

BUILDING A LIVING LEGACY



telfordhomes

SUSTAINABILITY REPORT 2019

DEVELOPING THE HOMES AND CREATING THE PLACES THAT LONDON NEEDS



building a
LIVING
LEGACY

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HIGHLIGHTS



TOTAL REVENUE

£354.3m

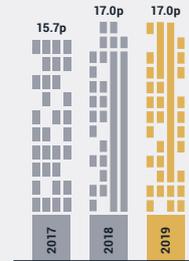
2018: £316.2m



TOTAL PROFIT BEFORE TAX

£40.1m

2018: £46.0m



DIVIDEND PER SHARE

17.0p

2018: 17.0p

99%
(2018: 100%)
CUSTOMER
RECOMMENDATION
RATE

98%
(2018: 98%)
EMPLOYEE
SATISFACTION

89%
(2018: 90%)
EMPLOYEE
RETENTION

10th
CONSECUTIVE
YEAR RECEIVED
ROSPA GOLD
MEDAL FOR
HEALTH & SAFETY

4th
PLACE IN NEXT
GENERATION
SUSTAINABLE
HOUSEBUILDER
RANKINGS

17
(2017-18: 22)
DESIGN AND
QUALITY AWARDS
IN 2018-19

Our award winning year



View more information on our website
www.telfordhomes.london

Denotes a computer generated image

CHIEF EXECUTIVE OFFICER'S INTRODUCTION

SUSTAINABILITY IS AN AREA OF INCREASING IMPORTANCE FOR ALL OUR STAKEHOLDERS



We were delighted to be recognised as the most improved homebuilder for the second successive year according to the 2018 NextGeneration sustainable housing benchmark report. ”

Jon Di-Stefano
Chief Executive Officer

In the last year, we have witnessed considerable political and economic uncertainty. At the same time national and regional planning policies are changing partly due to societal based trends and climate-related events.

By correctly balancing these new challenges with our existing sustainability targets, we can improve the environment and wellbeing of Londoners and visitors to the capital.

We can also deliver on our brand purpose of 'developing the homes and creating the places that London needs'.

2018–19 marks the third year of reporting our sustainability performance against our 'Building a Living Legacy' (BLL) strategy. During the reporting period, we have achieved 87 per cent of our objectives and committed to several new ones to ensure we continue to move our strategy forward.

We are particularly proud that in the last three years we have completed three primary schools and a City of London sixth form academy in Bermondsey, Dalston and Bow, offering 1,690 new school, college and nursery places underpinning our commitment to creating significant social value for London.

We also commenced our second materiality review of our BLL strategy looking beyond our current trajectory from 2024 to 2030. Pleasingly, our review has shown we are making a contribution to many of the United Nations Sustainable Development Goals. Whilst we are aware this is the first-step we believe we have the ability to make a long-term positive contribution to society through our operations and outputs.

We were delighted to be recognised as the most improved homebuilder for the second successive year according to the 2018 NextGeneration sustainable housing benchmark report, which has also seen the Group obtain a Gold Level award for the first time. This progress recognises the ongoing development of our BLL strategy which saw the Group move to fourth in the 2018 benchmark, a movement up the rankings of thirteen places in just two years.

Jon Di-Stefano
Chief Executive Officer

29 May 2019

'BUILDING A LIVING LEGACY' HIGHLIGHTS

LIVING LEGACY

Creating thriving places that enable people to live sustainable lifestyles

17

(2017-18: 22) DESIGN AND QUALITY AWARDS IN 2018-19

80%

(2018: 80%) SUPPLY CHAIN SPEND IS WITH SMALL AND MEDIUM SIZED ENTERPRISES

£44m

(2018: £51m) SUPPLY CHAIN SPEND WITH BUSINESSES REGISTERED IN LONDON BOROUGH

BALANCED RESOURCES

Making our money work harder through efficient use of resources across our business

11.6%

(2018: 13.7%) REDUCTION IN OUR SITE CO₂E INTENSITY

94%

(2018: 90%) OF WASTE DIVERTED FROM LANDFILL

16%

(2018: 16%) REDUCTION OF WATER USAGE IN NEW HOMES*

CREATIVE BUILDING SOLUTIONS

Collaborating with our partners to identify innovative building techniques and deliver the homes of the future

18%

(2018: 13%) SPEND INVESTED IN MODERN METHODS OF CONSTRUCTION

40%

(2018: 44%) TARGETED REDUCTION IN CO₂ IN NEW HOMES*

100%

(2018: 100%) NEW BUILD SCHEMES BENEFIT FROM LOW CARBON OR RENEWABLE TECHNOLOGIES

SMART BUSINESS

Investing in people and relationships to ensure we deliver lasting value for all stakeholders

4th

PLACE IN NEXTGENERATION SUSTAINABLE HOUSEBUILDER RANKINGS

89%

(2018: 90%) EMPLOYEE RETENTION

100%

(2018: 100%) DIRECT EMPLOYEES PAID AT LEAST LONDON LIVING WAGE

* Against national standards

OUR APPROACH TO SUSTAINABILITY

WE ARE COMMITTED TO SUSTAINABLE HOUSE BUILDING AND PLACE MAKING

Our ambition of significantly increasing our output of homes is underpinned by our dedication to sustainable and responsible homebuilding. As a result economic, social and environmental principles are central to our business strategy and guide our day-to-day activities.

Our 'Building a Living Legacy' strategy

We continue to embed our Building a Living Legacy (BLL) strategy to improve the quality of life for our customers, enhance local communities, support our operations and deliver value for our investors. The strategy was developed with Jones Lang LaSalle (JLL) during 2016, through a detailed materiality review, looking out to 2024. Given the significant socio-political, economic and regulatory change since then, in late 2018 we commissioned JLL to conduct a second materiality review to 2030, the findings of which are explained in more detail on page 7.

We continue to consult upon relevant policy and regulatory matters, and participate in focused stakeholder groups to share best practice and to enable us to better understand important forward looking trends, thereby ensuring our strategy remains future proofed.

To manage our health and safety and environmental risks, the Group continues to maintain its existing systems. Our safety management system is accredited to BS OHSAS 18001:2007 and the environmental management system has transitioned from ISO14001:2004 to the 2015 standard.

United Nations Sustainable Development Goals

To aid transparency of our purpose, business model and help inform our strategic focus, we have completed a review of our practices against the United Nations Sustainable Development Goals (SDGs). We have a material impact on many of the 17 SDGs (see our objectives on pages 24 and 25). Whilst this is a preliminary alignment exercise, we believe we have the ability to make a long-term positive contribution to society through our operations and outputs. Collaboration with our stakeholders will also enable them to make a difference.

Engaging with our stakeholders

We recognise that rapid changes in society are being enabled through technology. As a result, customer and community aspirations are becoming more heightened and brand preference is harder to earn and maintain than ever before. In addition, stakeholders and investors are expecting greater transparency from companies.

We believe in being 'purpose-led' and we are developing our objectives and performance with regard to Environmental, Social and Governance (ESG) reporting. To fully communicate our progress this is the second year in which we are publishing a standalone Sustainability Report alongside an executive summary of our BLL strategy and performance in our Annual Report.



The Pavilions N1



Official opening of the primary school at Bow Garden Square E3

Enabling community networks and creating strong stakeholder relationships throughout the development life cycle is a key focus for the Group, which we are implementing through our new Community Engagement Strategy.

As partners of the Considerate Constructors Scheme (CCS) we promote the highest standards of considerate construction. Our CCS scores are increasing and compare favourably with the construction industry. Furthermore, our community outreach programmes are more inclusive, as demonstrated by the case studies in this report and on our website.

Identifying our sustainability priorities – short-term

Since publication of the latest NextGeneration benchmark report in late 2018, we are addressing some of the priority findings to drive further improvement. Key to this is all our people completing a bespoke two year BLL training programme through the Supply Chain Sustainability School E-learning portal. Each colleague is tasked to achieve improved competencies across environmental and social sustainability.

The new London Plan

In addition to the ever-changing global macro socio-economic conditions, our licence to operate will also be significantly informed by the new London Plan. The Plan is subject to an Examination in Public (EiP) in 2019 and will be adopted in late 2019/early 2020. In addition to working with the Home Builders Federation (HBF), UK Green Building Council (UK-GBC) and London First to inform the Plan, we are also collaborating with the Mayor of London in areas such as low carbon, circular economy, biodiversity and green infrastructure. We believe reciprocal working practices with policy makers and peers will help us deliver sustainable homes and places for Londoners, and inform our licence to operate.

OUR APPROACH TO SUSTAINABILITY

Strong governance

Overseen by the Board, our BLL Steering Committee meets quarterly to provide high-level sustainability governance and ensure our strategy is being successfully implemented. Our CEO chairs the committee, which is made up of senior level representatives from across all business functions.

The Committee is further assisted by departmental champions who support various forums, including our Innovation and Health & Safety Forums. The champions are also invited to attend the Steering Committee to share knowledge and to gain more detailed insights. This approach is proving to be useful in strengthening the champion's network and embedding the BLL strategy throughout the business. Furthermore, external organisations are invited to the Steering Committee to share knowledge and highlight ways to improve our sustainability performance.

Principal risks and uncertainties

In 2018, the Board undertook a high-level business risk review. It recognised that the implementation of the BLL strategy was helping to manage the Group's principal related risks and uncertainties, and therefore sustainability was considered to be of low material risk. The review is explained in our Annual Report.

The Group's sustainability performance is regularly reviewed by the BLL Steering Committee and includes the mitigation of a number of socio-economic and environmental risks and uncertainties.

During the reporting period we achieved 87% of our objectives and we attained a Gold award from NextGeneration, the sustainability benchmark of the UK's largest 25 housebuilders. Whilst NextGeneration recognised our strong governance and risk management, and assessed our public reporting as the

most improved in comparison with our peers, we will aim to further improve public disclosure and transparency during 2019–20. Consequently, our voluntary carbon disclosure can be seen in the Directors' Report within our Annual Report, one year ahead of mandatory AIM listed company requirements.

Political environment

Notwithstanding the broad political consensus to improve the supply and quality of new homes and places, changes in laws, policies and regulations, such as through the Hackitt Review, will have a direct impact on the Group and the costs incurred on each development. We are therefore investing in the appropriate level of resource to ensure the potential impact of these changes are mitigated in an appropriate and cost effective manner.



Identifying our sustainability priorities – medium to long-term

We aim to operate as a responsible business, hence during 2018–19, we have undertaken a range of policy, regulatory, indices and standards reviews. This has culminated in our full materiality review to look beyond our current 2024 horizon, to set out a vision to 2030. This review is expected to shape our BLL strategy and its supporting objectives and policies.

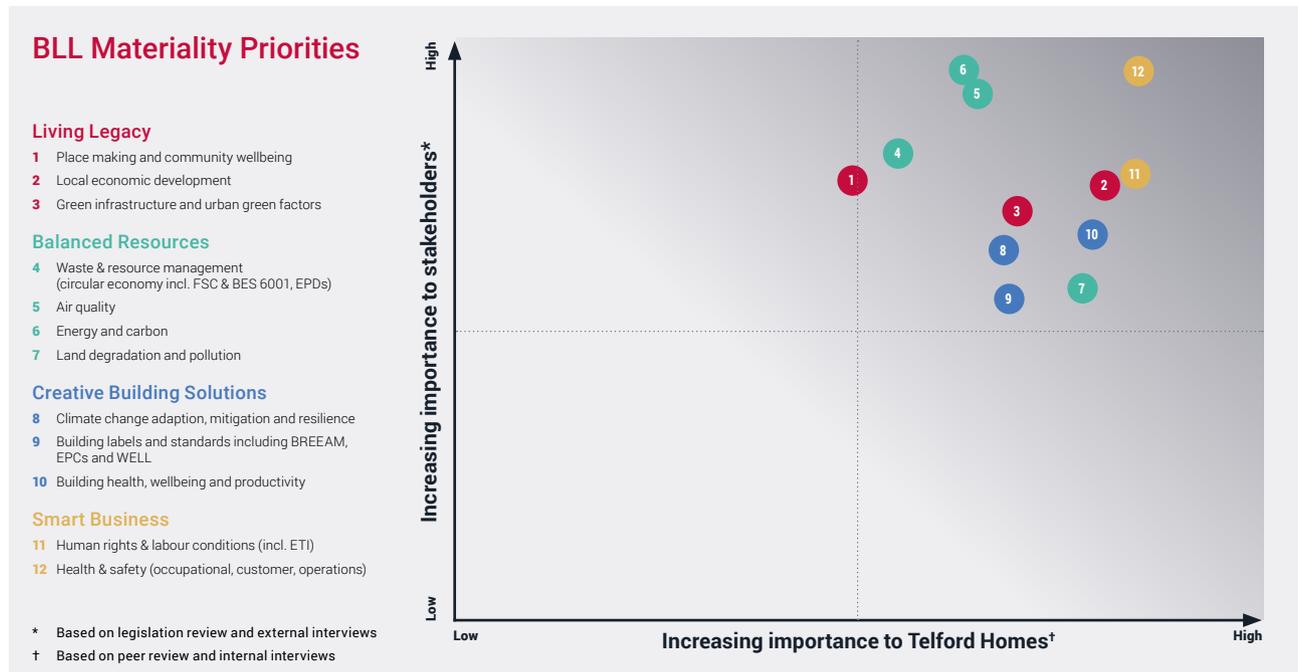
Four main assessments (covering 27 material issues) were completed including: legislative and peer reviews, consultations with members of the Board, and interviews with build to rent and housing association partners.

The results of these assessments are being used to update the issues material to our BLL strategy. Whilst many key issues remained of high importance such as health and safety, energy, carbon, waste and resource management, there were also issues of elevated importance that were deemed to be material.

These included health, wellbeing, land degradation and pollution, and for the first time air quality. The top 12 material issues are noted in the table below. A range of further issues such as urban agriculture through to alternative capital raising / funding models will also inform our future

work. The importance of communicating our BLL strategy to our stakeholders was noted and our partners also encouraged us to learn from them in areas such as place making and lifecycle design.

With the assessment stage now complete, we are considering with JLL the implications on our BLL strategy and its roadmap. A significant factor in completing this work will be the adoption of the new London Plan.



LIVING LEGACY



The primary school at Bow Garden Square E3

LIVING LEGACY

CREATING THRIVING PLACES THAT ENABLE PEOPLE TO LIVE SUSTAINABLE LIFESTYLES

17

(2017–18: 22) DESIGN AND QUALITY AWARDS IN 2018–19

80%

(2018: 80%) SUPPLY CHAIN SPEND IS WITH SMALL AND MEDIUM SIZED ENTERPRISES

£44m

(2018: £51m) SUPPLY CHAIN SPEND WITH BUSINESSES REGISTERED IN LONDON BOROUGHES

40/50

(INDUSTRY AVERAGE 37/50) AVERAGE CONSIDERATE CONSTRUCTORS SCHEME SCORE

We are increasingly seeing the tangible benefits of embedding our BLL strategy which is resulting in an enhanced quality of life, as evidenced by our 99 per cent customer recommendation rate.

External recognition from the NextGeneration Initiative ranked the Group fourth, moving up from sixth in 2017 and seventeenth in 2016, and for the second successive year we were the most improved housebuilder in its sustainability benchmark.

We also received 17 design, quality and people awards during 2018–19, including being named 'Large Developer of the Year' at the RESI Awards 2018 and 'Best Regeneration' for Bow Garden Square at the Evening Standard Awards 2019.

Our strategy of developing solely on brownfield sites in London that are in close proximity to public transport nodes gives us a strong foundation from which to reduce our corporate impacts and lessen our customer's ecological footprints. We employ climate change adaptation and resilience strategies, alongside low and zero carbon infrastructure which enables us to achieve the sustainability objectives of the London Plan.

In the future we will increasingly employ a circular economy approach to optimise design and minimise construction impacts.

During 2018 we completed the objectives that we set in last year's report to create a Living Legacy framework (using best

practice principles), which we continue to use alongside the Living Legacy toolkit. During 2019–20 we will monitor the new London Plan as it progresses through the EiP process and will further develop the toolkit.

It is becoming apparent that local authorities are giving more weight to the new London Plan as it progresses through the planning process. Accordingly, we expect to align our practices and the toolkit on current projects.

In collaboration with our build to rent partner M&G, we have trialled the BRE Home Quality Mark assessment at Carmen Street, E14. The purpose of this research is to help us better understand whole life costs and improved customer health and wellbeing benefits. This knowledge will also assist us in preparing for the Government's forthcoming Future Homes Standard.

Working collaboratively with chartered architects, urban designers and associated professions we are committed to 'developing the homes and creating the places that London needs' through collaboration with local stakeholders.

LIVING LEGACY

We believe the application of our Living Legacy framework will enhance economic prosperity and help create healthy lifestyles for residents and visitors. Progressively, this approach will lessen our environmental footprint and that of our customers.

For the second consecutive year, we have completed a socio-economic analysis to understand the wider benefits that our activities bring to the economy as part of the Social Return on Investment (SRoI) framework that was developed last year.

These include:

- We supported 1,600 direct Full Time Equivalent (FTE) jobs with an output of £90 million gross value added (GVA) for the UK economy;
- We additionally supported 1,400 indirect FTE jobs (£80 million indirect GVA) and 700 induced FTE jobs (£50 million induced GVA);
- Nearly 72 per cent of our supplier spend (2018: 90 per cent) was in London and the East of England and 90 per cent of our suppliers by number (2018: 90 per cent) are Small and Medium Sized Enterprises (SMEs).

We continue to measure and monitor a range of objectives to ensure our schemes are masterplanned and are considered to be desirable places to live.

We believe this approach will create lasting value for local communities and help us accelerate our BLL strategy through the application of the following principles to our developments:

- New site acquisitions to be within 1km of public green space. *All schemes are located within 500m of public green space and are providing more on-site green infrastructure to improve wellbeing;*
- Schemes to be located within walking distance of transport nodes and to integrate sustainable travel initiatives. *This has been achieved for all our schemes with an average Public Transport Accessibility Level (PTAL) of 4.5;*
- Provision of 'meanwhile space'. *Whilst no new meanwhile space has been provided in the reporting period, we are working with Live-in Guardians at our LEB site in Bethnal Green and temporary uses will be explored where appropriate;*
- 70 per cent of completed homes to meet Secured by Design principles. *We achieved 71 per cent during 2018–19 which continues to be a favourable performance compared to our peers.*

In addition to on-site Section 106 planning payments we also make off-site Community Infrastructure Levy contributions to benefit local neighbourhoods. During the reporting period these planning payments and contributions equated to £7.8 million.

Our continuous commitment to creating a positive legacy for residents is central to our future ambitions. Consequently during 2018 we became members of the Institute of Customer Service (ICS). In their report the 'Customer of the Future 2025' they identified twelve factors which will shape

the consumer of the future, ranging from a rising demand for convenience through to improving quality of life via continuous monitoring of health and wellbeing. We believe collaborating with cross-sectorial groups such as the ICS will help us better understand and prepare for evolving customer expectations.

We support the work of the HBF and engaged stakeholders in the creation of the New Homes Ombudsman and the strengthening of the existing Consumer Code.

During the reporting period we also became a corporate partner of the Consider Constructors Scheme (CCS), primarily to benchmark our business against best practice. It is pleasing to compare our average score of 40/50 with a non-partner's average score of 35/50 and partners' score of 39/50.

LOOKING TO THE FUTURE:

Delivering social value through place making

Through high quality place making and design we will endeavour to improve health and wellbeing, create employment, enhance biodiversity and develop climate change resilience to improve air quality. We will measure our outputs using the Social Return on Investment (SRoI) framework which will enable us to articulate social value.



BOW GARDEN SQUARE E3

Since 2015 we have been working in partnership with Poplar HARCA and the London Borough of Tower Hamlets to regenerate part of the Burdett Estate. Further to extensive consultation with local residents we have developed much needed new homes and a broad range of valuable community amenities.

The scheme provides 109 mixed-tenure homes, a brand new primary school and nursery, a sports hall/community centre and a mosque on a tight 2.38 acre site.

The main part of the St Paul's Way Foundation school is located on the ground floor of an eight storey residential building with single storey school buildings 'cloistered' to the rear of it, including the sports hall/community centre, a multi-use games area and playground space that has a protected Wingnut tree at its heart.

All the homes have been built to Lifetime Homes standards and meet the former Code for Sustainable Homes Level 4. The school and mosque have a BREEAM Excellent Rating and benefit from 80 photovoltaic panels, sedum roofs, sun tubes, and a breathing building system.

Bow Garden Square has received the 'Development of the Year' accolade at the RESI Awards 2019 and 'Best Regeneration' at the Evening Standard New Homes Awards 2019.

420

NEW SCHOOL AND NURSERY PLACES FOR LOCAL CHILDREN

4,000sq.m

COMMUNITY FLOORSPACE INCLUDING A SCHOOL, NURSERY AND MOSQUE

183 + 0

CYCLE SPACES AND NO CAR PARKING

98%

OF WASTE DIVERTED FROM LANDFILL

£1.4m

ANNUAL HOUSEHOLD EXPENDITURE SUPPORTING 10 FTE JOBS

£0.8m

GROSS VALUE ADDED P.A. ESTIMATED FROM THE EMPLOYEES WITHIN THE SCHOOL AND NURSERY



Five years ago we had a vision for this school and it is absolutely fantastic to see it realised. What a difference this school will make to the lives of local children for many years to come!



Grahaime Price

CEO of the University Schools Trust



BALANCED
RESOURCES



BALANCED RESOURCES

MAKING OUR MONEY WORK HARDER THROUGH EFFICIENT USE OF RESOURCES ACROSS OUR BUSINESS

11.6%

(2018: 13.7%) REDUCTION IN OUR SITE CO₂E INTENSITY

94%

(2018: 90%) OF WASTE DIVERTED FROM LANDFILL

16%

(2018: 16%) REDUCTION OF WATER USAGE IN NEW HOMES*

94%

(2018: 91.8%) TIMBER PROCURED FROM SUSTAINABLE SOURCES

* Against national standards

The demand for a circular economy is growing with predictions of a fundamental shift away from the traditional linear model of ‘take, make and dispose’ in the next decade. This is predicted to boost UK economic growth by up to four per cent.

The circular economy (CE) focuses on reshaping business and economic systems so that waste is ‘designed out’ of how we live with products and materials kept in use, by design, for as long as possible to get the maximum value from them.

Our balanced resources objectives focus on reducing our environmental impact and improving cost efficiency. This contributes to our long-term vision of developing a CE model across our supply chain.

During 2018–19 we have worked collaboratively with the UK-GBC Circular Economy Partnership (UK-GBC CEP) to accelerate our existing knowledge and practices. In April 2019, this culminated in the UK-GBC CEP publishing its ‘Circular economy guidance for construction clients: How to practically apply circular economy principles at the project brief stage’. We believe the application of the guidance will make a significant difference in improving the industry’s practices.

In addition, we continue to engage with London Waste Action Recycling Board (LWARB), specifically given the requirements under the draft new London Plan for a CE statement in

planning applications. We are beginning to integrate these requirements into our planning applications in advance of the formal publication of the Plan.

We continue to incorporate ‘Blue-Green Cities’ infrastructure into our developments to attenuate rainfall and replenish London’s aquifers. This approach helps support urban biodiversity and improved public realm.

In addition to supporting the Mayor’s ‘Good Growth’ agenda and zero carbon objectives, we believe the construction industry must play a significant role in driving the recovery of nature in the UK. In recognition of this we were signatories, along with the UK-GBC and our peers, in calling for legally binding objectives to protect and enhance nature in the upcoming Environment Bill.

Further to our progress in 2017-18 we continue to meet the objectives that we set in 2018–19 to: reduce energy, greenhouse gas (GHG) emissions and waste; improve recycling rates; increase procurement of sustainable materials; align our procurement policies with BLL objectives; reduce our corporate water footprint and customer’s water impacts.

BALANCED RESOURCES

We achieved our 3 per cent target of reducing our site waste intensity and energy usage once again this year. GHG emissions across our corporate offices and car fleet demonstrated an 7.8 per cent (2018: 21 per cent) saving.

We are procuring renewable green electricity for our head office buildings resulting in zero associated carbon emissions, and are investigating the conversion of our sites to similar tariffs.

Following the installation in 2018 of 12 electric car charging points we are encouraged that an increasing number of employees are opting for electric and hybrid vehicles. We believe our investment in this infrastructure is changing behaviours and will reduce our scope 3 carbon emissions.

Our IT systems are being updated and new paperless procurement systems are being introduced. We have also omitted plastic cups from our offices, and our caterers have converted their packaging to biodegradable materials to improve recycling rates. Our employees benefit from a healthy options lunch and increasingly Fairtrade fruit is provided throughout the day to supplement our mental health and wellbeing programmes.

Further to the net carbon positive work that we undertook during 2017-18, we continue to explore ways of reducing emissions from our sites and corporate operations, by our customers through design, and also increasingly embodied carbon in materials. These are complex areas of work, consequently we are working with Greater London Authority (GLA) policy makers and industry groups

in advance of such aspects being incorporated into the new London Plan.

Over the last three reporting periods, we have seen reductions in our intensity targets metrics, including CO2, energy, waste and water. This positive trend is helping us prepare for the new London Plan. We have also reported our total corporate emissions in the Directors Report within our Annual Report in accordance with the requirements of the ISO 14064-part 3 standard. In addition, we are beginning to investigate the development of a roadmap towards science based targets in response to the Paris Agreement and emerging Task Force on Climate-related Financial Disclosures (TCFD).

Through the introduction of our new pre-qualification and supply chain management systems which are PAS91 compliant, we undertake an enhanced risk analysis of socio-environmental requirements as well as health and safety obligations.

We have bought 94 per cent (2018:91.8 per cent) of our timber from sustainable sources such as the Forest Stewardship Council (FSC) and the Programme for the Endorsement of Forest Certification (PEFC) Chain of Custody Certification. We have also strengthened our procurement requirements to include BES: 6001 and Ethical Trading Initiative (ETi) conditions.

During the period, we updated our procurement policies and whilst we have a reputation as a fair and prompt payer we are exploring the benefits of being a signatory to the Government's Prompt Payment Code.

We have reduced our water use intensity by 2.5 per cent (2018: 1.65 per cent), which is below our target of 3 per cent. Our homes use an average of 105 litres of water per person per day, which is a 16 per cent improvement compared to national building regulations.

For mixed-use schemes assessed through BREEAM, water usage has been reduced by 12.5 per cent for a very good rating. We have also shared a water neutrality concept with utility providers to complement our thinking on creating net positive developments covering carbon, waste, biodiversity and SRoI.

LOOKING TO THE FUTURE:

Creating net positive developments

Improving resource use and efficiency is central to the circular economy and therefore our aim is to create net positive developments covering carbon, waste, biodiversity and SRoI. We will also focus on water resilience and reduce customer demand through design. In the future we will look to report against TCFD.

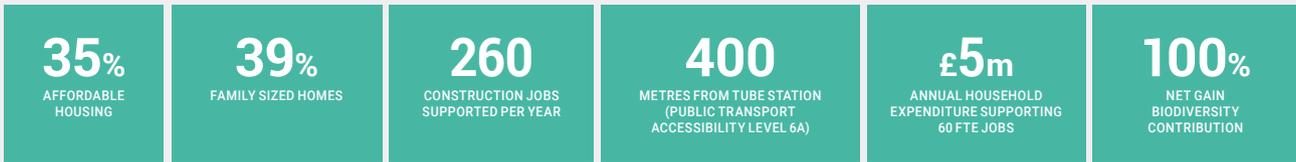


THE FORGE E7

We acquired the site in 2014 and obtained planning permission in September 2015 to deliver 192 new mixed-tenure homes. The Forge provides substantial public realm enhancement beyond its boundary and a new public pedestrian and cycle link through the development. It makes a net positive biodiversity contribution compared with its previous use as a bus depot.

Buildings range from three to five storeys with a 14 storey focal building. The development comprises 35 per cent affordable housing and 39 per cent of the homes are family sized with three bedrooms or more. 125 homes have been sold to M&G for build to rent.

Our vision of creating high-density residential apartments clustered around communal courtyards, responds well to the dynamic and changing nature of the capital, whilst respecting its historical urban patterns. Importantly the courtyards provide opportunities for neighbours to get to know each other and enjoy their new community. Given the prevalence of urban loneliness across the world's cities, the importance of good urban planning and high quality green infrastructure can help counter the often negative health implications of city living. Good place making fosters connections and social interactions between people and nature.



Telford Homes have been excellent to work with. They were the right covenant strength for us and a really good counterparty for us as an institution. Working with them from a personal point of view has been a real pleasure. These schemes and the contracts are very complicated so it's very important to find like-minded parties to work with. ”

Alex Greaves

Fund Manager, M&G Real Estate



CREATIVE
BUILDING
SOLUTIONS



CREATIVE BUILDING SOLUTIONS

COLLABORATING WITH OUR PARTNERS TO IDENTIFY INNOVATIVE BUILDING TECHNIQUES AND DELIVER THE HOMES OF THE FUTURE

18%

(2018: 13%) SPEND INVESTED IN MODERN METHODS OF CONSTRUCTION

40%

(2018: 44%) TARGETED REDUCTION IN CO₂ IN NEW HOMES*

100%

(2018: 100%) NEW BUILD SCHEMES BENEFIT FROM LOW CARBON OR RENEWABLE TECHNOLOGIES

EPC B

(2018: EPC B) ACHIEVED ON AVERAGE FOR ALL OUR HOMES

* Against national standards

We have a strong track record of undertaking complex schemes in challenging locations by using innovative design, procurement and building solutions in partnership with our supply chain.

During the reporting period, we have witnessed some major listed contractors and smaller subcontractors fall into administration, against a backdrop of commentators reflecting on the sector's relative lack of investment in innovation and the barriers to collaboration. Despite this we are investing heavily in innovation, our people and supply chain. Indeed, we've invested around 18 per cent (2018: 13 per cent) of spend in various forms of innovation, primarily Modern Methods of Construction (MMC).

We have always taken a long-term approach to supply chain collaboration to de-risk projects and keep people safe and healthy, whilst being commercially astute.

We believe it is important to undertake an incremental approach to advancing beyond national policy and building regulations, whilst ensuring our customer recommendation rate is amongst the highest in the sector.

Our Group Managing Director participated in the Hackitt Review, and members of our senior management team participate

in a range of industry committees, expert panels and working groups to ensure we are aware of, and are preparing for, the emerging policy, regulatory, code and standards changes.

Our Innovation Forum has reviewed 176 ideas from across the business and focused working parties continue to appraise a range of design, technical and procurement processes. These include MMC and Building Information Modelling (BIM) of which some 82 per cent (2018: 93 per cent) of our consultants have Level 2 experience.

As a result, we have maintained our performance compared with the previous reporting period, whilst broadening our knowledge in readiness for future policy and regulatory change. In summary:

- All our homes achieved an average Environmental Performance Certificate (EPC) B rating;
- 100 per cent (target 50 per cent) of our new build schemes benefit from low carbon or renewable technologies;

CREATIVE BUILDING SOLUTIONS

- Our residential schemes either achieved or are planning to achieve a targeted 40 per cent CO₂ emissions improvement compared to 2010 Building Regulations in all new homes;
- Our mixed-use schemes either achieved or are planning to achieve a targeted 40 per cent CO₂ emissions saving. These projects also achieve a minimum BREEAM Very Good rating.

On every project we undertake Post Occupancy Evaluation (POE) on the performance of our Combined Heat and Power (CHP) plants, to see how we can optimise future systems to reduce capital expenditure and improve operational costs.

This will assist us in preparing for emerging policies in the new London Plan, improve air quality, reduce emissions and to bridge the performance gap in buildings. Whilst such technical analysis and our voluntary use of Chartered Institution of Building Services Engineers (CIBSE) Technical Guidance TM59 will help inform building performance. We aim to continue to collaborate with informed stakeholders and policy makers in the drafting of new Supplementary Planning Guidance.

It is difficult to compensate for non-typical personal behaviours that may skew POE outputs. Accordingly, we will collaborate with the GLA and peers to help inform this debate, to ensure best practice on-site and minimise the carbon and other emerging levies.

We are collaborating with peers, policy makers and with membership organisations including:

- HBF – on their National Technical and Sustainability Committee, the Tall Building and Waste Groups and the Future Homes Standards Group;
- NHBC – on their Construction Quality and Expert Panels, and the Standards Committee;
- London First – on campaigns to make London the best city in the world to do business;
- Future of London – participating in knowledge networks;
- SCSS – on their Homes, Horizons and Offsite Groups;
- Tree Design Advisory Group – helping promote the role of the urban forests;
- UK-GBC – to radically improve the sustainability of the built environment.

We were delighted to be recognised as a ‘Collaborative Working Partnership’ winner at the national CIBSE Awards, along with our subcontractor Woodford Heating.

By working with such informed partners as LWARB and the UK-GBC CE Partnership in future years we will improve the operational efficiency of our business. As we integrate CE practices into our business we believe home owners and build to rent partners will be able to employ these principles to extend the life of buildings and reuse and recycle their components, without recourse to landfill at the end of life.



Tree planting at The Liberty Building with Canary Wharf College

LOOKING TO THE FUTURE:

Meeting the objectives of the new London Plan

To protect our licence to operate we will continue to collaborate with policy makers and our supply chain to meet the objectives of the new London Plan whilst improving our customer's health and wellbeing.



THE LIBERTY BUILDING E14

The Liberty Building celebrates London docklands historic industrial heritage, whilst using modern methods of construction and creating homes fit for the 21st century. Unusually for the area, a new south facing landscaped public space provides the setting for 155 mixed-tenure homes, opposite to Crossharbour DLR station. The architectural form that makes up the scheme respects the local townscape.

The Liberty Building demonstrates that super-density living can be successfully woven into London's urban environment when undertaken in a sensitive manner. High quality placemaking around the whole of the built-form provides a useable, permeable and well connected public realm.

'The Docklands Totem', a sculpture conceived in collaboration with the artist Alison Russell, is a focal point of the development. The totem illustrates the historical narrative of the area, constructed in an innovative way.

40%

TARGETED REDUCTION
IN CO₂ IN NEW HOMES

£4m

ANNUAL RESIDENT HOUSEHOLD
EXPENDITURE SUPPORTING 30
FTE JOBS

190

CONSTRUCTION JOBS PER YEAR
OVER 4 YEAR BUILD PERIOD

24%

SPEND INVESTED
IN MMC

100%

NEW BUILD SCHEMES BENEFIT
FROM LOW CARBON OR
RENEWABLE TECHNOLOGIES

207

SECURE CYCLE SPACES



SMART
BUSINESS



SMART BUSINESS

INVESTING IN PEOPLE AND RELATIONSHIPS TO ENSURE WE DELIVER LASTING VALUE FOR ALL STAKEHOLDERS

4th
PLACE IN NEXTGENERATION
SUSTAINABLE
HOUSEBUILDER
RANKINGS

89%
(2018: 90%) EMPLOYEE
RETENTION

100%
(2018: 100%) DIRECT
EMPLOYEES PAID AT LEAST
LONDON LIVING WAGE

99%
(2018: 100%) CUSTOMER
RECOMMENDATION RATE

We recognise that our people and supply chain are our greatest assets and we continue to invest in them to successfully deliver our business plan.

We ensure we collaborate with our supply chain in an integrated way whilst working in an enjoyable, safe and rewarding environment. Our commitment to employing the best people is recognised by:

- 98 per cent (2018: 98 per cent) of our employees are satisfied working for Telford Homes – a sector leading position;
- Our employee retention rate is 89 per cent (2018: 90 per cent);
- We were a finalist in Building's Good Employer Award 2018.

We recognise that the construction sector needs to be more inclusive and attractive to future generations, with access to a wider pool of talent through diversity. Our highly successful 'Careers Under Construction' programme now has 34 trainees (10 per cent of our employees) working towards management roles, 16 of whom were recruited in 2018. We are also engaging with Women in Construction and Workingmums to make the sector more appealing to females.

We appreciate that the sector has comparatively high rates of injury and mental health issues are more common than previously thought. For these reasons we are redoubling our efforts to improve our health and safety commitments to our people and supply chain.

We have not faced any warnings or prosecutions relating to our health, safety and environmental practices since Telford Homes was founded in 2000. Our Accident Frequency Rate (AFR) of 0.16 (2018: 0.11) compares favourably with the construction industry average AFR for the year to 31 March 2018 of 0.28. For the tenth consecutive year we have been recognised with a Gold Award by the Royal Society for the Prevention of Accidents and consequently have received a President's Award 2019.

In the last year we have focused on creating a culture that promotes positive mental health in our business and raises understanding of this important issue in the construction industry. We launched a week long programme of events to support World Mental Health Day in October 2018.

SMART BUSINESS

Our programme of events covered specific mental health subjects and involved expert speakers from organisations such as MIND, the Lighthouse Club and Samaritans. In addition we ran a number of activities, including relaxation techniques, mindfulness and yoga classes. The week was so well received that we did the same again in May 2019 and this time we extended the activities across our development sites.

To help maintain a focus on mental health longer-term we trained 19 mental health first aiders who can listen and provide advice on where to find the best professional support.

In 2018, we published our third Modern Slavery and Human Trafficking (MSA) statement in response to the Modern Slavery Act 2015. We endeavour to deter forced labour, labour trafficking and other hidden exploitation entering into our supply chain. Given the construction sector is recognised as high risk, we believe there are very positive benefits in collaborating with the SCSS and its members, to encourage our supply chain to undertake specific MSA training to ensure they meet their legal obligations.

Some 40 per cent (2018: 35 per cent) of our subcontractors are registered or were members of SCSS in 2018. We continue to monitor the level of membership and encourage it through presentations at supplier events. In addition, we expect our supply chain to have Construction Skills Certification Scheme (CSCS) competence – 97 per cent (2018: 98 per cent) have CSCS cards. Due to the skills

shortage we monitor workforce trainees and apprenticeship programmes and the payment of the London Living Wage, to help attract the next generation of new talent into the industry.

Our Group Managing Director is a member of the Home Building Skills Partnership (HBSP) board, whose aim is to develop, grow and sustain the workforce the industry requires to deliver the further increases in housing supply the country badly needs.

All new employees complete our BLL induction training and updates of our strategy are presented to our employees by our CEO at least once a year. In 2018, all employees were set a comprehensive two year BLL training programme utilising the SCSS e-training modules. As new talent joins the business they are also tasked with joining the programme.

We delivered 1,182 training sessions during the reporting period (2018: 750) representing an average of just over three days of training (2018: 3 days) per employee, which compares favourably with our peers.

Each department has defined BLL responsibilities and actions that contribute to the achievement of our objectives. Examples of our successful approach during the reporting period include:

- We set an objective to maintain a NextGeneration Silver Level award and improve our overall score by 5 per cent. Pleasingly we achieved a Gold Level award and improved our overall score by 16 per cent;

- We aim to maintain a customer recommendation rate of at least 95 per cent and achieve a Net Promoter Score (NPS) of 60. Positively, we achieved a 99 per cent (2018: 100 per cent) customer recommendation rating, which is one of the leading positions in our sector. Conversely whilst we did not achieve the NPS objective target, achieving 51, we will renew our efforts to achieve this objective in 2019–20. Nonetheless, our NPS score still placed us in the top three UK housebuilders.

During 2018, we reviewed the benefits and timeframes of gaining ISO9001:2015 accreditation for our quality management systems. We decided to delay this task until 2020 given the substantive policy and regulatory changes being introduced to the industry. We will continue to maintain our ISO14001:2015 certification for environmental management.

LOOKING TO THE FUTURE:

Meeting the skills gap

We recognise that the expectations of employees and our supply chain have increased in recent years and we need to demonstrate how we can most appropriately meet them. Through our own endeavours and working in partnership with our peers we appreciate we must go further to provide lifelong learning that addresses the skills gap, and improve careers and opportunities that reflect the diverse communities that we operate in.



GALLIONS POINT E16

The wider Gallions Quarter seeks to create a new mixed-use community in the Royal Docks area, within London's only enterprise zone. The vision is for two nuclei of activity to grow around the waterfront and the DLR transport nodes.

In partnership with Notting Hill Genesis, Gallions Point includes 292 new mixed-tenure homes located around three distinctive community courtyards, connected by a new linear park and an ecological public space alongside the DLR route. The urban form reinforces the urban street pattern to create a rich, diverse and inclusive community.

The masterplan vision is to provide a great place to live in, whilst fostering a strong community for new residents. In addition to the homes being delivered to achieve the London Plan sustainability objectives, all mixed-use spaces will achieve BREEAM Very Good.

Climate change adaptation and resilience strategies are underpinned through the masterplan orientation, scale and building articulation and integrated sustainable urban drainage attenuation. As an extension of the London Green Grid Framework, and in response to the Newham Biodiversity Action Plan (BAP), the structural landscape of the masterplan is reinforced with rich biodiverse habitat creation in the public and private realms and on the green roofs.

<p>57% AFFORDABLE HOUSING</p>	<p>300 CONSTRUCTION JOBS SUPPORTED PER YEAR OVER A 4 YEAR BUILD PERIOD</p>	<p>£8m ANNUAL RESIDENT HOUSEHOLD EXPENDITURE SUPPORTING 40 FTE JOBS</p>	<p>100% NET GAIN BIODIVERSITY CONTRIBUTION</p>	<p>95% OF SUSTAINABLE TIMBER USED IN 2018-19</p>	<p>41% REDUCTION IN REGULATED CO₂ EMISSIONS COMPARED TO PART L 2010</p>
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OUR OBJECTIVES

LIVING LEGACY			BALANCED RESOURCES		
2018–19 Objectives	Status SDG Alignment	2019–20 Objectives	2018–19 Objectives	Status SDG Alignment	2019–20 Objectives
Use Telford Homes' Living Legacy toolkit on the design of all new developments	●  	Continue to use Telford Homes' Living Legacy toolkit on the design of all new developments	Reduce the energy intensity of our operations by 3% (kWh/100m ²)	● 	Continue to reduce the energy intensity of our operations by 3% (kWh/100m ²)
★ Establish a Community Engagement Strategy (CES) and ensure it is implemented on all new projects	● 	Action completed. CES being implemented across all new projects	Continue to align our policies with BLL objectives	● 	Action completed. In light of ongoing policy changes, monitoring of revisions to be undertaken during the year
All new developments incorporate or are within a 1km of public green space	●  	Continue to ensure all new developments incorporate or are within a 1km of public green space	Reduce the carbon intensity of our operations by 3% (CO ₂ e/100m ²)	● 	Continue to reduce the carbon intensity of our operations by 3% (CO ₂ e/100m ²)
80% of homes have secure cycle storage	●  	Continue to ensure that 80% of homes have secure cycle storage	Divert 90% of construction waste from landfill	● 	Continue to divert 90% of construction waste from landfill
Provide initiatives to reduce car dependency on 25% of completed developments.	● 	Continue to provide initiatives to reduce car dependency on 25% of completed developments	Divert 80% demolition and excavation waste from landfill	● 	Continue to divert 80% demolition and excavation waste from landfill
★ Implement green travel plans for customers on all new developments	● 	Continue to implement green travel plans for customers on all new developments	Reduce construction waste intensity by 3% (tonnes/100m ²)	● 	Continue to reduce construction waste intensity by 3% (tonnes/100m ²)
N/A during reporting period	N/A  	★ Engage with a wildlife trust or NGO to develop a biodiversity policy	Reduce site water consumption intensity by 3% (m ³ /100m ²)	● 	2.5% reduction achieved. Aim to reduce site water consumption intensity by 3% (m ³ /100m ²)
			★ Design our homes to use an average of 105 litres per person per day (LPPPD)	●  	Continue to design our homes to use an average of 105 LPPPD
			Ensure that 90% of the timber procured through Group buying agreements is from FSC/PEFC sources	●  	Continue to ensure that 90% of the timber procured through Group buying agreements is from FSC/PEFC

★ New targets agreed during 2018

● Achieving ● Partially achieved ● Not achieved

CREATIVE BUILDING SOLUTIONS

2018–19 Objectives

Maintain an average EPC B rating
Continue to research and develop MMC techniques
Continue to establish innovation working groups for all new developments
50% of completed homes have access to on-site renewables or low carbon infrastructure
An annual presentation of innovation to be undertaken by the Group Managing Director to our supply chain
Carry out Post Occupancy Evaluation (POE) on performance of Combined Heat and Power (CHP) plants

Status	SDG Alignment
●	 
●	
●	
●	 
●	
●	 

2019–20 Objectives

Continue to maintain an average EPC B rating
Continue to research and develop MMC techniques. Ongoing research is being implemented with supply chain partners to develop our innovation strategy
Action completed
Continue to ensure 50% of completed homes have access to on-site renewables or low carbon infrastructure
Annual innovation presentation superceded by project research and development reviews. Best practice performance has demonstrated 18% MMC by spend compared to 13% last year. Continue to benchmark performance
Continue to carry out POE on performance of CHP plants

SMART BUSINESS

2018–19 Objectives

Attain an AFR better than the construction industry
Ensure 95% of site operatives have a CSCS card
Ensure at least 7% of workforce are trainees or apprentices
★ Strive for a staff turnover below 12%
★ Pay all direct employees the London Living Wage
All new joiners receive BLL training induction module
Maintain a NextGeneration Silver Level award and improve overall score by 5%
Maintain customer recommendation rate of at least 95%
Achieve a net promoter score of 60
★ Baseline SME spend as a percentage of turnover
★ Ensure all employees receive role specific sustainability training
★ N/A during reporting period

Status	SDG Alignment
●	
●	
●	 
●	
●	
●	
●	
●	
●	
●	 
●	 
N/A	 

2019–20 Objectives

Continue to attain an AFR better than the construction industry
Continue to ensure 95% of site operatives have a CSCS card
Continue to ensure at least 7% of workforce are trainees or apprentices
Continue to strive for a staff turnover below 12%
Continue to pay all direct employees the London Living Wage
Continue to ensure all new joiners receive BLL training induction module
Maintain a NextGeneration Gold Level award
Continue to maintain customer recommendation rate of at least 95%
Achieved 51 which compares favourably with NHBC / HBF average of 31. Aim for a net promoter score of 60
Continue to baseline SME spend as a percentage of turnover
Continue to ensure all employees receive role specific sustainability training
★ Report carbon performance in our Annual Report

VERIFICATION STATEMENT

Scope

RPS conducted an independent verification of Telford Homes' Sustainability Report (covering the period April 2018 to March 2019).

The purpose of the verification statement is to provide assurance to all stakeholders that the claims and data contained in the Report are based on actual and reliable information. The scope for RPS's verification was to:

- Conduct high level data verification of performance measures identified in the Report specifically within the Objectives and Targets;
- Review the validity and accuracy of statements made in the Report;
- Undertake limited verification of scope 1, 2 and 3 greenhouse gas (GHG) emissions in accordance with the requirements of the ISO 14064 – part 3 standard.

Methodology

Telford Homes' GHG inventory has been completed in accordance with the WBCSD & WRI Greenhouse Gas Protocol corporate and scope 3 standards; and adheres to the best practice reporting principles of relevance, completeness, consistency, transparency and accuracy.

In conducting the verification, RPS used the appropriate verification planning, validation, GHG assessment and

evaluation steps in accordance with the requirements of ISO 14064:3, and in adherence to the standard's principles of independence, ethical conduct, fair presentation and due professional care.

RPS verified statements and data through interviews with key individuals at Group level and document review. Sample data streams in addition to GHG were interrogated and a representative sample of active sites was visited and selected issues audited. Evidence of target achievement was reviewed to ensure consistency with reported progress.

Conclusions

In 2016 the Company launched its sustainability strategy 'Building a Living Legacy'. This was developed following a materiality assessment undertaken in 2016 which has been updated and reviewed during 2018. The published report has been structured to reflect the overarching road map to achieve the Company's vision which also informs a summary section including a statement of GHG emissions included within the Annual Report.

Telford Homes measures progress against its core set of objectives and targets and has again achieved strong performance in key metrics relating to customer satisfaction, health and safety and employee feedback, as well as good progress against environmental metrics.

The progress against its peer group has been further endorsed by the external recognition from the NextGeneration Initiative, whereby the 2017 ranking of 6th has improved to 4th and receipt of a Gold Level award.

Based on the agreed scope of work and the approach outlined above, nothing has come to our attention that causes us not to believe that, in all material respects, the Telford Homes' Sustainability Report 2019 provides a credible and fair representation of the organisation's sustainability performance and reporting of:

- Scope 1, 2 and 3 emissions;
- Intensity metric – tCO₂e per FTE.

Areas for Improvement

RPS recommends that to further improve its reporting, Telford Homes should:

- Continue to work with the SCSS to proactively engage with its subcontractors;
- Further embed the systematic management of its operations through working towards ISO9001:2015 and continued certification to ISO14001:2015 and BS OHSAS 18001:2007;
- Continue to refine its approach to calculating its performance measures and targets in order to promote comparability across its reporting and particularly with its peers;

- Develop and embed a GHG Accounting Protocol detailing process and assumptions to be used to ensure the same process is employed year-on-year;
- Develop and embed Science Based Targets;
- Engage with suppliers to reduce embodied carbon from key materials and develop a tool to monitor embodied carbon emissions;
- Develop greater connectivity between monitoring and reporting dashboards.



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