure to do so typically provokes government and societal sanctions such as fines, litigation, new regulation and taxes, consumer boycotts and damage to reputation, all of which create material risks to long-term shareholder value. Insight therefore analyses and engages with companies to assess and to encourage them to operate according to best practice standards on a range of environmental, ethical and social issues.

Second, Insight accepts that investors, as shareholders, have some moral responsibility for what is done in their name by the companies in which they invest. Shareholders have a key role to play in the governance of companies. It is therefore reasonable to expect them (particularly large investors) to provide company managers with support and encouragement in their efforts to ensure that their companies conduct their business in a responsible manner.

Insight Investment

33 Old Broad Street
London EC2N 1HZ

Switchboard: 020 7930 5474

Investor Responsibility Team: 020 7321 1855

www.insightinvestment.com



Upstream is a strategic sustainability consultancy specialising in the built environment sector. Upstream assists its clients to develop strategies for economic, environmental and social responsibility, and to integrate and align them with their business goals.

Upstream

70 Cowcross Street
London EC1M 6EJ

Telephone: 020 7250 3900

Fax: 020 7250 3580

www.upstreamstrategies.co.uk

Building Towards Sustainability: performance and progress among the UK's leading house-builders

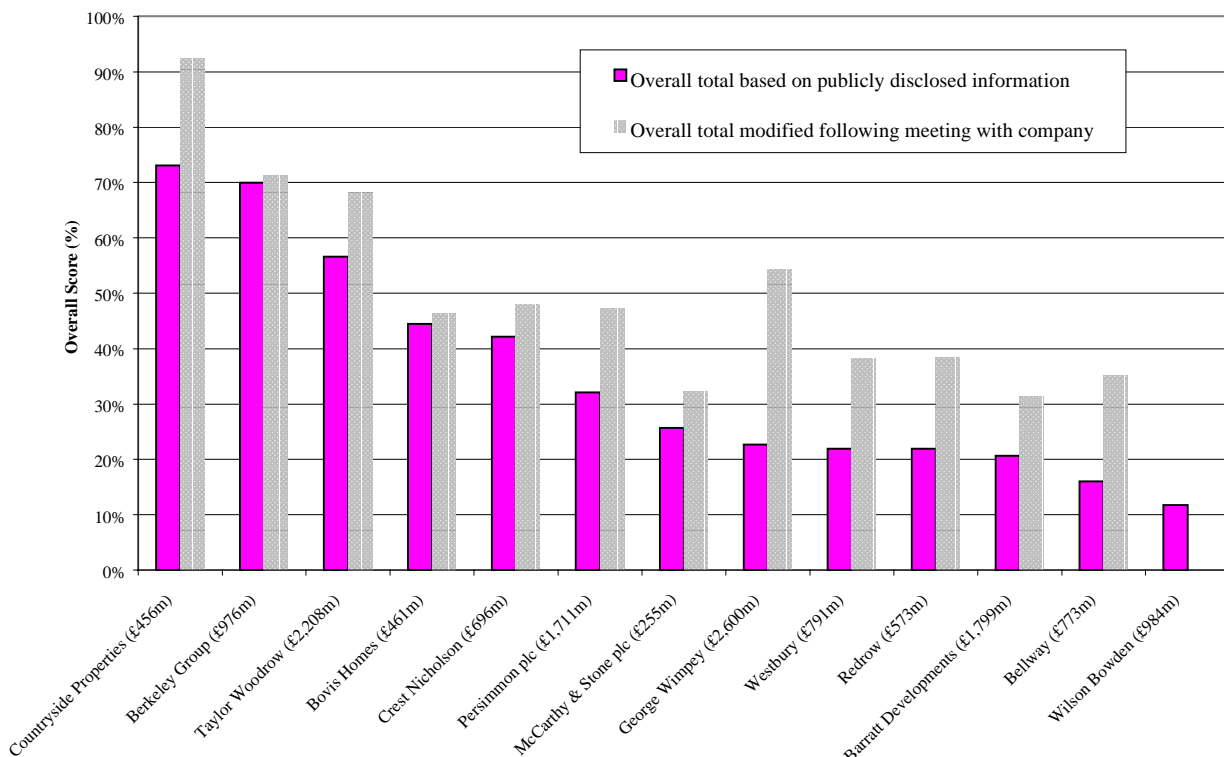
Executive summary

This first survey of 13 of the UK's largest listed house-builders shows very clearly that each recognises the growing importance of sustainability issues, particularly in terms of their business. Some companies have already gone a long way to ensure this is reflected in their governance, management resources, policies and operational performance.

The survey, commissioned by WWF in conjunction with Insight Investment, is part of WWF's One Million Sustainable Homes campaign (OMSH). It covers areas such as house-builders' impacts on the environment and society, and delves into their governance, strategies and risk management.

The survey reveals that, with an overall survey average of 35 per cent (based on publicly disclosed information) and 47 per cent (estimated as a result of follow-up meetings with WWF and Insight), most companies still lag behind best practice. But two companies lead the pack: Countryside Properties and the Berkeley Group, which score more than 70 per cent each. Three companies score between 40 and 60 per cent, six score between 20 and 40 per cent, and two lag behind at under 20 per cent, based on publicly available information. The leading companies demonstrate that sustainability can be integrated into mainstream business practices.

Figure 1: Overall Company Rankings



The analysis also reveals that public disclosure of information on sustainability issues is lacking. First, the quality of disclosure in the sector was very variable and could be improved. Second, all companies participating in the survey could have improved their score had they made more detailed information publicly available, particularly quantitative performance data. Many companies are therefore doing themselves an injustice, and missing the opportunity to enhance their reputation, through limited reporting on their sustainability impacts. As issues of business accountability and transparency feature strongly on the political agenda, it is important for house-builders to improve the scope and quality of their reporting practices.

The research showed that house-builders are interpreting the sustainability challenge differently: some are focusing on environmental issues, others on their relationships with their stakeholders. To maximise the benefits available to them, it will become increasingly important for house-builders to embrace the sustainability challenge in its entirety and to demonstrate their ability to integrate their approach to environmental, social and economic impacts. The leading companies in the survey have done this.

The highest scoring section of the survey, with an average of 46 per cent based on publicly disclosed information, addressed governance and risk management issues. This seems to demonstrate that companies are aware of the need to establish appropriate responsibilities and mechanisms for managing sustainability issues. However, despite new legislation and numerous new good practice guidelines on risk management, very few companies disclose how they identify and manage non-financial risks. House-builders would be well advised to improve their disclosure in this area.

The section covering environmental impacts revealed some interesting findings, and an average score of 32 per cent based on publicly disclosed information. First, and perhaps not surprisingly, house-builders have made most progress in addressing short-term impacts (e.g. construction waste) and those seen as high priority in terms of gaining planning permission (e.g. transport). There were some good examples of good practice and innovative initiatives in these areas. However, most companies have not yet begun to take appropriate responsibility for the longer-term environmental impacts of their developments. In particular, house-builders are not yet demonstrating much innovation in development and house designs that will enable future residents to reduce their daily environmental impacts.

House-builders seem not yet to grasp fully how they can contribute to building social capital in the communities in which they operate, even though the government is placing an increasingly strong emphasis on this element of sustainability. The leading companies have adopted pioneering approaches to this issue which other companies should begin to adopt if they are to help secure the long-term social and economic sustainability of the communities they develop. The average score in this section of the survey was just 29 per cent, based on publicly available information.

Some house-builders have begun to realise the business benefits associated with sustainability and to make good practice common practice across their operations. Others have made a good start. We hope that the best practice examples provided here will help them develop a more comprehensive approach to managing the risks and opportunities brought by the sustainability agenda.

The property sector has a key role to play in creating sustainable communities. Through shaping the built environment, developers help determine the very fabric of our society, how and where our homes and workplaces are developed and located, the infrastructure and services that support them, and the quality of the environment that surrounds them. Responsible house-builders should consider how developments contribute to a more sustainable future for the local communities they help to create, as well as society and the environment more widely.

Our homes have significant environmental, social and economic impacts throughout their lifetime – and this, coupled with the current shortage of good quality housing in the UK, means that the need for more sustainable homes in the UK is urgent.

WWF and Insight will continue to support and work with the house-building sector in the coming years, and intend to repeat this survey in order to highlight progress achieved, both in terms of house-builders' performance and disclosure on sustainability.

Contents

Executive summary	i
Introduction	1
The One Million Sustainable Homes Campaign	1
Public Policy context	2
The HBOS/ WWF partnership	2
Sustainability – making good business sense	4
Compliance and Risk Management	4
Operational efficiency and competitiveness	5
Reputation Management	6
Market differentiation	7
Survey methodology	8
The Companies	8
The Criteria	8
The Survey Process	10
Overall results	12
Two companies are leading the pack	12
Reporting practices are letting companies down	13
Correlation of company size and sustainability performance	14
Different starting points for the sustainability agenda	15
Governance and risk management	17
Overall performance	19
Poor disclosure of risk management strategies	19
Quality of disclosure is crucial	20
Impact on the environment	22
overall performance	23
Short-term priorities are being addressed	23
Long-term challenges and opportunities	25
The BRE EcoHomes Rating	28
Impact on society	29

Overall performance	31
Not enough disclosure on health and safety performance	31
Greater focus needed on sustainable communities	32
Next steps	36
Further information	37

Introduction

THE ONE MILLION SUSTAINABLE HOMES CAMPAIGN

WWF launched its One Million Sustainable Homes (OMSH) campaign at the World Summit on Sustainable Development in Johannesburg in 2002. The aim of the campaign is to move sustainability from the fringes to the mainstream of UK housing and to help bring about the development of a million new and refurbished sustainable homes by 2012. WWF is working in partnership with government, industry, investors and other stakeholders to meet this objective.

UK homes have a significant effect on the environment, including direct impacts on climate change, forests, freshwater and pollution, all of which are priorities for WWF. Housing contributes around 27 per cent of the UK's carbon dioxide (CO₂) emissions and up to 70 per cent of timber used in the UK goes into construction, a high proportion of which is used for house-building and refurbishment. Other impacts related to the construction of new homes include quarrying to provide aggregates, the wasteful use of water and the widespread use of toxic chemicals in materials.

In social terms, poor housing has major adverse impacts on the physical and mental health of those who live in it. It is estimated that in England alone, around 2.7 million families currently live in poor housing conditions, the most vulnerable occupying the worst housing. Around 2.5 million homes in England are cold enough to cause ill health during the winter.

Poor quality, energy-inefficient housing can cause a household to spend more than 10 per cent of its income on fuel – a condition known as “fuel poverty”. The poorest 20 per cent of the population spends three times as much of its income on fuel as the wealthiest 20 per cent¹. Poor housing also has significant negative impacts on public services and society more widely. According to the Royal Institution of Chartered Surveyors (RICS), poor housing has major impacts on educational performance and crime rates, and it even affects the ability of residents to cope with everyday problems.

Through an extensive stakeholder consultation exercise, WWF identified six key barriers that were seen to be holding back opportunities to bring sustainability into the mainstream of the UK house-building sector:

- insufficient fiscal incentives for developers and consumers;
- planning and building regulations that do not facilitate development of sustainable homes;
- the cost/price of sustainable homes being perceived as prohibitive;
- investors seen as being uninterested in house-builders' sustainability performance;
- the absence of consensus around a standard definition of a “sustainable home”; and
- no perceived consumer demand for sustainable homes.

¹ www.shelter.org.uk/housing/factsheets/health.asp#link

While the OMSH campaign is concerned with overcoming these perceived barriers to sustainability in all UK housing (in the private, social, new build, refurbishment and regeneration sectors), this report focuses on new house-building, and the policies and practices of the largest house-builders.

PUBLIC POLICY CONTEXT

In May 1999, the UK government published *A better quality of life*, its strategy aimed at demonstrating its commitment to sustainable development throughout the country. The strategy sought to explain sustainable development to the public, to raise awareness of the subject, and to set the parameters to measure performance against the “three pillars of sustainability” – social progress, environmental protection and economic growth. *A better quality of life* included 15 headline indicators that comprised a “quality of life barometer” and a wider set of 147 sustainability indicators focusing on issues specific to people’s everyday quality of life concerns. Seventy indicators are linked to housing and community issues – demonstrating the pivotal importance of housing in achieving a sustainable future for the UK.

Between 170,000 and 200,000 houses are built each year in the UK and their construction has, in the main, had a significant adverse impact on the environment. Yet if done well, house-building can substantially reduce that impact and contribute positively to creating more sustainable, healthy and cohesive communities. However, government projections for the large number of new homes required in the next 20-50 years, together with the reticence of the house-building sector to embrace the sustainability agenda, mean that many objectives in the government’s sustainable development strategy are threatened. There is an urgent need to ensure that the government’s vision of what a sustainable future might look like can be brought to life.

In February 2003 the Deputy Prime Minister, John Prescott, launched the government’s Sustainable Communities Plan, which set out a vision for housing and community development over the next 20-30 years. In this and subsequent announcements, the government emphasised its commitment to sustainable forms of construction, requiring higher sustainability standards for housing and other buildings. At the government’s Better Building Summit in October 2003, a new Sustainable Buildings Task Group was established to ensure that higher sustainability standards would be achieved through a combination of regulation, incentives and voluntary agreements for the house-building and construction industries.

THE HBOS/ WWF PARTNERSHIP

As for any other sector, the lifeblood of the housing sector is its finance. Houses would not be built were it not for money lent and invested in house-builders, contractors, local authorities, registered social landlords and the many other organisations that procure and construct them. Consumers also rely on financial services companies for their mortgages, for loans to repair and improve their houses and for insurance to protect them.

WWF therefore recognised that developing a partnership with a large financial services company could add significant value to its campaign. Last year, HBOS and WWF agreed to work together to explore how the company could help bring sustainability into the mainstream of the UK housing sector. HBOS is one of the largest UK financial services companies and has made clear its commitment to be a responsible corporate citizen – see www.hbosplc.com/. HBOS is particularly interested in finding practical ways to demonstrate this commitment.

HBOS is:

- the leading mortgage lender in the UK, with £150 billion of current commitments – one in four of all net mortgage lending;
- the leading provider of finance to housing associations, with more than £4.3 billion of current commitments;
- a provider of more than 2.3 million home insurance policies (valued at £374 million);
- a major player in the estate agency sector through www.rightmove.co.uk and almost 350 Halifax estate agency branches in the UK;
- a major equity investor, through Insight, in many of the UK's house-builders; and
- a leading provider of banking and lending services to UK house-builders.

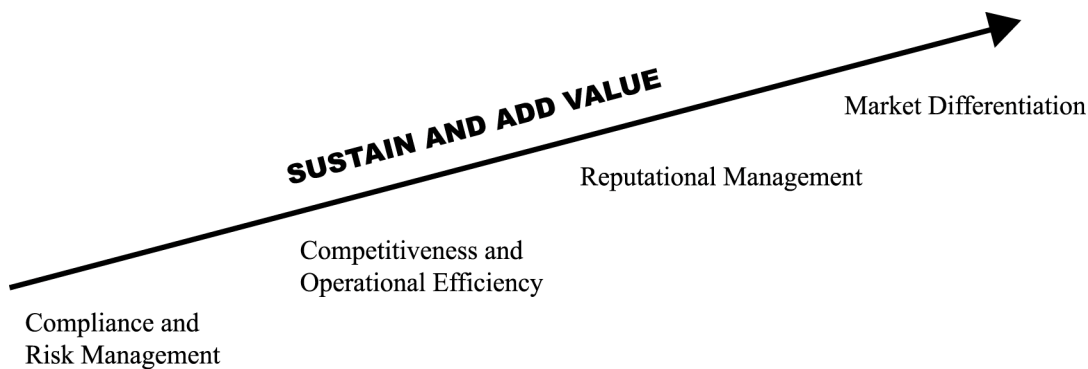
Insight, the asset management arm of HBOS, is a major investor in UK house-builders and is committed to encouraging the companies in which it invests to embed sustainability in their businesses strategies and day-to-day operations. Insight has worked as a research partner with WWF on this project.

The purpose of the research for this report, conducted between June and December 2003, was to assess the extent to which UK house-builders are developing policies and practices to address sustainability throughout their business.

Sustainability – making good business sense

For businesses, the need to address sustainability issues is greater than ever. The increasing evidence linking sustainability performance with investment performance suggests that the way in which companies manage sustainability issues is important for two principal reasons. First, the extent to which it indicates that a company is effectively managing risk, including “non-financial risks”; and second, what it says about the way a company is enhancing its reputation among stakeholders and maximising potential business opportunities and competitive advantage. Any company that fails to address sustainability issues could be considered one that is failing to address factors that appear to be increasingly material to its success.

The current and seemingly insatiable need for new housing, the policy framework and the direct and long-term impacts of the built environment mean that the imperative to address sustainability in the house-building sector is both significant and urgent. The nature of house-builders’ response to sustainability will greatly determine the benefits they can derive. The more thoroughly sustainability is embedded within the business, the greater the benefits.



COMPLIANCE AND RISK MANAGEMENT

There is an increasing amount of legislation concerning environmental and social issues, more than 70 per cent of which emanates from the EU. Some of the most hard-hitting legislation for the built environment includes the Climate Change Levy, Part L of the Building Regulations, the EU Buildings Directive, the Landfill Tax and the Aggregates Tax. Social legislation includes the Disability Discrimination Act, and Part M of the Building Regulations. There is also a growing body of corporate governance legislation.

The costs associated with non-compliance come in varying forms ranging from restoration and remediation works to fines for polluting behaviour, compensation to victims and, of course, legal fees. While developing a sustainability strategy can result in greater ease of compliance, it can also mean that the company is better prepared for incoming legislation and that it has a robust system of identifying and managing all risks to the business.

Gaining Planning Permission

Sustainability issues are increasingly evident in the planning process. Although planning authorities' requirements may not always be enshrined within a legal framework, as far as house-builders are concerned, they may as well be when non-compliance means no planning permission. Addressing sustainability may not only help companies to meet planning requirements, but could also ease the process of planning consent through reducing the risk of third party challenges and planning enquiries.

A growing number of local planning authorities are developing their own sustainability checklists to appraise planning applications from developers (e.g. Bath and North-east Somerset, Brent, Ealing, Enfield, Gloucestershire, Hammersmith & Fulham, Haringey, Kensington & Chelsea, Leicester, Merton, Nottingham, Richmond upon Thames and Rushmoor). Others are going so far as to produce additional planning requirements on all developments in their area. Westminster City Council recently launched its own *Supplementary Planning Guidance on Sustainable Buildings*, which provides additional information on how to create sustainable buildings.

In London, sustainability is key to the Mayor's vision. Strategies have either been agreed or are being developed to cover sustainability issues, and include biodiversity, energy, waste, air quality and noise. The vision for the London Plan, one of the most significant mayoral strategies, is to develop London based on the three pillars of sustainability.



The Mayor's vision is for London to become an exemplary sustainable world city, based on the three balanced and interlocking elements of: strong and diverse economic growth; social inclusivity to allow all Londoners to share in London's future success; and fundamental improvements in environmental management and use of resources.



The London Plan

This trend looks set to continue and could be further strengthened by proposals in the Planning and Compulsory Purchase Bill, currently before Parliament, which would make the promotion of sustainable development the statutory purpose of the planning system.

OPERATIONAL EFFICIENCY AND COMPETITIVENESS

The construction sector is a resource-intensive industry, globally accounting for 45 per cent of the total flow of raw materials. Furthermore, construction and operation of buildings account for 50 per cent of total energy use. Around 70 per cent of timber used in the UK goes into construction, and around 27 per cent of UK carbon dioxide (CO₂) emissions come from our homes. The house-building sector makes a significant contribution, both directly and indirectly, to these impacts.

Greater resource efficiency can reduce direct project costs – the cost of raw materials, for example, can be reduced by using reclaimed materials and recycling materials on-site. The cost of energy and water consumption can be reduced through careful use on-site and in fixed offices, and the cost of waste disposal can be reduced through careful management such as segregation and recycling. Transport costs can also be lowered through better journey planning and procuring goods and services locally. With fiscal incentives such as the Landfill Tax and Climate Change Levy increasing, there are substantial cost savings to be made.

In addition, many local authorities are integrating sustainability issues into the planning process (see above) and other clients, especially those in the public sector, are including a requirement for companies to address sustainability issues in the tendering process. So a company that can demonstrate “best value” in terms of the project costs, and show that it has considered the long-term sustainability impacts of their projects, may have a competitive edge.

REPUTATION MANAGEMENT

Stakeholders, including investors, clients, government, local authorities, local communities, employees and campaigning NGOs, are becoming more and more demanding in relation to companies’ environmental and social performance. Companies need to engage with these groups. Clear and open corporate disclosure that spans environmental, social and financial issues, and makes a public commitment to CSR through a published report, offers strong reputational benefits if done sincerely.

Building long-term relationships with stakeholders based on a genuine dialogue can bring significant benefits such as:

- avoidance of reputational damage and risk from adverse publicity over performance on environmental, social and business probity issues;
- maintenance of a company’s “licence to operate” by demonstrating a thorough understanding and responsiveness to customer and local community concerns;
- enhanced reputation with external stakeholders, including customers, investors and co-investors, suppliers, government, clients, local communities, interest groups and non-governmental organisations; and
- enhanced employee relations: the Construction Industry Training Board (CITB) estimates that some 370,000 new employees need to be recruited and trained if the UK property sector is to grow successfully. Sustainability issues, particularly in high-impact industries, can affect the choice of employer, particularly for bright graduates. An Industrial Society survey found that 82 per cent of people questioned said they would not work for an organisation in whose values they did not believe. Some of the numerous benefits of a sustainable workforce include reduced turnover, improved loyalty, more motivated employees, improved productivity, more focused and productive training, a more diverse workforce, broader and improved skills base, higher client satisfaction, reduced absenteeism and improved internal communications.

MARKET DIFFERENTIATION

Understanding the views of stakeholders and engaging with them in a meaningful way can help companies develop an offer that sets them apart. One way in which companies differentiate themselves in the field of sustainability is through their participation and listing in the various CSR and Sustainability Indices. These include Business in the Community's Corporate Responsibility Index and investor indices such as the FTSE4Good and Dow Jones Global Sustainability Index. Disclosure on sustainability issues also serves to demonstrate which companies are taking the issue seriously.

The concept of sustainable homes must appeal to the market and although sustainability issues such as the proximity of services and local transport hubs do not always *appear* to be high on the agenda of prospective purchasers, there is evidence that they do play a significant role in the purchasing decision. For example, 80 per cent of people who moved into new homes in the Greenwich Millennium Village said sustainability and environmental considerations were a factor in their decision to buy a home there, and around 40 per cent said it was an important factor.

There are also signs that purchasers are beginning to ask questions about the sustainability credentials of their prospective homes, such as the energy efficiency ratings of their white goods. Buying a home is most people's biggest single purchase and a huge element of trust is involved. At a time when brand value is everything, it is now important that house-builders ask how sustainability can become a distinguishing feature.

Finally, in an industry where awards count, companies in the house-building sector often seek to differentiate themselves through external recognition of their efforts. These include the Greenleaf Awards, the Building Homes Quality Award, and Building for Life. WWF has also joined the House Builders Federation to launch a Sustainable New Homes Award, which recognises and rewards best sustainability practice in UK house-building. The winner of the first award will be announced in May 2004.



WWF is very pleased to be working with the House Builders Federation and the New Homes Marketing Board to seek out and reward the very best examples of sustainable housing available today. As house buyers begin to see the social and economic, as well as environmental benefits, they will all want to demand that their new homes meet these standards.



Paul King, Director of WWF's One Million Sustainable Homes campaign

Survey methodology

THE COMPANIES

All 13 of the UK house-builders listed on the FTSE All Share index, that derive more than 25 per cent of their turnover from house-building, are included in this study. They account for 44 per cent of all housing units completed in the UK in 2002. The remaining 56 per cent were built by unlisted companies, or by listed companies for whom house-building accounts for less than 25 per cent of their annual turnover.

THE CRITERIA

This survey assesses UK house-builders' performance and reporting on sustainability. Companies' business strategies and day-to-day operations were assessed against best practice on sustainability, using an extensive set of criteria.

WWF, Insight and Upstream, the project consultants, drew up the criteria, referring to a range of standards currently available. Principal among these was the EcoHomes standard, developed by the Building Research Establishment (BRE). Others included the Local Government Management Board and the University of the West of England's guide to sustainable planning, the South East England Development Agency's Sustainability Checklist and various other regional and local supplementary planning guidance and best practice guidance. A list at the end of this report provides further information.

Companies were assessed on three sets of criteria relating to their governance and risk management, impact on the environment, and impact on society. Each was given equal weighting, as were the questions. Of the three sections, the environmental criteria were perhaps the most demanding, with performance data forming a significant proportion of the score. The following table shows the performance required to score at the highest level against each issue.

Criteria Performance required to score at the highest level

Governance and Risk Management

Risk management	Reporting includes detailed description of approach to both financial and non-financial risk management.
Board commitment	The company has secured board level commitment to sustainability and has a high-level committee to integrate sustainability issues into business decision-making. The company has either internal or external resources to assist with implementing the sustainability strategy.
Sustainability policies	The company has a board-approved comprehensive sustainability policy integrating environmental, social and economic responsibilities and publishes its policies in its cores and supplementary disclosure.
Disclosure	Supplementary disclosure has external assurance and contains full descriptive issue coverage (environmental, social and economic) with management targets and extensive performance data, targets and priorities for the next year.

Impact on the Environment

Management systems	The company has an environmental management system certified to ISO14001 or EMAS and makes its environmental performance data available to external stakeholders.
Commitment to eco-homes	The company uses the EcoHomes methodology on all new developments and has a target to achieve very good or excellent ratings.
Ecology	The company states that full biodiversity action plans are completed for all major developments and implementation is monitored.
Climate change	The company recognises climate change as a critical business issue and demonstrates a commitment to achieving high standards of thermal efficiency, procuring white goods with energy efficiency rating B or above and can provide examples of projects (in progress or completed) that are integrating renewable energy on-site. The company can also provide performance data and targets relating to its climate change impacts.
Water	The company can provide examples of projects that have incorporated water minimisation devices, specified water-efficient white goods, used rainwater harvesting, and greywater recycling systems that have integrated sustainable urban drainage systems.
Domestic waste	The company integrates communal waste management facilities on all major projects. It can provide examples of projects that have incorporated facilities for storing separated waste into individual dwellings, as well as facilities for composting organic waste.
Transport	The company acknowledges the importance of reducing car dependency, states a commitment to upgrade local transport infrastructure and promote public transport beyond Local Authority requirements, and can provide examples of innovative initiatives to reduce car dependency and the environmental impacts of car travel.

Criteria	Performance required to score at the highest level
Procurement	The company states that it has a consistent and detailed process for considering the environmental impacts of materials and specifies the use of recycled/reclaimed materials, materials with low embodied energy, and timber from FSC-certified sources. The company discusses with its suppliers their approach to environmental impacts.
Construction waste	The company states that it has integrated waste management strategies on all sites including regular monitoring of their implementation. Performance data and targets are available externally.
Impact on Society	
Health and safety	The company carries out internal and external health and safety audits and the board manager with responsibility undertakes regular site visits. Performance data and targets are available externally.
Considerate construction	The company participates in the Considerate Constructors Scheme on all eligible projects.
Employment	The company has a commitment to employing local labour on all major schemes. It can provide examples of local employment initiatives and strategies for combating long-term unemployment.
Sustainable communities	The company has a specialist team dedicated to delivering affordable housing. It can provide examples of projects where it has developed a long-term neighbourhood management strategy and engagement with consumers to promote long-term sustainable living.
Stakeholder engagement	The company has identified its key stakeholders and can provide examples of detailed stakeholder dialogue as well as open, proactive relationships with NGOs and other organisations seeking to promote best practice in sustainability.

THE SURVEY PROCESS

Companies' performances were first assessed using information issued by each company, and publicly available in August 2003, including their core and supplementary disclosure. Core disclosure comprises the material that a listed company is legally obliged to produce, and consists of an annual report and accounts. Supplementary disclosure is additional information which typically includes the company website, formal sustainability, CSR, social and environmental reports, and sustainability-related publicity material.

Insight and WWF first wrote to all companies in the survey in June 2003 to explain the context and purpose of the project. Once companies had been assessed on the basis of their own published information, Insight and WWF requested meetings to discuss the initial findings. Only one company declined. The meetings enabled the companies to provide further information on their approach to sustainability, after which a second score was assigned.

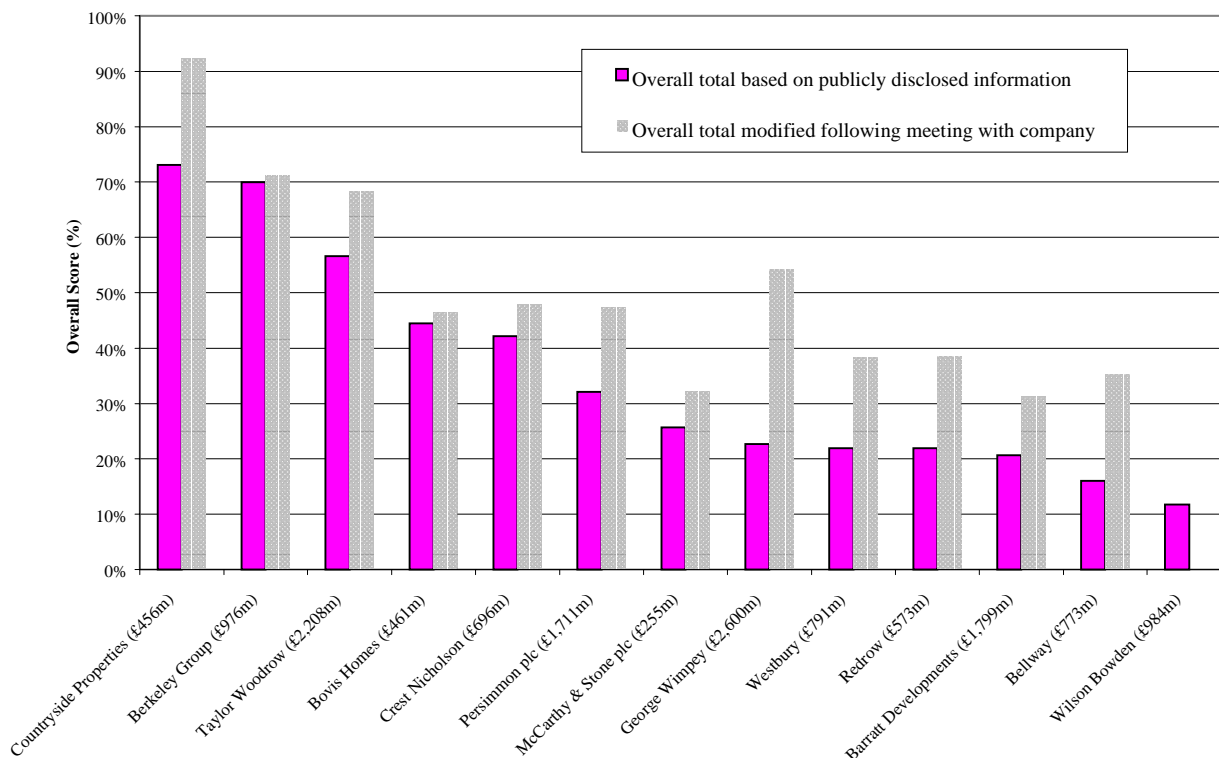
Insight wrote to the companies again in December 2003, providing details of their revised scores. Each was given a further opportunity to check the accuracy of the results and three weeks to respond with any questions or further information. Any additional information

submitted was taken into account, where appropriate, in finalising the scores that appear in this report.

It should be emphasised that while some conclusions have been drawn from both publicly available information and that provided during meetings with house-builders, greater weight has been given to the former. Inevitably there is a degree of subjectivity about conclusions drawn from discussion, whereas it is easier to ensure consistency and rigour in reaching conclusions based on publicly available information.

Overall results

Figure 1: Overall Company Rankings



The survey shows very clearly that all companies recognise the growing importance of sustainability to their business. Some have already gone a long way to ensure this is reflected in their governance, management resources, policies and operational performance. However, with an overall survey average of 35 per cent (based on publicly disclosed information) and 47 per cent (estimated as a result of the company meetings), most companies are a long way from implementing best practice. Two companies clearly lead the pack with more than 70 per cent, three score between 40 and 60 per cent, six score between 20 and 40 per cent and two lag behind at under 20 per cent. Based on the evidence gathered during meetings with companies, it is clear that the maximum scores of between 90 and 100 per cent are realistically achievable on the basis of current best practice, although this is not yet reflected in publicly available information.

TWO COMPANIES ARE LEADING THE PACK

As the graph above illustrates, there are two clear survey leaders – Countryside Properties and the Berkeley Group. Both have a sound grasp of sustainability issues and understand the importance of an integrated approach to their environmental, social and economic responsibilities. Their publicly disclosed information contains robust descriptions of their strategies as well as case studies to demonstrate sustainability in practice and performance data or key performance indicators. Furthermore, in both cases the companies’ scores improved as a result of our meeting them. Countryside Properties (one of the three smallest companies

participating in the survey)² experienced the greatest increase in its score and further extended its lead over the other companies in the sector. Notably, both Countryside Properties and the Berkeley Group stated their belief that a commitment to sustainability makes good business sense.

“
Delivering profitability with sustainability is one of our core values. We are totally committed to innovative, responsible development. It creates added value and opens up new business opportunities that should in turn lead to superior financial performance.
 ”

Alan Cherry, Chairman, Countryside Properties (Environmental, Social and Ethical Report 2002)

Following behind the two survey leaders are Taylor Woodrow, with a score of nearly 60 per cent, and Bovis Homes and Crest Nicholson, with scores of between 40 and 50 per cent. These companies are aware of sustainability issues and have a clear commitment to implementing them across their business activities.

Finally, on the basis of their publicly disclosed information, eight of the 13 companies scored below the survey average of 35 per cent. Although not unaware of sustainability issues, they appear to have not yet embedded a culture of sustainability into their businesses.

REPORTING PRACTICES ARE LETTING COMPANIES DOWN

The number of companies producing supplementary disclosure is encouraging: 10 of the 13 produce a separate report concerning different aspects of sustainability issues:

Countryside Properties	Environmental, Social and Ethical Report
The Berkeley Group	Sustainability Report
Taylor Woodrow	Corporate Social Responsibility Report
Bovis Homes	Corporate Social Responsibility Report
Crest Nicholson	Social & Environmental Report
Persimmon	Corporate Responsibility Report
McCarthy & Stone	Corporate Responsibility Report
Redrow	<i>Developing a Better Future</i> Report
George Wimpey	Corporate Social Responsibility Report
Wilson Bowden	Environmental Report

While these reports demonstrate that companies are beginning to commit to greater levels of accountability and transparency, all would have benefited from more detailed disclosure of their approach to sustainability issues. All companies that went on to meet WWF and Insight improved their estimated scores, the most significant being George Wimpey (32 per cent),

² Based on turnover

Countryside (19 per cent), and Bellway (19 per cent). These companies are doing themselves a particular injustice by failing to report in more detail on their approach to sustainability.

The smallest estimated increases in score were experienced by two of the top performing companies, the Berkeley Group (1 per cent) and Bovis Homes (2 per cent). This is a significant finding in itself as they had little to add to what is publicly disclosed – indicating that they are achieving almost full disclosure concerning their approach to sustainability.

Most supplementary disclosure contained fairly generic commitments and selected examples of good practice, but tended to lack quantitative and specific performance data. The development of performance data in sustainability reporting (both absolute and in relation to industry benchmarks) still remains a key challenge for this and other industries, with very few established and consistent indicators. Of the survey participants, the Berkeley Group provided the most easily accessible, detailed and consistent performance reporting with data provided for each quarter of the year against a number of Key Performance Indicators:

Performance Reporting – Berkeley Group KPIs

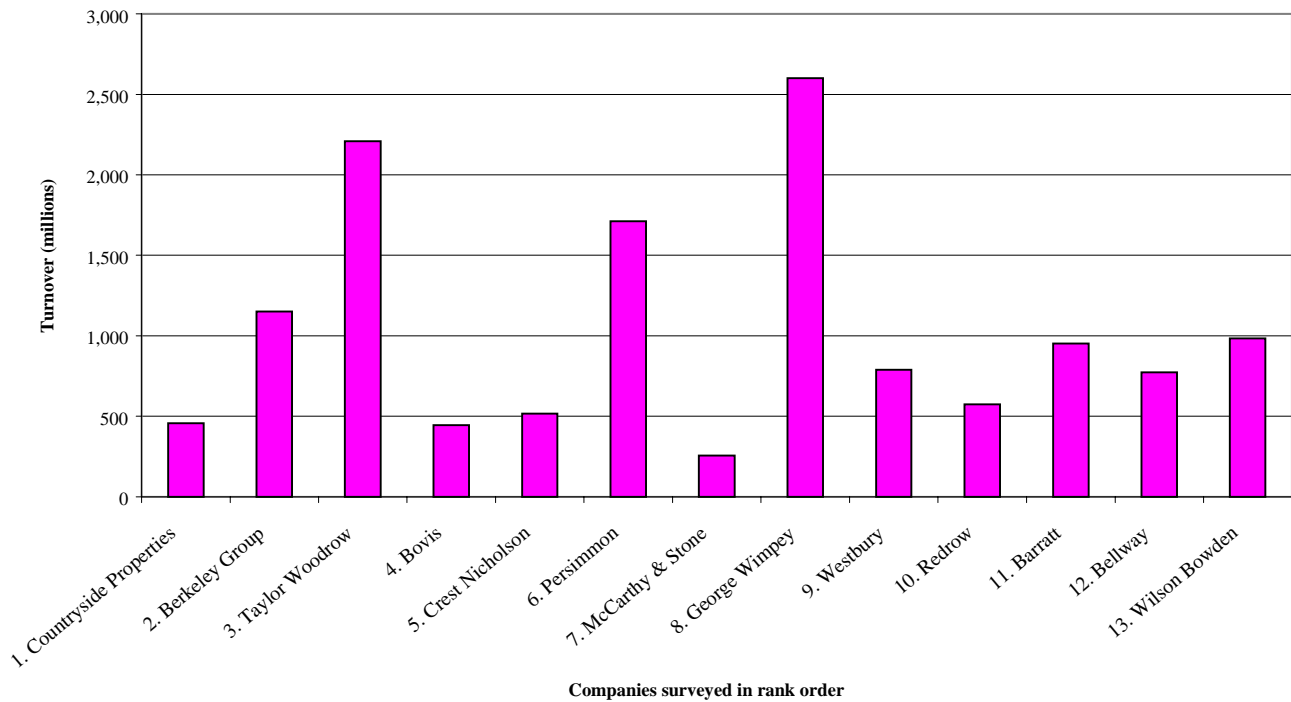
- The number of customers that would recommend buying a Berkeley Group home to their friends
- Average SAP ratings for all dwellings built
- Average number of seven-yard skips removed per dwelling built
- Percentage of dwellings built fitted with low-flush WCs
- Carbon dioxide produced by all energy sources at fixed permanent sites by kg/m²
- Water consumption (m³) at fixed permanent sites per employee
- Number of dwellings built on previously developed land as percentage of total dwellings built
- Workforce diversity
- Percentage of managers completed or completing the CITB five-day SMSTS course within the next three months
- RIDDOR incident rate per 1,000 workers on all sites
- Number of employees participating in the Group's SAYE scheme

The Berkeley Group Sustainability Report 2003

CORRELATION OF COMPANY SIZE AND SUSTAINABILITY PERFORMANCE

Smaller companies sometimes claim that their larger counterparts have greater internal capacity and resources with which to develop and implement sustainability strategies. Interestingly, as Figure 2 below shows, there appears to be little correlation between the size of the company (in terms of turnover) and its performance in this survey. The three companies with the largest turnover are spread throughout the rankings at third, seventh and 11th, while the two companies with the smallest turnover are ranked fourth and sixth.

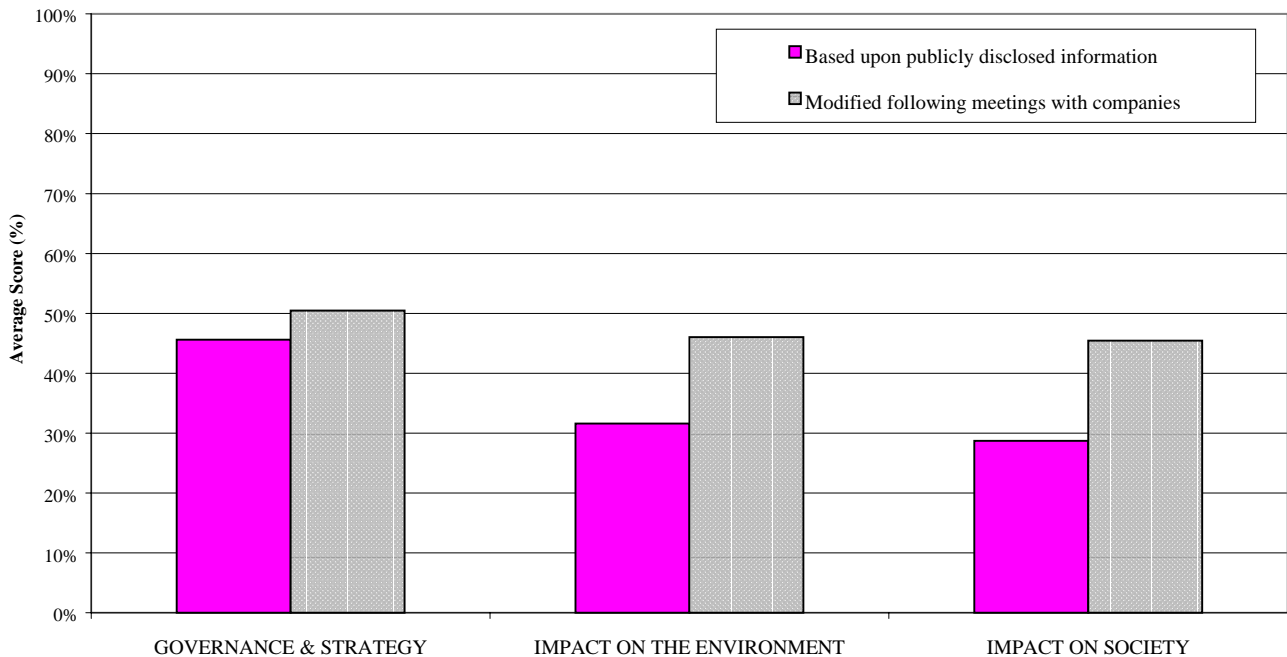
Figure 2: Comparing Survey Performance with Turnover



DIFFERENT STARTING POINTS FOR THE SUSTAINABILITY AGENDA

As Figure 3 illustrates – and perhaps as would be expected – the section in which companies scored most highly was on governance, strategy and risk management. However, with the average score at 45 per cent, there is clearly much room for improvement.

Figure 3: Average Score by Section

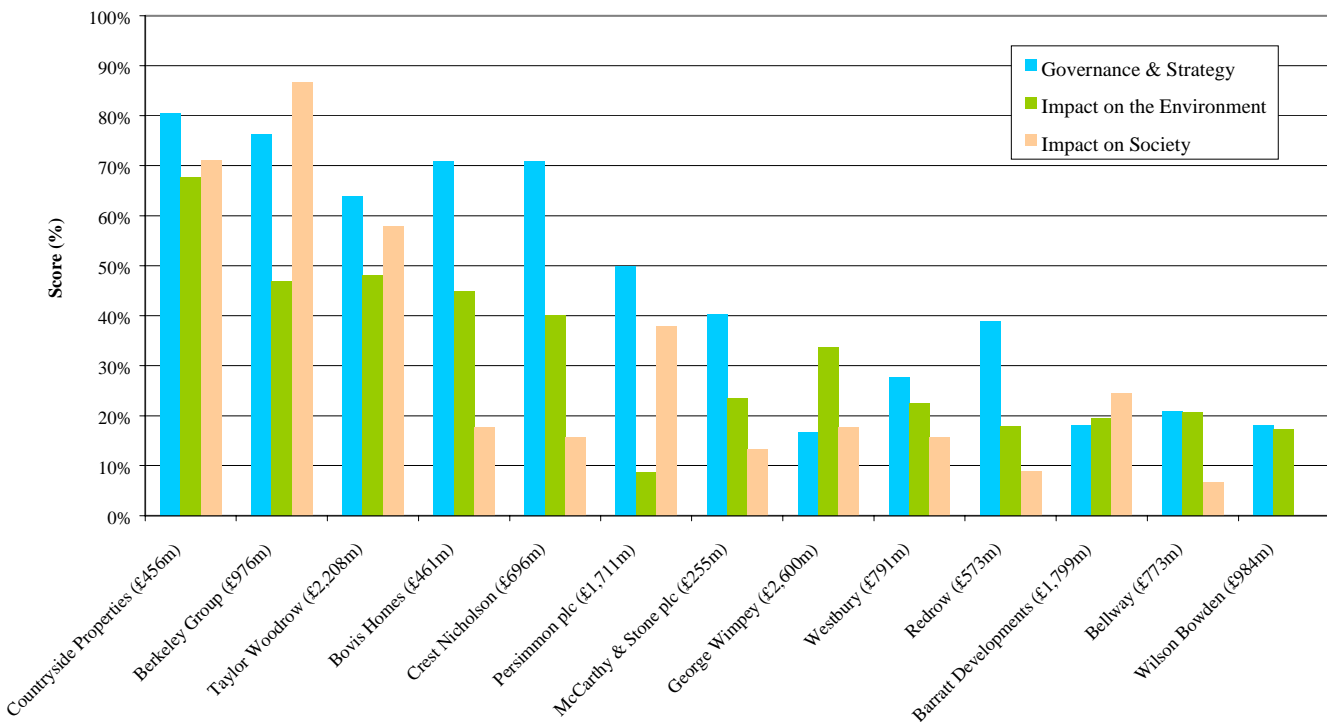


It was relatively difficult for companies to score highly against the criteria relating to environmental impacts, as this required them to gather and disclose performance data and targets. It is interesting to note that the estimated overall average score for impact on the environment improved significantly after our meetings with the companies, where many of them indicated that they were beginning to gather data, but had not yet made this available externally.

The lowest overall average score concerned the “impact on society” section. This indicates that many companies have not yet fully integrated these issues into their sustainability strategies.

The companies’ scores reveal a distinct variation between different sections (see Figure 4), which reinforces the point that they are approaching the sustainability agenda from different starting points. Figure 4 shows a company rarely has a fully developed sustainability management strategy that places equal emphasis on the three key elements of sustainability addressed in this survey.

Figure 4: Company Score for each Survey Section
(on the basis of publicly disclosed information)



Governance and risk management



Good governance and management of all risks, including social, environmental and ethical risks, is a fundamental element of good business management. Investors expect, and need, clear statements to demonstrate that these risks are fully being taken into account by corporate Boards.



Insight Investment 2004

Companies have never faced such a level of scrutiny from such a wide range of stakeholders. Following the introduction of the Combined Code on Corporate Governance in 1999 and various high-profile incidents such as the collapse of Enron, the issue of corporate governance is now firmly on the board agenda of most listed companies. The debate has moved on apace with publication of the related Turnbull Report and the report of the Company Law Review which proposes new and more refined standards of corporate governance. In particular, the proposed Operating and Financial Review (which will call for greater disclosure of a company's approach to reporting on issues material to the business) could have major implications for the way in which companies report on environmental, social and ethical issues.

Key Survey Findings

- companies achieved the highest scores in this section of the survey;
- disclosure of risk management strategies was generally poor; and
- the quality of disclosure varies substantially.

Figure 5: Governance & Risk Management - Company Rankings

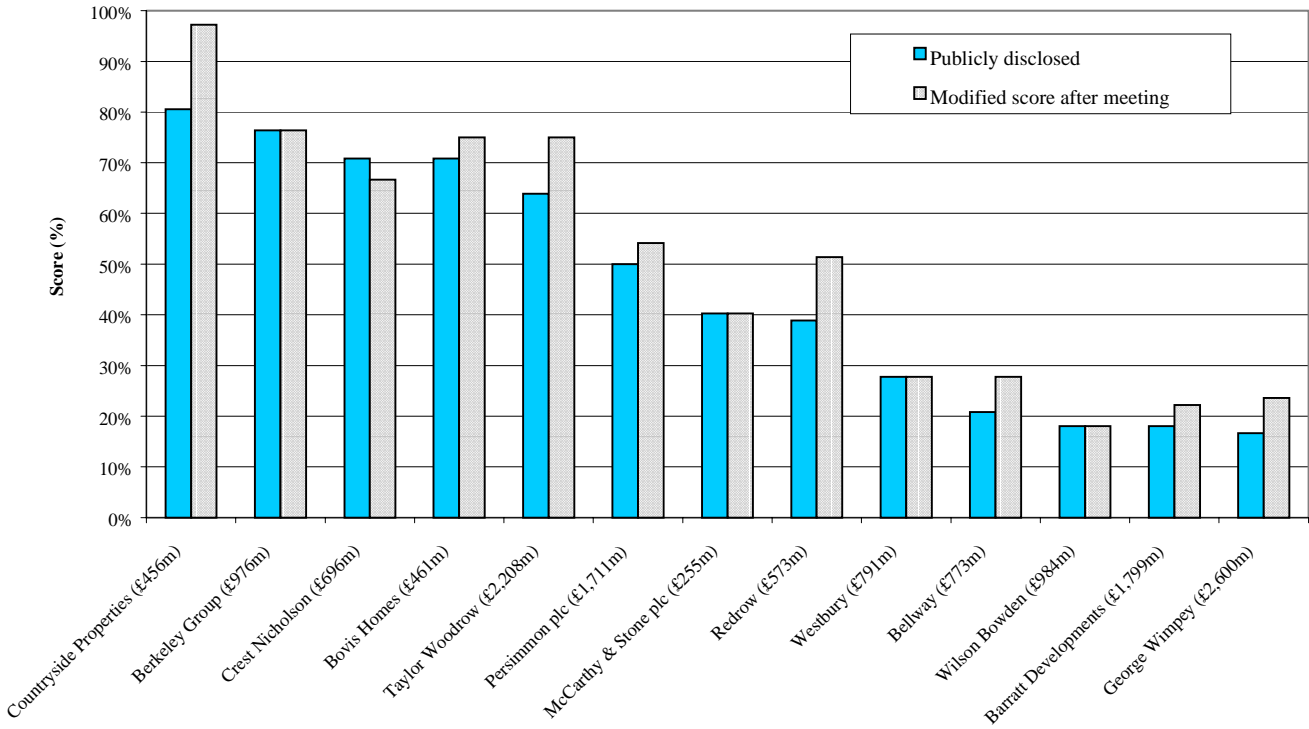
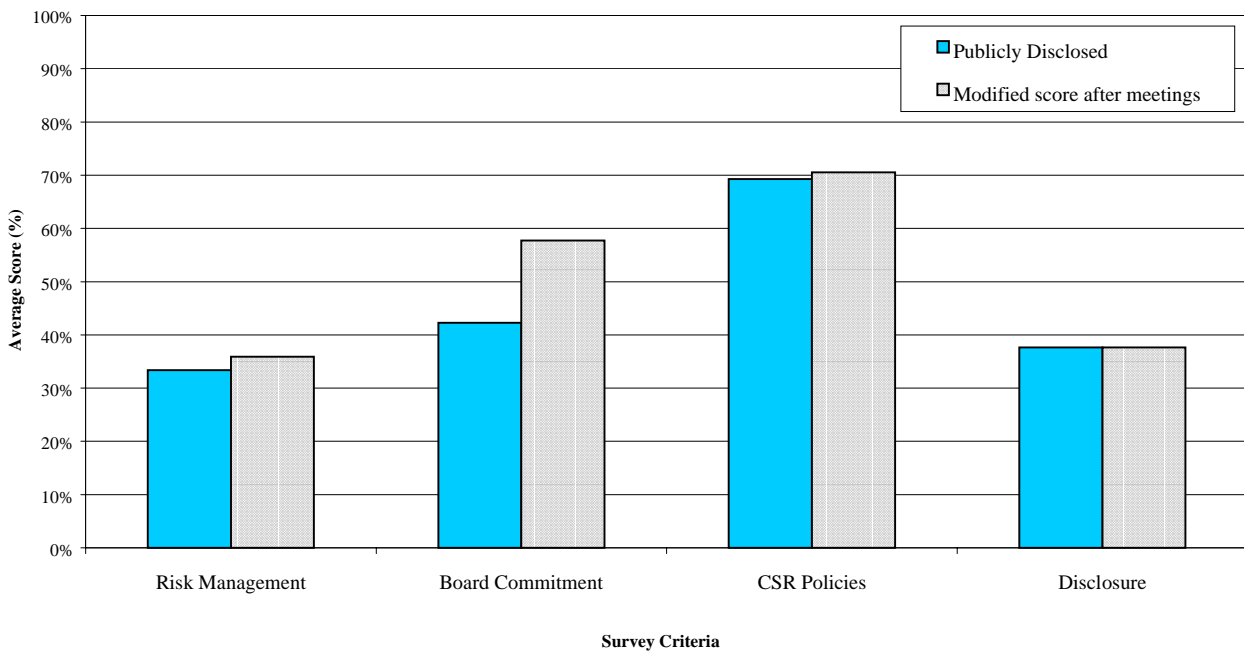


Figure 6: Governance & Risk Management - Average Score per criteria



OVERALL PERFORMANCE

Most companies provided some information on their overall approach to “governance and risk management”, the highest-scoring section of the survey.

A clear division is visible between those companies that appear to view this issue as a priority (six scored more than 50 per cent) and those that do not. And, in contrast with the other sections of the survey, the estimated overall average score for governance and risk management changed only marginally from 46 per cent to 50 per cent, following meetings with the companies.

Countryside Properties is ranked first, followed by the Berkeley Group. Crest Nicholson made its strongest appearance, nudging Bovis Homes out of third place.

POOR DISCLOSURE OF RISK MANAGEMENT STRATEGIES

Despite being the highest scoring section in the survey, many companies could more fully disclose how they identify and manage risks. Only two disclosed how they manage financial and non-financial risk, and seven gave no explanation of their approach to risk management. An example of one of the better statements on risk management was provided by Bovis Homes:



Risk management

As a key part of the system of internal control, Bovis Homes has established a process of risk identification which reflects the ABI guidelines and is designed to ensure that stakeholders are protected. Risks identified can be operational, financial, reputational or social. All employees are responsible for the identification, assessment and minimisation of these risks.



Bovis Homes

Most companies said they had board level commitment to sustainability issues, with six describing a high-level working group (with membership drawn from senior management or board), which meets regularly.



Board commitment

Ultimate responsibility for all sustainability issues lies with The Berkeley Group Board of Directors. The Sustainability Working Group (SWG) is made up of senior executives from each of the main divisions and reviews policy and implementation issues on a quarterly basis.



The Berkeley Group

Companies did best when it came to disclosing policies in relation to environmental, social and/or ethical issues. The approach to developing policies varied, some participants choosing to publish individual or suites of policies that covered sustainability issues (e.g. environment, health and safety). Other companies have chosen to have an overarching sustainability policy – for example, Redrow has adopted a Corporate Social Responsibility Charter, which provides guidelines on the company’s relationships with employees, customers, suppliers and shareholders and its commitment to community and environmental issues.

QUALITY OF DISCLOSURE IS CRUCIAL

The scope and quality of both core and supplementary disclosure varied tremendously, from straightforward environment reports to fully integrated sustainability reports and from descriptive marketing material to detailed information concerning performance. Following the meetings, most companies’ estimated scores increased. The companies with the lowest scores only disclose descriptive information concerning their approach to selected sustainability issues. While many companies claimed that performance data was available internally, there was relatively little evidence of this in their disclosure practices. This level and detail of information is insufficient for stakeholders to assess a company’s sustainability commitments and performance, or to compare one company with another in any meaningful way.

Countryside Properties, the Berkeley Group, Taylor Woodrow, Crest Nicholson, George Wimpey and Persimmon all included management targets in their supplementary reports. Only Countryside Properties publicly disclosed specific performance targets:

Performance Targets

- Design and construct all our homes in accordance with the EcoHomes minimum standard of 'Good'
- Reduce CO₂ emissions from the company's offices and car fleet by 5 per cent by September 2003
- Increase average SAP rating by 5 per cent during 2003
- Reduce office waste and improve recycling annually by 5 per cent
- Reduce incident rates by 10 per cent annually
- Improve Considerate Constructors Audit Scheme Score by 5 per cent during 2003

Source: Countryside Properties' Environmental, Social and Ethical Report 2002

Finally, only the two survey leaders had some kind of formal assurance for the content of their reports. In each case, the company's sustainability advisers provided the assurance. No company had its reports verified by an independent third party.

Impact on the environment



Mismanagement of environmental impacts and risks can cost companies and their investors dear – in terms of a damaged reputation, lost revenues or costly lawsuits. It is perhaps not surprising, then, that shareholders increasingly expect companies to adopt state-of-the-art environmental policies and practices to ensure that their investments are not put at risk.



Insight Investment 2004

The direct and significant environmental impacts associated with development mean that environmental issues have often been at the forefront of the house-building industry’s sustainability debate. The two key drivers for a company to focus on are self-interest – for example, mitigating the cost of excessive construction waste – and reputation, including the stakeholders’ perception of how it minimises the negative impacts of its business.

Key Survey Findings

- more detailed disclosure on current practices would have significantly improved a number of companies’ scores;
- companies scored highest in relation to management of short-term impacts and those perceived to be a high priority in gaining planning permission;
- most companies seem not to recognise the longer-term environmental impacts of their developments; and
- most companies do not currently publish performance data.

Figure 7: Impact on the Environment - Company Rankings

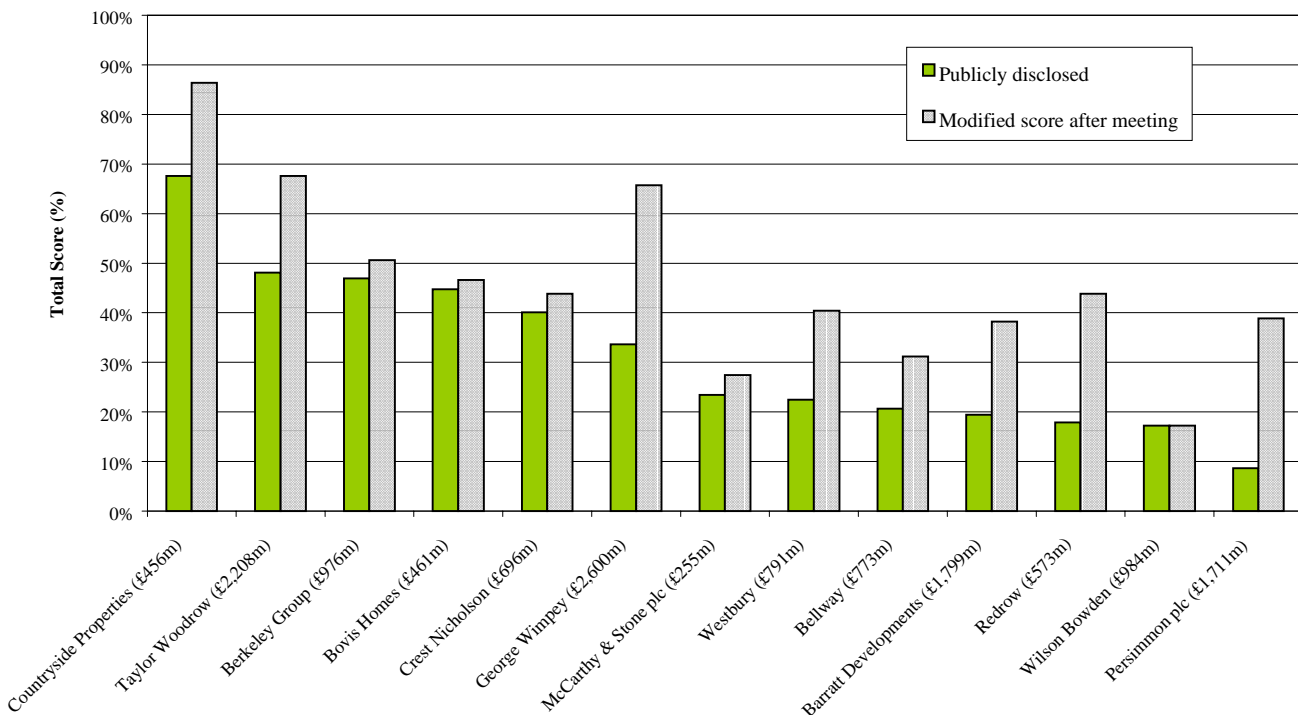
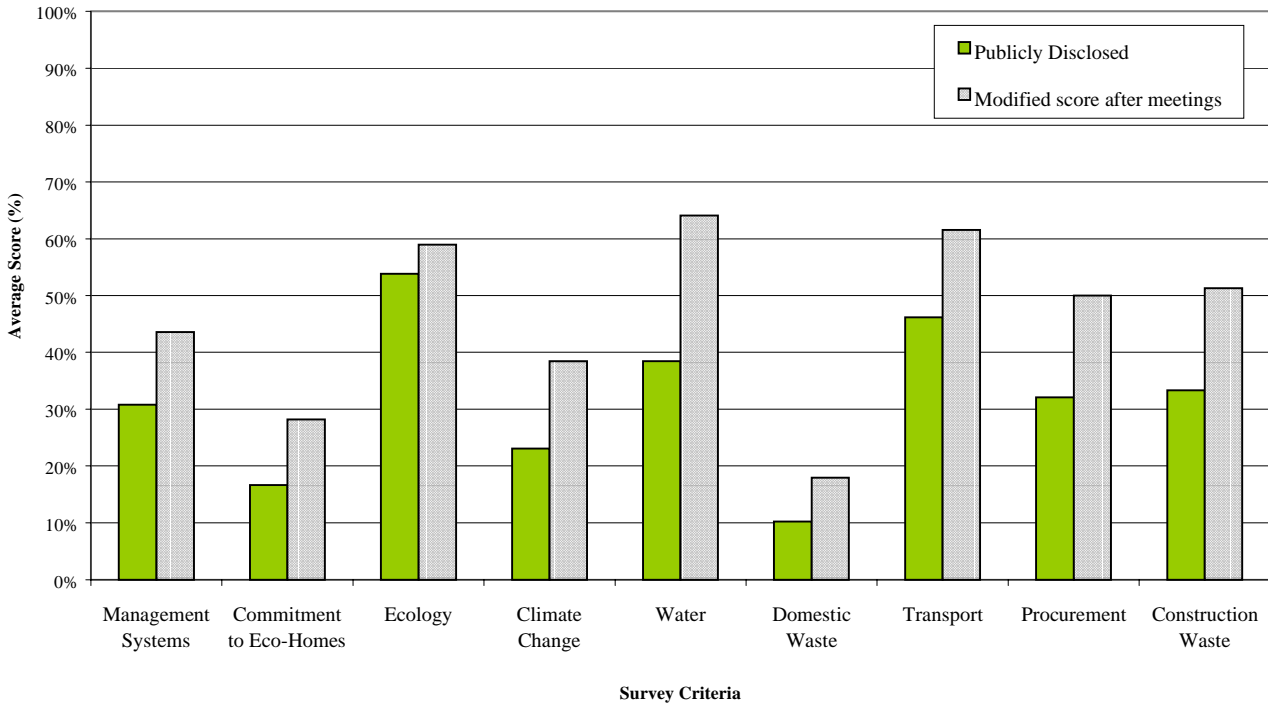


Figure 8: Impact on the Environment - Average Score per Criteria



OVERALL PERFORMANCE

The leading companies in the survey demonstrate a strong understanding of environmental issues. There are some outstanding initiatives to minimise negative impacts of operations and to enable future residents to choose more sustainable lifestyles. However, greater disclosure on current practices would have significantly improved a number of companies’ scores.

On the basis of publicly available information, the scores in this section ranged from 9 per cent to 68 per cent. Once again Countryside Properties ranked first, and Taylor Woodrow just nudged the Berkeley Group into third position .

SHORT-TERM PRIORITIES ARE BEING ADDRESSED

The criteria against which companies recorded the highest scores in this section related to the short-term management of key impacts during development, and those impacts high on the agenda of planners. These are of course issues of immediate self-interest to developers, in terms of minimising costs and/or meeting the conditions of development consent. Two examples are explored in more detail below.

Construction waste

In the UK, 72 million tonnes of construction and demolition waste are generated annually, representing 17 per cent of the country’s total waste. Each year poor design and site management leads to 10 million tonnes of materials being delivered to development sites and then going unused – a clearly avoidable form of waste generation. Between 12 and 15 million tonnes of construction waste are recycled each year, mainly in low-grade hardcore and landscaping fill. Making more effective use of materials through reclamation and higher grade

recycling would have a valuable impact on the total use of construction resources, and could result in valuable cost savings for the industry.

It is clear from the survey findings that house-builders are beginning to grapple with the management of construction waste. Following our meetings, all companies said they had, at the very least, embarked on ad-hoc initiatives to reduce their construction waste. Five disclosed that they had integrated waste management strategies on selected sites, and two said they had strategies in place on all their sites.

Despite these commitments, few companies are reporting publicly on their performance in this area, and even fewer are setting quantifiable targets for improvement. Taylor Woodrow's case study on the Greenwich Millennium Village project demonstrates the importance of designing waste out of the construction process as well as reducing and recycling waste during construction.



Waste Management: Greenwich Millennium Village

In developing the design for the project, waste minimisation aspects considered included prefabrication, standardisation of components and modularization. In collaboration with the Building Research Establishment (BRE), GMV's performance on waste management has been monitored using the BRE tool 'SMARTwaste'. In addition to carrying out monitoring, BRE has been working with Taylor Woodrow to develop and implement management control procedures to regulate and minimise the levels of waste generated during the construction process.

In addition to producing less waste, a major success on site was segregation of plasterboard offcuts for recycling rather than disposal to landfill. The requirement to initiate minimisation of waste and to participate in recycling was incorporated into the subcontractor tender package. The result was that almost all the plasterboard waste (175 cubic metres, 87% of plasterboard waste) was returned to British Gypsum for recycling.



Taylor Woodrow Corporate Social Responsibility Report 2002

Planning requirements - Transport

In the UK, transporting people between buildings accounted for 22 per cent of national energy use in 1996. Overall car traffic has increased almost 15 times in the last 50 years and CO₂ emissions from transport are growing at roughly 4 per cent a year. These increases are mainly due to the rise in personal transport, but also to road freight (about half of which is construction material), which accounts for 10 per cent of UK energy use.

The energy use and emissions levels associated with transport greatly depend on the relative location of home, workplace, shops and other amenities, as well as the quality of the public transport infrastructure, the ease of cycling and walking and the priority given to private transport. Transport is therefore at the forefront of the planning process and these were all issues that were addressed in the survey.

Of the 13 companies in the survey, only Countryside Properties and the Berkeley Group demonstrated a commitment to exceeding planning requirements concerning the development of

new or upgrading existing public transport infrastructure, and disclosed examples of innovative initiatives to reduce car dependency.



Reducing Car Dependency

At the St James Homes scheme in Deptford, 50% of the apartments have been developed without access to a car parking space. In association with AVIS, residents of the development have been provided with CARvenience allowing them the use of a car without having to own one. A car club will enable residents to hire a car 24 hours a day for periods of as little as half an hour. As a result of this project, St James Homes has also been working with the London Borough of Sutton to advise on the development of car clubs in the borough.



The Berkeley Group Sustainability Report 2002

LONG-TERM CHALLENGES AND OPPORTUNITIES

Most of the environmental impact made by a home will occur throughout its life cycle, not during its construction. Although house-builders do not have direct influence over home owners' behaviour, they do have the opportunity to influence it, both in terms of the way a development and dwelling is designed and through information and incentives provided to the consumer. This survey revealed that most house-builders are beginning to address these opportunities, for two principal reasons: first, the issues are assuming greater importance on the political and legislative agenda; and second, they could be a significant factor in influencing a company's reputation, particularly with its customers. Both factors could affect medium- to long-term costs and customer behaviour, and ultimately the profitability of the company. Some examples are explored in more detail below:

Energy and climate change

The government's Energy White Paper indicates that a reduction of 4-6 million tonnes of carbon per annum could be achieved through greater energy efficiency in our homes – which would help meet its aspirational target of a 60 per cent reduction in CO₂ emissions by 2050. The government has brought forward the next revision of Part L of the Building Regulations to 2005, and has stated its aim that no-one should live in fuel poverty by 2016/18. Although improving the existing building stock could go along way to help meet this target, the design and development of new homes will dictate our future climate change impact.

One of the central tenets of the Housing Bill recently presented to Parliament is the requirement for sellers of residential properties, or their agents, to make a Home Information Pack available before marketing homes for sale. Among the documents and information for prospective buyers will be a home condition report, which will include an energy report and energy rating. The report will also have to provide information on practical energy efficiency measures, together with a potential Standard Assessment Procedure (SAP) rating if they were carried out. The SAP

system is to be reviewed to ensure that it complies with the new EU Directive on Energy Performance of Buildings, which requires performance certificates to be provided to prospective buyers when homes are sold.

SAP ratings are a whole number between 1 (very bad) and 120 (very good), indicating the cost of providing energy, heat, light and domestic hot water per m² of floor space. While SAP ratings are an assessment of cost rather than environmental impact, Building Regulations specify that they must be displayed in the property upon completion. It was therefore disappointing to find that only the Berkeley Group, Countryside Properties and George Wimpey reported publicly on their SAP ratings, and only Countryside Properties had set quantifiable targets to improve its performance.

Two companies provided no information on their approach to climate change. While most other companies surveyed recognised that climate change was one of the most pressing environmental impact areas, few had fully disclosed how they aimed to reduce this impact in the homes that they built. The Berkeley Group, George Wimpey and Taylor Woodrow disclosed examples of projects in progress or completed where they were integrating renewable energy on-site. Central to the current review of Planning Policy Guidance 22 is ensuring that the planning system encourages renewable energy developments such as wind farms, rather than oppose them as it often does. This, together with the government's target to produce 10 per cent of the country's energy from renewable sources by 2010, means that companies with experience of renewable technologies now may be better positioned to take advantage of increasing demand in the future.

Waste not, want not

It is estimated that each household in the UK throws away more a tonne of waste every year – a total of some 25.7m tonnes in 2001/2002. On average, everyone in the UK generates 10 times their own body weight in waste. In addition, for every tonne of products we buy, 10 tonnes of resources have been used to manufacture them. Approximately 50 per cent of household waste is potentially recyclable, and a further 20 per cent is organic kitchen waste which could be composted. Although surveys suggest that more than 90 per cent of people regard recycling as worthwhile, only 12 per cent of dustbin contents are recycled or composted while some 78 per cent of household waste goes to landfill. UK householders pay some of the lowest rates for waste collection and disposal in Europe – around half the EU average and about 30 per cent of the rate of high-performing countries.

In 2000, *Waste Strategy 2000*, the waste strategy for England and Wales, set revised targets for recycling or composting household waste: 25 per cent by 2005, 30 per cent by 2010, and 33 per cent by 2015. In future, as local authorities try to cope with these targets and higher Landfill Tax levels, residents could be charged more via Council Tax for their waste sent to landfill – and they may even pay based on the amount they produce.

Key to achieving government targets and reducing the cost of waste management and disposal will be the development of effective infrastructure to encourage greater segregation and recycling of waste. While local authorities bear most responsibility for managing municipal waste, residential developers can also make a significant contribution by integrating communal waste recycling facilities into developments, and facilities for separating waste in individual homes.

Tackling domestic waste is an issue most companies have yet to address. Of those surveyed, 10 failed to reveal how they were developing waste management infrastructure on their projects. Redrow was one of the few to disclose an example of its research into integrating waste management facilities in both development and dwelling design.



Reducing Waste – the Redrow House of the Future

It is an extremely environmentally friendly home with a dedicated recycling area adjacent to the kitchen. Organic waste is also collected in sealed containers and used as compost in the garden whilst waste paper, metal and bottles can be sorted for recycling.



Redrow *Developing a better future* report

Seeing the wood for the trees

Pressures on the supply of timber mean that natural forest is being lost at a rate of 30 hectares a minute. As demand for wood products increases, loggers are moving into the last remote forests of the world. Up to 70 per cent of all timber consumed in the UK goes into the construction industry, with a high proportion used by house-builders.

It is therefore vital that the housing industry demands timber that comes from well-managed, independently certified sources. Of the seven companies in the survey that declared a commitment to sourcing their timber from “sustainable sources”, only two publicly disclosed a commitment to *certified* sources. At present, only the Forest Stewardship Council (FSC) meets WWF’s criteria for an international system of credible certification. The FSC promotes forestry that is environmentally appropriate, social acceptable and economically viable through a system of forest certification and product labelling. Without such accreditation, claims that timber is sourced “sustainably” do not bear close scrutiny.

The WWF-UK Forest and Trade Network (WWF-UK FTN, formerly the WWF 95+ Group) promotes and facilitates increased trade in independently, credibly certified forest products and encourages good forest management worldwide. Organisations involved in the WWF-UK FTN are committed to working with WWF to increase the proportion of forest products traded or consumed by their organisation coming from well managed forests which have been credibly, independently certified. Members have also committed themselves to eliminate unknown and unwanted forest product materials from their supply chain – the emphasis being on eliminating illegal and controversial sources as a matter of urgent priority. The aim of the WWF-UK FTN is to provide a framework for members to move towards credibly certified forest product materials. Currently Redrow and Countryside Properties are the only house-builders to have joined the network.

THE BRE ECOHOMES RATING

The Building Research Establishment's EcoHomes rating can be used by developers to establish the environmental and, to some extent, sustainability credentials of their projects. The rating covers issues relating to energy, water, land use and ecology, transport, health and wellbeing, pollution, and materials. It is an independently verified assessment method, with performance expressed on a scale of Pass, Good, Very Good and Excellent, and developments labelled accordingly.

Following meetings with the companies surveyed, five said they had piloted the EcoHomes assessment methodology. This appeared to be ad-hoc on selected sites, particularly where there was a public sector involvement. Only Countryside Properties had publicly disclosed a full commitment to implementing and measuring this standard across all its new developments.



EcoHomes Assessment – Persimmon, Chestnut Grove

Working with English Partnerships, we have developed this site with the impact on the environment at the forefront of our minds and we have achieved a very good rating under the Building Research Establishment's EcoHomes scheme.

Key features of the development include:

1. A National Housing Energy Rating of 10, the highest score available
2. An average U value of up to 30% better than required by Building Regulations
3. Providing information to customers explaining the benefits of buying energy efficient white goods and explaining the EU energy efficiency labelling system and how it works
4. Roofs, external and internal walls, windows and fencing all achieved An 'A' rating in the BRE Green Guide to Housing Specification



Persimmon Corporate Social Responsibility Report 2002

Impact on society



WWF is working with government, industry and consumers to ensure that one million sustainable homes are developed across the UK by 2012. This would lead to cleaner neighbourhoods, lower energy and water bills, and high local amenity benefits at no extra cost to the environment, and it would greatly reduce the UK's impact on the global environment.



Robert Napier, Chief Executive, WWF-UK

Assessing a company's impact on society is still a relatively new discipline compared with the other aspects of sustainability. But because the built environment is so significant in shaping our society, assessing house-builders' impacts is a crucial aspect of considering companies' management of sustainability issues.

The focus in this survey has been on the contribution that house-builders can make to the communities they develop rather than including, for example, their philanthropic initiatives.

Therefore, this section of the survey addressed two key areas of impacts:

- the short-term impacts of development activities on employees (health and safety) and local communities (considerate construction); and
- the long-term impacts of development on the fabric of communities including affordable housing, short- and long-term employment creation and provision of community facilities.

Key Findings

- this section highlighted lowest performance and highly variable scores;
- disclosure on health and safety performance was generally poor; and
- greater focus is needed on the different elements that contribute to developing sustainable communities.

Figure 9: Impact on Society - Company Rankings

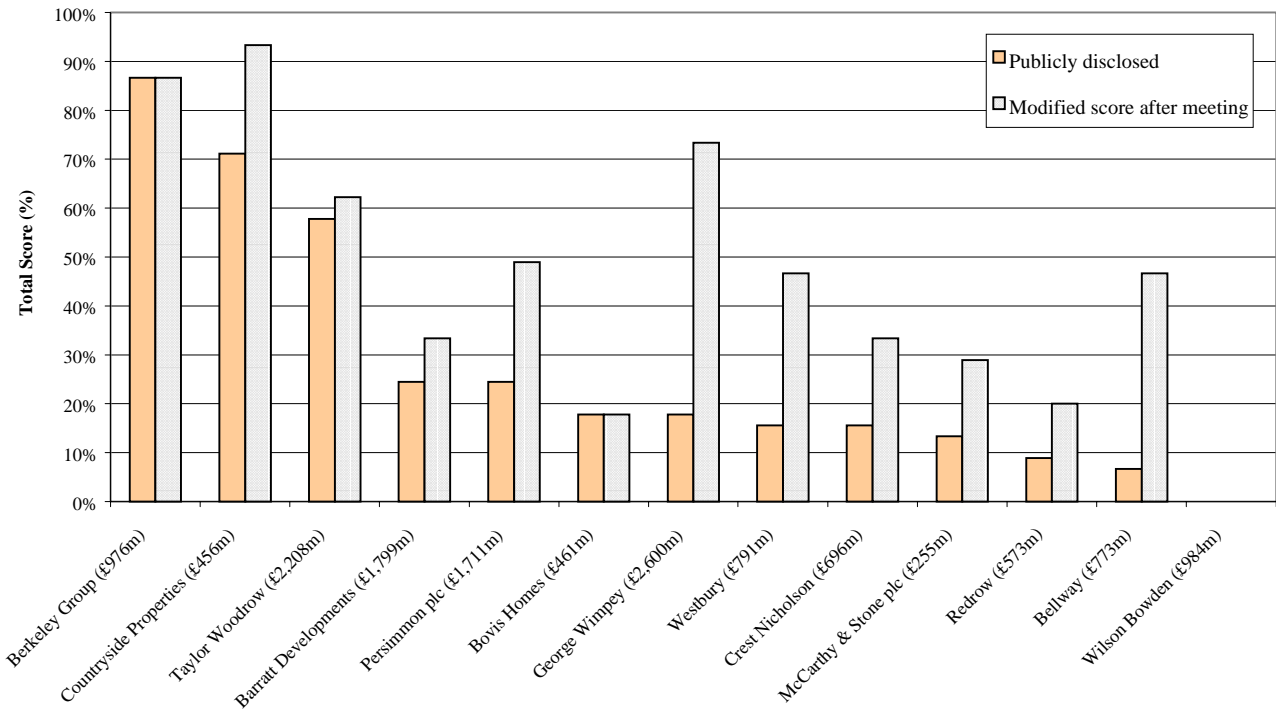
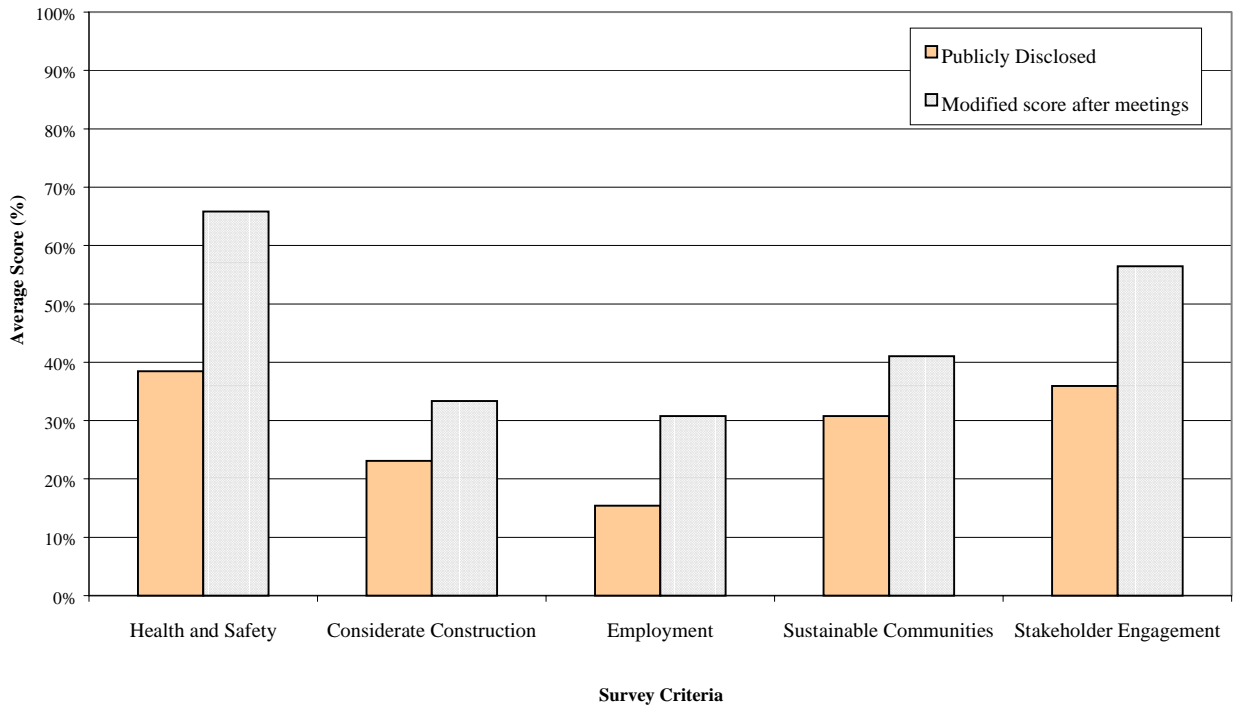


Figure 10: Impact on Society - Average Score per Criteria



OVERALL PERFORMANCE

Many companies appear not to have considered the full range of their impacts on stakeholders or how they can contribute to building social capital in the communities in which they operate. In this section, on the basis of publicly available information, the Berkeley Group tops the rankings, with Countryside Properties coming second and Taylor Woodrow third.

The performance of most companies in this section is disappointing. Even taking into account the information from our meetings, seven of the 13 companies achieved their lowest score in this section. This is perhaps because some do not see a need to report on issues or activities such as health and safety, or on issues such as affordable housing which they are required to address in order to gain planning permission. However, it is likely that stakeholders would want to know about how companies address such risks and opportunities, and that they would expect to see much greater scope and detail in companies' disclosure in these areas.

NOT ENOUGH DISCLOSURE ON HEALTH AND SAFETY PERFORMANCE

According to the Health and Safety Executive, 2,800 people have been killed on construction sites or as a result of construction activities in the past 25 years, and many more have been injured or made ill. In one year alone (April 2001-March 2002), 79 workers died and thousands were injured as a result of construction work.

The construction sector accounts for 9 per cent of deaths and major injuries at work. In addition to any fines imposed for irresponsible behaviour, there is also the cost to the company of lost working hours: construction workers have the highest number of days lost at 650 days per 1,000 due to work-related injuries.

Despite the high profile of health and safety issues, disclosure in sustainability and CSR reports was disappointing. In some cases, it is clear the companies do not see health and safety as being a sustainability matter; reporting is more focused on issues of environmental sustainability. In other cases, despite the fact that all companies are required to report on health and safety issues, there is a lack of performance data and targets for improvement. Although most companies have a generic "zero tolerance" policy, only the Berkeley Group, Countryside Properties and Crest Nicholson set more detailed targets. George Wimpey and Taylor Woodrow's CSR reports contained some of the most detailed explanations of approaches to health and safety.

Stakeholders need to know that companies are managing health and safety risks effectively. Accidents do happen, of course, but it is important to see how companies learn from them and modify their procedures.



Learning from Health and Safety incidents

If a serious incident occurs, the site manager uses a major incident checklist to fill in an in-depth report including full details of circumstances, witness information and other relevant factors. The Divisional Safety Director is required to manage the necessary follow-up action. We analyse the incident reports and, where relevant, identify preventative measures for the future. Procedural changes are then integrated into our safety manual and training programmes.



George Wimpey Corporate Responsibility Report

Given the sensitivity of this issue, it is important that any reporting of health and safety matters should be done in the context of industry benchmarks. At the moment it appears that companies are working on the basis that “no news is good news”. This is a key area in which companies are expected to be open and transparent.

GREATER FOCUS NEEDED ON SUSTAINABLE COMMUNITIES

In February 2003, the Deputy Prime Minister launched *Sustainable Communities: Building for the future* – a long-term programme to create sustainable communities in urban and rural areas. The £22 billion programme aims to bring about development that not only succeeds now, but also meets the economic, social and environmental needs of future generations.

The property sector has a key role to play in creating sustainable communities. Through shaping the built environment, developers help to determine the very fabric of our society, how and where our homes and places of work are developed and located, the infrastructure and services that support them, and the quality of the environment that surrounds them. Responsible house-building should consider how developments contribute to a more sustainable future for the local communities they help to create, as well as society and the environment more widely.

Part of the contribution made by developers to the local community results from Section 106 agreements, the “give and take” negotiations with planning authorities whereby planning permission for a particular project is conditional upon provision of a public benefit – recreational amenities, for example. Companies are keen to report such initiatives, but it could be argued that this provides no reflection of their commitment to sustainable communities. However, where they are reported, the detail of information provides some interesting insights into how the companies have worked hard on their partnerships with local authorities and other organisations to get the best outcome for local communities.

Identifying Stakeholders

A stakeholder can be defined as an individual or organisation that either affects or is affected by a company’s activities. If a company is to understand its impact on society, it must first identify its key stakeholders and understand its relationships with them – not least the role they play in helping it achieve its objectives, and any particular interest or concerns they may have. Five companies failed to disclose who they perceived their key stakeholders to be, or to indicate how they sought to engage with them. The Berkeley Group and Crest Nicholson provided the most

detailed “stakeholder maps” which identified their key stakeholders and summarised the companies’ relationship with them concerning sustainability issues. Only the Berkeley Group disclosed a case study example of a detailed stakeholder engagement process on a specific project.

Sustainable Stakeholders		
Stakeholders	Role and Responsibility	Relevance
Shareholders, bankers and providers of financial services	Provide capital and resources for development	Ethical investment and involvement
Landowners	Supply of development land	Optimisation of value through remediation and sustainable uses
Planners and building regulators	Development and construction control	Implementation of social, environmental and economic policies
Architects, designers and technical draftsmen	Design of buildings and development layouts	Interpretation and implementation of sustainable design
Contractors and trades	Physical construction of development	Environmentally sound practices and protection of the environment and workforce
Employees	Manage and control the company and its commercial activities	Design and implement cost-effective and environmentally sound practices
Suppliers	Supply products and raw materials for construction	Sustainable sourcing of eco-efficient products
Customers	Owners and occupiers of houses and other buildings	Meeting current and future needs. Quality of service, product and environment. Sustainable occupation
Residents and local communities	People living, working and trading near developments	Consultation in design, management and economic impact
Media consultants, opinion researchers and consultants	Communications between the Company and its stakeholders	Obtaining and sampling stakeholder opinion, feedback communication
Industry and trade associations	Policy formulation and representation	Development of sustainability practices and representation to government
Charities, trusts and forums	Voluntary bodies for relief of poverty and advancement of knowledge	Increasing understanding on sustainability and wider community obligations

Stakeholder Consultation			
Stakeholders	Consultation	Frequency	Performance
Shareholders, investors and employees	Annual general meeting, annual report, staff magazine, presentations and tours	Annual and bi-annual reports to shareholders, quarterly staff magazines	Economic, social and environmental policy, strategy, management, major projects and initiatives
Partners, consultants, contractors and suppliers	Bidding process, contract vetting and feedback, supplier agreements	Each consultation and project bid or implementation	Economic, quality, community, health, safety and environmental standards of compliance and best practice
Regulatory bodies, sector associations and the press	Feasibility plans, research panels, workshops, feedback and award entry ratings	Frequency of circulars and focus group programmes	Social and environmental assessment, design, methodologies and reporting
Customers and local communities	Customer Survey Mori poll Community panels and construction conduct code	Quarterly Annual Major projects	Economic, social and environmental land use, energy, waste, society, transport

(Source: Crest Nicholson Social and Environmental Report 2002)

Understanding and meeting community needs

There is currently a chronic shortage of housing in some parts of the UK and problems of low demand and abandonment in others. In the south-east, demand exceeds supply for various reasons, including changing demographics. The urgent need is for more affordable housing across the UK. This was addressed in the survey and a number of companies said they had specialist units to deliver affordable housing and, conscious of the increasing demand, were seeking to innovate in this area.



Affordable Housing

St George has been at the forefront of integrating affordable housing in its new developments, gaining much recognition for its proactive and innovative approach at a local, regional and national government level. St George was represented in the Mayor of London's Affordable Housing Commission, provided a secondment to the Office of the Deputy Prime Minister's innovative unit on affordable housing and was represented on the Board of Keep London Working. St George is also to be represented on the Housing Corporation's Home Ownership task force.



The Berkeley Group Sustainability Report 2003

Another area of community need in the survey related to employment, which can be a good reflection of how companies are approaching local economic regeneration. Companies were asked how they sought to address the need for both short- and long-term employment on their schemes.

While those companies significantly involved in major mixed-use urban regeneration projects responded more easily to this section than did others, nine failed to disclose any information concerning this impact area. And while there were good examples of local labour initiatives, there were fewer examples of companies working with other agencies to develop integrated strategies for combating long-term unemployment.

Unlike commercial developers, house-builders do not usually retain any long-term financial interest in the projects they create. It was therefore not surprising that few companies showed that they encouraged long-term sustainability through neighbourhood management strategies, and that (based on publicly available information) none had provided their customers with information on sustainable lifestyles. Neighbourhood management strategies could include a commitment from the developers to help establish and promote community ownership of local community facilities, thereby encouraging a sense of local identity.

Over and above customer satisfaction surveys, Countryside Properties was the only company attempting to assess how its developments had contributed to the quality of life of its residents.



Building Quality of Life

To ensure that development makes a lasting contribution to the quality of life for new and existing residents, we need to understand how we can contribute to community building or what is known as 'social capital'. In July 2001 we began a major research project in conjunction with the New Economics Foundation entitled 'Building Quality of Life'. The first audit sought to measure the effects of housing development on quality of life. The audits, which included community workshops, were centred on Great Notley Garden Village (a greenfield scheme) and Beaulieu Park (an urban extension) in Essex.

These two evaluation studies show how quality of life and building sustainable communities fit together. Following this research our aim is to develop a guide to promoting social capital through new development. The findings will be integrated into existing management systems, and all future schemes we develop should benefit from the results.



Countryside Properties Environmental, Social and Ethical Report 2002

Next steps

The survey findings clearly demonstrate that all companies recognise sustainability as an issue of growing concern to their stakeholders. There are many encouraging examples of innovative approaches to minimising the negative impacts of operations, and building on the business opportunities that developing sustainable homes and communities can provide. However, it is also clear that many companies have a long way to go in ensuring that they have a comprehensive strategy in place effectively to manage the risks and opportunities brought by the sustainability agenda.

The aim of the One Million Sustainable Homes campaign is to bring sustainability into the mainstream of the UK housing sector. To this end, WWF and its partners, including Insight, will seek to work with companies, and to support their progress with practical advice and encouragement.

WWF and Insight intend to repeat this survey in order to highlight progress achieved, both in terms of house-builders' performance and disclosure on sustainability.

Further information

For more information about the One Million Sustainable Homes campaign, go online to www.wwf.org.uk/sustainablehomes

Other useful sources of information are listed below:

- **Building for Life Standard**
Building for Life is a collaborative project involving the House Builders Federation, the Commission for Architecture and the Built Environment (CABE) and the Civic Trust, which aims to promote better quality housing. The Building For Life Standard was launched in July 2003 and is awarded to new housing projects that demonstrate a commitment to high design standards and good place-making. Schemes are assessed against criteria relating to character, design and construction, roads, parking, pedestrianisation, environment and community.

For more information go to www.buildingforlife.org/homepage.html

- **Design Quality Indicators**
The Design Quality Indicator (DQI) is a new method for assessing the design quality of buildings. It has been developed by the Construction Industry Council to enable all stakeholders involved in the built environment to gain more value from the design of buildings. The Design Quality Indicators cover three main areas: functionality, build quality and impact.

For more information go to www.dqi.org.uk/

- **EcoHomes Methodology**
EcoHomes is one of the Building Research Establishment's Environmental Assessment Methods (BREEAM). It provides a rating for new, converted or renovated homes, and covers houses and flats. Performance is assessed using a rating of pass to excellent and covers the areas of energy, water, pollution, transport, ecology and land use, health and well-being and materials.

For more information go to <http://products.bre.co.uk/breem/ecohomes.html>

- **Energy Efficiency Best Practice in Housing**
The Energy Efficiency Best Practice in Housing is managed on behalf of Defra by the Energy Saving Trust (EST). The programme provides free information on delivering the best in energy efficiency, training to develop your understanding of energy efficiency and renewables solutions, advice from some of the UK's leading experts on housing energy performance, and specialised site-specific consultancy for larger development or refurbishment projects.

For more information go to www.est.org.uk/bestpractice/

- Green Guide to Housing Specification
Developed by the Building Research Establishment (BRE), this provides guidance to designers and specifiers on the environmental impacts of the main fabric elements commonly used in housing.

For more information go to <http://products.bre.co.uk/breeam/eco homes.html>

- Lifetime Homes Standard
The Lifetime Homes concept was developed in 1991 by a group of housing experts who came together as the Joseph Rowntree Foundation Lifetime Homes Group. Lifetime Homes have 16 design features that ensure a new house or flat will meet the needs of most households.

For more information go to www.jrf.org.uk/housingandcare/lifetimehomes/default.asp

- Sustainable Homes Project
Sustainable Homes is based at the Hastoe Housing Association and funded by an innovation and good practice grant from the Housing Corporation until 2005. The project aims to promote awareness of sustainable development issues and good practice, and encourages housing associations to adopt sustainable policies and practices.

For more information go to www.sustainablehomes.co.uk/

- Sustainability Toolkit
The Sustainability Toolkit, funded by the Housing Corporation and developed by John Moores University, is designed for housing associations to certify to their boards or committees that their bids for funding for new schemes are sustainable. The toolkit covers nine key areas: demand, reputation, crime, social exclusion, poverty, accessibility, quality of the environment, design and quality of housing, and community mix.

For more information go to www.housingcorp.gov.uk/resources/sustain.htm

- Sustainability Works
Sustainability Works is an online tool for anyone wanting practical guidance concerning sustainable housing development and regeneration. The tool can be used to assess projects by a variety of stakeholders including housing associations, local authorities, consultants, contractors and developers. It is consistent with the BRE EcoHomes Standard, the Housing Corporation's Sustainability Toolkit and the CIC's Design Quality Indicators.

For more information go to www.sustainabilityworks.org.uk/index.php?plugin=yes

- Regional and Local Authority Sustainability Guidance/Checklists
South East England Development Agency: Sustainability Checklist
www.sustainability-checklist.co.uk/
Enfield Council: Sustainable Design and Construction Guide
www.enfield.gov.uk/green/sustgde.htm

Brent Council: Sustainability and Supplementary Planning Guidance and Checklist

www.brent.gov.uk/planning.nsf

Merton Council Supplementary Planning Guidance – Sustainable Development

www.merton.gov.uk/plansandprojects/spg.asp

Ealing Council

www.ealing.gov.uk/Services/planning/planning+policy/sustainable+planning.asp

Haringey Council Sustainability Checklist

www.haringey.gov.uk/



WWF – engaging with business and industry

Companies represent 29 of the world's top 100 economies. WWF engages with these powerful players in order to develop sustainable solutions to the world's environmental problems.

In the UK, our work with business and industry is wide-ranging and includes developing effective partnerships, stimulating innovation within business, fundraising for mutual benefit, and challenging unsustainable business practices that threaten people and wildlife.

WWF brings practical experience, knowledge and credibility to its work as it creates long-term solutions to the planet's environmental problems.

For further information about WWF and its work, call our Supporter Care team on 01483 426333 or e-mail supportercare@wwf.org.uk. Alternatively, visit our website: www.wwf.org.uk

All rights reserved. All material appearing in this publication is subject to copyright and may be reproduced with permission. Any reproduction in full or in part of this publication must credit WWF-UK as the copyright holder.

The authors have used all reasonable endeavours to ensure that the content of this report, the data compiled, and the methods of calculation and research are consistent with normally accepted standards and practices. However, no warranty is given to that effect nor any liability accepted by the authors for any loss or damage arising from the use of this report by WWF-UK or by any other party.

For further information, please contact:

WWF-UK

Panda House, Weyside Park

Godalming, Surrey GU7 1XR

t: 01483 426444

f: 01483 426409

www.wwf.org.uk

Cover picture credits:

Buildings Countryside Properties plc; *Family* Image 100

“I welcome this report as I believe it will be an important tool in the development and mainstreaming of sustainable communities. It will provide a useful insight into how far house-builders are already incorporating sustainability into their work. I hope it will also assist them in recognising which aspects of sustainability they are not, but should, be considering if they are to remain at the forefront of today’s market.”

John Prescott MP

Deputy Prime Minister

The mission of WWF – the global environment network – is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world’s biological diversity
- ensuring that the use of renewable resources is sustainable
- promoting the reduction of pollution and wasteful consumption

www.wwf.org.uk



WWF-UK

Panda House, Weyside Park
Godalming, Surrey GU7 1XR
t: 01483 426444
f: 01483 426409

Taking action for a living planet



WWF – engaging with business and industry

Companies represent 29 of the world's top 100 economies. WWF engages with these powerful players in order to develop sustainable solutions to the world's environmental problems.

In the UK, our work with business and industry is wide-ranging and includes developing effective partnerships, stimulating innovation within business, fundraising for mutual benefit, and challenging unsustainable business practices that threaten people and wildlife.

WWF brings practical experience, knowledge and credibility to its work as it creates long-term solutions to the planet's environmental problems.

For further information about WWF and its work, call our Supporter Care team on 01483 426333 or e-mail supportercare@wwf.org.uk. Alternatively, visit our website: www.wwf.org.uk

All rights reserved. All material appearing in this publication is subject to copyright and may be reproduced with permission. Any reproduction in full or in part of this publication must credit WWF-UK as the copyright holder.

The authors have used all reasonable endeavours to ensure that the content of this report, the data compiled, and the methods of calculation and research are consistent with normally accepted standards and practices. However, no warranty is given to that effect nor any liability accepted by the authors for any loss or damage arising from the use of this report by WWF-UK or by any other party.

For further information, please contact:

WWF-UK

Panda House, Weyside Park

Godalming, Surrey GU7 1XR

t: 01483 426444

f: 01483 426409

www.wwf.org.uk

Cover picture credits:

Buildings Countryside Properties plc; *Family* Image 100

“I welcome this report as I believe it will be an important tool in the development and mainstreaming of sustainable communities. It will provide a useful insight into how far house-builders are already incorporating sustainability into their work. I hope it will also assist them in recognising which aspects of sustainability they are not, but should, be considering if they are to remain at the forefront of today’s market.”

John Prescott MP

Deputy Prime Minister

The mission of WWF – the global environment network – is to stop the degradation of the planet’s natural environment and to build a future in which humans live in harmony with nature, by:

- conserving the world’s biological diversity
- ensuring that the use of renewable resources is sustainable
- promoting the reduction of pollution and wasteful consumption

www.wwf.org.uk



WWF-UK

Panda House, Weyside Park
Godalming, Surrey GU7 1XR
t: 01483 426444
f: 01483 426409

Taking action for a living planet