

Corporate Social Responsibility Report 2006

“Meeting the needs of
the present without
compromising the ability
of future generations to
meet their own needs.”



Taylor Woodrow

What's inside



Front cover: Pen Y Waun, Toneyrefrail, Wales.
Above: Manfield Grange, Northampton.

The contents of this report have been set out to reflect our business requirements and to provide meaningful information to our stakeholders. Where appropriate, we have followed the Global Reporting Initiative guidelines.

Our main achievements and areas for improvement have been summarised in the review of the year and in more detail within the body of the report. In general we have benchmarked our performance against previous year's figures. Where practicable, national benchmarks have been used for comparison. In some cases, financial data has been used to estimate environmental performance using conversion factors. In such cases, the measurements have been noted as estimated.

The Taylor Woodrow plc Board has reviewed and endorsed this report. It is our intention that future reports will be independently verified.

This is the fifth corporate social responsibility report produced by Taylor Woodrow plc. It covers all countries of operation and all business units. The report is for the year to 31 December 2006. The previous Taylor Woodrow Corporate Social Responsibility Report was published in August 2006 covering the year to 31 December 2005. It is our intention to publish further reports on an annual basis.

Throughout this report we use the term 'corporate social responsibility' (csr) to refer to our business approach embodying open and transparent business practices, ethical behaviour, respect for stakeholders and a commitment to add sustainable economic, social and environmental value.

Contents

| | | | |
|----|--|----|---------------------------|
| 01 | About us | 14 | Community building |
| 02 | Introduction from the Chief Executive | 18 | Sustainability |
| 05 | Review of the year | 22 | Environmental stewardship |
| 08 | Our approach to csr | 26 | Workplace |
| 08 | Governance structure and mandate | 26 | Health and Safety |
| 09 | Commitments to external initiatives | 29 | People |
| 09 | Stakeholder engagement | 32 | Marketplace |
| 11 | Management approach and performance indicators | 32 | Customers |
| 12 | Community and environment | 35 | Suppliers/contractors |
| 12 | Creating value for society | 38 | The future |
| | | 40 | What do you think of us? |

About us



We are one of the UK's leading homebuilders, committed to delivering excellent customer service and value. In the United States we operate in Arizona, California, Florida and Texas; we also build in Ontario in Canada. Our operations in Spain are focused on the Costa Blanca, Costa Del Sol and Mallorca; we also have developments in Gibraltar. In addition, we carry out construction activities in the UK and Ghana for repeat order and 'blue chip' clients, we are also active in facilities management and in healthcare PFIs.

Our primary business is the development of sustainable communities of high quality homes in the UK and selected markets in North America and Spain. Our expertise in land acquisition, sustainable home and community design, urban regeneration and the development of supporting infrastructure contributes to improving the quality of life in communities.

There are a number of CSR issues that are material to our business. They include:

- Sustainable development – long-term impacts arising from the communities that we help to develop, including energy efficiency of buildings, transport, meeting social and economic needs, urban regeneration and redevelopment of brownfield land;
- Health and Safety – a top priority for the development industry, as construction continues to be viewed as one of the highest risk occupations for workplace accidents;
- Environmental impacts – managing development activities in order to minimise the risk of pollution, waste and nuisance to neighbours;
- Employees – respecting the rights and diversity of employees, providing good conditions of work and equal opportunities, improving employee satisfaction and, through training and development, enhancing the intellectual capital of the company;
- Ethics – encouraging high standards of professionalism throughout the company and providing a framework to manage the risk of unethical behaviour;
- Relationships with customers – anticipating and satisfying customer needs and providing a high quality of customer service;
- Suppliers and partners – treating suppliers fairly and delivering enhanced value and environmental and social improvements in partnership with them;
- Community involvement – charitable giving, support for and active engagement with local communities through volunteering and other programmes – being a good neighbour;
- Engagement with communities, investors and other groups – listening and engaging with local communities and responding positively to requests for information and more in-depth engagement with a wide range of stakeholders.

You can learn a lot more about Taylor Woodrow, including our policies developed in response to the above issues, on our website www.taylorwoodrow.com

Introduction from the Chief Executive



Ian Smith, Chief Executive

Our aim is to be the homebuilder of choice. Our vision for corporate social responsibility is to create sustainable communities of high-quality homes where people can have a better quality of life without compromising that of others or future generations. We seek to enhance the built environment and create value for society and our stakeholders.

For us, sustainability and social issues are central to our business strategy. They colour and influence our activities as we strive to become an organisation that people wish to interact with, be they customers, investors, employees or suppliers.

Our values are:

Integrity – honesty, transparency and disclosure in everything we do. We pursue the highest standards of corporate governance.

We have an externally facilitated procedure – ‘Safecall’ – where employees can raise concerns, in confidence, about possible financial or other improprieties.

Respect – we respect all our stakeholders and earn their confidence through engagement and by accepting accountability for our activities.

Our development at Wichelstowe has been recognised by Government as a best practice

example for community consultation. As part of the planning process, we approached 80,000 people, held 22 workshops and developed a community website. The consultation is continuing post-planning with community liaison workshops and other initiatives.

Commitment – our commitment is to all of our stakeholders, both now and in the future. Our focus is increasingly on the sustainability of our operations and particularly the sustainability of the homes we build. We are passionate to be the best.

During 2006, we commenced work on Telford Millennium Community, a 35-hectare brownfield site. The site was formerly a colliery and is now a major regeneration project. Plans for the site include up to 800 sustainable, high-quality homes, at least 25 per cent of which will be affordable, and associated community, education and commercial facilities. The development,

Introduction from the Chief Executive continued

“I think the professional approach and caring nature of the team can make a difference. Every detail was made known. This was service, not only with a smile, but real involvement and was something which amazed us!”



A customer comment about our Woodland Mews development in Leicestershire, England.

due to launch in early 2007, is one of the seven Millennium Communities and the third involving Taylor Woodrow.

Delivery – quite simply, getting things done. Doing what it takes to deliver the highest possible standards of governance and service to our customers.

Customer research was commissioned as part of our product development process to ascertain our customers' views on EcoHomes, renewable energy and other sustainability issues. Further research will be carried out in 2007 and will inform our decisions on how to satisfy our customer needs.

We have made good progress this year, improving our performance on a wide range of csr issues:

- We contributed to the consultation process for the UK Government's draft Code for Sustainable Homes and held our first sustainability conference to raise this issue to the top of the company's priorities;
- Sustainable development is an area in which we excel. Stamford Brook, Altringham, is part of the National Trust's Dunham Massey estate and presents a major opportunity to promote the introduction of more sustainable features in volume homes development across the UK. The 650 new dwellings, to be built over a period of six years by Taylor Woodrow and our partners, will demonstrate high environmental performance standards. All homes at Stamford Brook will be highly efficient in their use of energy, water and building materials. There will be recycling opportunities and homes will be carefully constructed to optimise solar gain and thoughtfully designed to reflect the quality

and character of traditional homes in the local area. Wide green recreational spaces and a river corridor rich in wildlife will ensure Stamford Brook is a great place to live. With most homes achieving an EcoHomes 'excellent' rating, Stamford Brook can be enjoyed by generations to come;

- Sustainability and environmental issues are also becoming increasingly important in North America and we have a number of initiatives underway in our different regions. For instance, in Sarasota County, Florida, all new Taylor Woodrow projects within the County will voluntarily meet or exceed standards set by the Florida Green Building Coalition. They will reduce the environmental impact whilst adding value to the residential development and its homes;
- Our Urban Regeneration Programme continues to transform derelict and sometimes contaminated areas of land into desirable places to live. Grand Union Village, Northolt, is a £130m redevelopment of a 54-acre brownfield site in west London into a mixed use, sustainable urban village, set alongside the Grand Union Canal. Several phases are now complete and the first residents moved into the village in 2004. When complete, the development will provide 244 low cost homes (out of a total of 800 homes), as well as the new canal basin known as Engineer's Wharf. The Community Development Trust, set up and part-funded by Taylor Woodrow, is now actively involving residents in the creation and management of community facilities provided at the site;
- We have developed a reputation for delivering high-quality affordable housing (built for registered social landlords or as part of Key Worker programmes), making us a partner of choice for housing associations;

Introduction from the Chief Executive continued

Our strategic csr objectives for 2007 are:

Sustainability – to actively participate in shaping the debate on sustainability in the home-building sector and to be at the forefront of efforts to enhance the sustainability of the developments we build, through our commitment to the new Code for Sustainable Homes;

Management – to revitalise our strategy for csr and ensure it meets our business objectives and addresses our key risks and opportunities in the light of the changing regulatory environment and stakeholder needs;

Governance – to adopt progressive governance practices and proactively engage with all of our stakeholders. To enhance the effectiveness of our governance, we will be simplifying the structure of our csr improvement groups and revitalising the governing committee;

Health and Safety –

- To improve our safety performance through raising awareness, behavioural training, monitoring and incentivisation;
- To improve our management of occupational health by active engagement with our people;

People – to be the employer of choice and enhance the intellectual capital of the organisation through the development and training of our team, particularly in the field of corporate social responsibility;

Environment – to minimise our environmental impact and, where possible enhance the built environment and restore degraded land (adding value and reducing potential harm);

Creating value for society – to contribute actively to local communities and urban regeneration.

Affordable housing increased as a proportion of our business from 13 per cent in 2005 to 15 per cent in 2006;

- We closely monitor the environmental performance of our business and have a number of continual improvement initiatives underway. In particular, we have successfully reduced the average amount of construction waste generated for each UK home we build to 24.5m³ at a cost of £291 (2005: 30.3m³ and £351);
- We have a strong tradition of supporting local communities through voluntary projects and other means. In the UK, we continued our 'Building Futures' partnership with the children's charity, Barnado's. This partnership helps to fund skills and training programmes for disadvantaged young people to facilitate their entry into the jobs market. For example, a West Midlands team scaled the summits of Scafell Pike, Mount Snowdon and Ben Nevis, the highest mountains in England, Wales and Scotland respectively and raised £4,800. Our North America homes employees also give freely of their own time to help others. In Texas, team members raised more than \$50,000 in walks benefiting the Juvenile Diabetes Research Foundation and in Southern California more than \$25,000 was raised for HomeAid Orange County, to renovate shelters for the transitionally homeless men, women, and children in the community;
- Our people are a key strength of the business and their skills have once again been recognised in industry awards. Jerry Williams from our Construction business was named 'Project Manager of the Year' for the National Assembly for Wales at the Chartered Institute of Building awards. And 12 of our UK Housing site managers received NHBC 'Seal of Excellence' Awards,

with three winning 'Regional Awards' and going through to the overall UK final.

Whilst we have made good progress on Health and Safety in a number of areas, I am deeply saddened to report three fatalities that have occurred during our operations. Two of the deaths occurred during road construction activities in Ghana and the third occurred in Florida at a site pre-development phase and involved a third party surveyor. We are profoundly concerned by these tragic events and will redouble our efforts to minimise the risks on our sites.

In recent years our focus has been on codifying good practice so that it has become standard practice. For 2007, we intend to focus on specific areas that will deliver the maximum benefit for our key stakeholders.

We have established a number of strategic csr objectives, which are set out opposite.

We believe that addressing these objectives will improve our management of risk, open additional business opportunities and strengthen our ability to protect and enhance stakeholder value.



Ian Smith
Chief Executive
March 2007

Review of the year



John Watkin, Taylor Woodrow's Director of Technical Services on our approach to sustainability.

"Sustainability issues are becoming increasingly important to the home building industry. With our wealth of experience in building to EcoHomes standards, along with the expertise of our in-house team, we are well-positioned to demonstrate the sustainability performance of our homes and differentiate ourselves from the competition."

At the beginning of 2006, the business committed itself to a number of csr objectives. Each division then developed its own more detailed objectives and action plans; these are discussed in greater detail within the body of the report. A number of these csr objectives are used in incentive schemes throughout the business; one element of remuneration for Executive Committee members and other senior managers is based on our performance in respect of health and safety. The 2006 strategic objectives are set out below, along with a commentary on our overall performance.

Sustainability – to further our knowledge and understanding of sustainability and to continue to enhance the sustainability of the developments we build.

Our UK national technical team has been actively seeking solutions to enable all of our developments to achieve compliance with the new Code for Sustainable Homes. We already achieve Code level 3 (or equivalent) on a number of current developments. We have been working closely with the Homebuilders Federation (HBF) and English Partnerships in relation to the Code and other sustainability issues. We intend to take part in the recently

announced Government backed initiative, the Carbon Challenge, aimed at creating a number of near zero carbon developments commencing in 2008.

We have numerous examples of sustainable development practices including:

- Our Stamford Brook development is one of the largest demonstrator projects for energy efficient housing in the UK. It is a DTI sponsored 'Partners in Innovation Scheme' with Leeds University where our homes act as prototypes for the next Building Regulation Part L standards;

Review of the year continued



“Our new initiative will help us to identify potential health issues at an early stage and through any subsequent intervention.”

Amanda Brown, Taylor Woodrow's UK Occupational Health Manager on our sickness absence management initiative.

- Greenwich Millennium Village where we are partnering with English Partnerships and others to develop the first millennium community. Around 3,000 new homes are being built, 20 per cent to EcoHomes 'excellent', the first major development in the UK to achieve this rating. The project has become a beacon of sustainable development with stringent targets over the lifetime of the project including:
 - 80 per cent reduction in primary energy consumption;
 - 50 per cent reduction in embodied energy;
 - 50 per cent reduction in construction waste;
 - 30 per cent reduction in construction costs;
 - 25 per cent reduction in construction duration;
 - Zero defects at handover.

Safety – to improve safety performance through awareness raising, monitoring and incentivisation.

We have designed and commenced the delivery of an in-house behavioural safety-training programme. Underpinned by an eight-year licensing and approval relationship with IOSH (Europe's leading Health and Safety professional body) our training regime has been compiled in-house and uniquely carries full IOSH accreditation across the whole programme.

We have made good progress on Health and Safety in a number of areas. Our Group accident incident rate has fallen steadily over the last four years from 11.2 per 1,000 employed in 2002 to 7.8 per 1,000 employed in 2006. Nonetheless, we recognise that there remains room for meaningful improvement in our performance in this key area.

Health/people – to work towards a fully carded and qualified workforce. To continue to improve our management of occupational health.

Along with the Homebuilders Federation and Major Contractors Group, we support the Qualified Workforce Initiative (QWI) and Construction Skills Certification Scheme (CSCS). The proportion of team members and contractors that have CSCS cards is rising steadily with the latest survey recording our UK homes business with 71 per cent compliance and our UK Construction business approaching 90 per cent.

This year we introduced a new proactive sickness absence management initiative, which will improve the health of the company. An annual ongoing health promotion programme supports the initiative.

Environment – to improve waste management performance by striving to reduce both the quantity of waste and the relative cost of waste disposal.

We have made good progress in reducing both the quantity and cost of waste from our UK homebuilding operations. Volumes have reduced from 30.3m³ per home in 2005 to 24.5 m³ in 2006. Improved segregation has also allowed the cost of waste to fall despite increasing landfill charges; our 2006 cost per home was £291 (2005: £351).

Segregation of waste plasterboard for recycling has progressed significantly since the scheme was introduced in January 2002. In 2006, 5,277 tonnes of waste plasterboard (87 per cent) was segregated and returned for recycling. Prior to the introduction of this

Review of the year continued



Children at Bathgate Junior and Infant school, West Lothian, wearing the high-visibility, reflective armbands donated to every pupil by our Scottish team, as part of the 'Walk to School Week' initiative.

scheme, all plasterboard waste would have gone to landfill.

Our environmental performance is underpinned through training. In the UK we provide a core suite of three environmental training courses. In 2006, 459 employees attended these courses (2005: 343). Our homebuilding business pursued an objective for directors to have attended environmental training and, by the end of the year, 79 per cent had done so.

We are also investigating green tariffs – an initiative whereby the energy provider, EDF, pledges to purchase an equivalent amount of energy from renewable sources as that consumed in the green tariff. This initiative is under trial in three regions of our UK homebuilding business.

Community – to contribute actively to local communities through voluntary projects and other appropriate means.

We are always keen to contribute to and participate in the communities in which we are building. In October, our Scottish team, in conjunction with 'International Walk to School Week 2006', launched the 'Walk Safe' initiative. High-visibility, reflective armbands were donated to every pupil at primary schools local to our Larbert, Bathgate and Dunfermline developments. These armbands are an ideal way of improving the visibility of the children, which will help to keep them safe.

Following the successful pilot of 'Community on the Curriculum', Taylor Woodrow's nationwide school campaign continues to bring homebuilding into schools. During 2007, pupils in Scotland and the North West of England will have the opportunity to learn more about what it takes to create a sustainable community through a series of classroom challenges and site-based activities. Pupils at Muirhouse Primary School in Motherwell will take part in 'The Great Eco Challenge' campaign, which is designed to teach them to be more eco-friendly in the home and within the local community. At All Saints CE Primary School in Runcorn, year five pupils will take part in a 'Community in the Making' project designed to teach them some of the community aspects homebuilders consider when building new homes.

Our approach to csr

Our future positioning is:

Sustainability – we embrace the principles and aim to be at the forefront of developments in building sustainable communities. In particular, we are committed to gaining competitive advantage by delivering the requirements of the Code for Sustainable Homes in the most effective manner. We will provide our customers with relevant and comprehensive information to enable them to make informed decisions about their homes and lifestyles;

Management – we will incorporate csr into our strategy, systems and processes such that it becomes part of our normal business practices. Working ever more closely with our supply chain partners, we will strive for continual improvement and innovation in everything we do;

Governance – we will proactively engage with our stakeholders and provide accurate, comprehensive and transparent reporting;

Health and Safety – we will consolidate and improve on our standing as a leading exponent of Health and Safety;

People – we will work with our employees to enhance their understanding of sustainability issues and engage them in delivery of our csr agenda. We will invest in the intellectual capital of our business;

Environment – we will aim to enhance the built environment and restore degraded land;

Creating value for society – we will continue to align our business goals with those of society particularly in the fields of urban regeneration and affordable homes.

The company's affairs are conducted in the interests of shareholders, employees, local communities and customers as well as others affected by our activities. Our commitment both in principle and practice is for maximum transparency consistent with good governance and commercial confidentiality.

Our approach helps us to:

- Mitigate risk and identify potential opportunities;
- Demonstrate high standards of governance;
- Improve the overall management processes within our business;
- Attract, develop and retain high-calibre employees;
- Anticipate legislative changes and adapt our position to gain competitive advantage.

Governance structure and mandate

We address csr and sustainability issues in an open, inclusive and pro-actively responsible way. Our objective is the protection and enhancement of shareholder value.

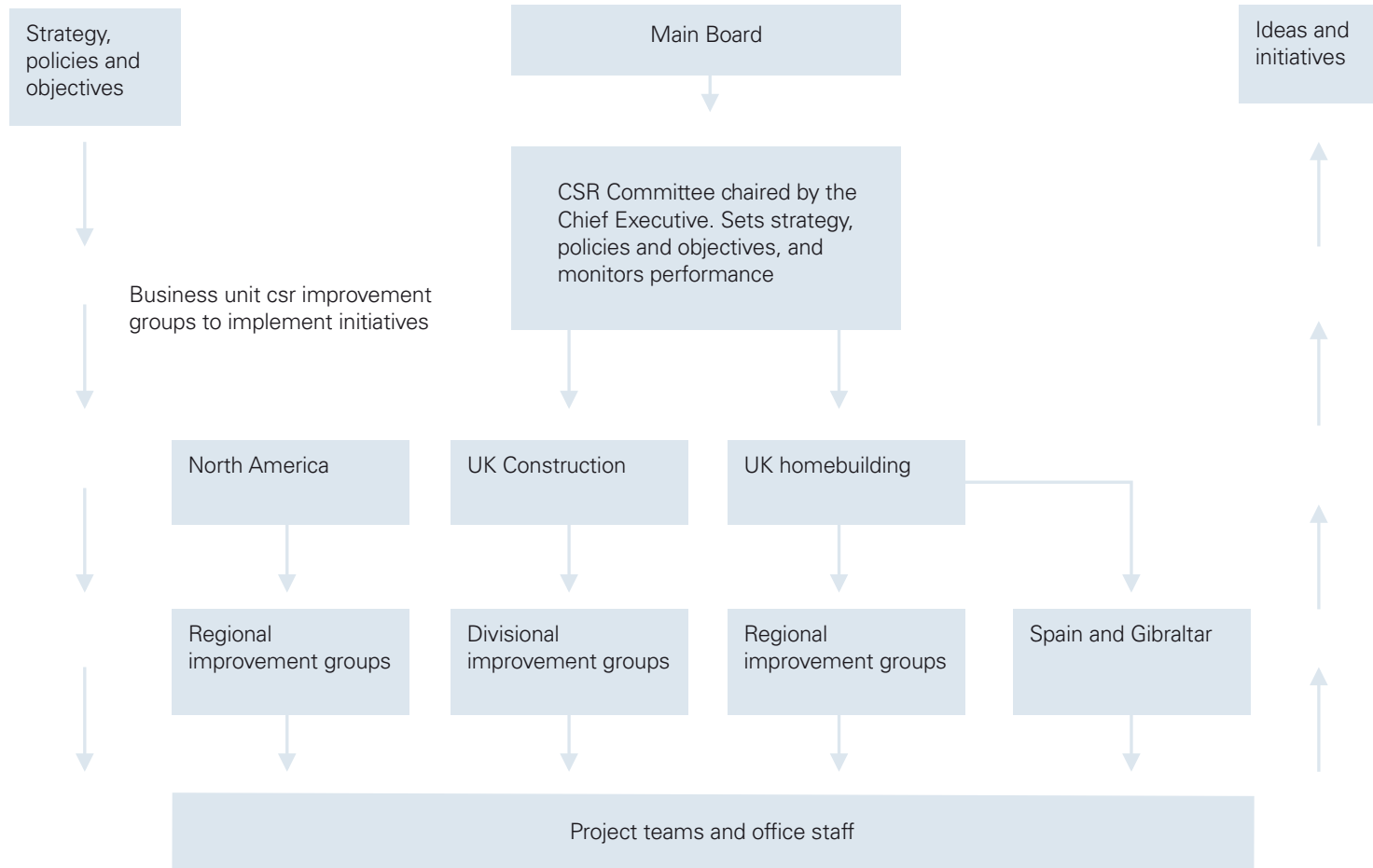
A rigorous risk management framework is at the heart of our management processes and helps to inform our approach to csr and sustainability. High-level risks and opportunities, including those associated

with csr issues such as climate change and sustainability, are reviewed on a monthly basis at executive and main Board meetings where commercial and other implications are assessed. Our Executive Risk Committee sponsors and oversees business responses to these risks and an independent Risk Management and Audit team conducts internal audits on key business functions.

We have a culture of continual improvement. Csr is driven both top down and bottom up. The main Board sets policy and objectives through the CSR Committee but also recognises that grass root initiatives are a valuable tool in driving performance improvement. Our bottom up csr improvement structure helps to promote sustainability and ensures it is high on the agenda for all employees, thus reinforcing csr as a key part of our company culture.

Our approach to csr continued

Csr continual improvement structure



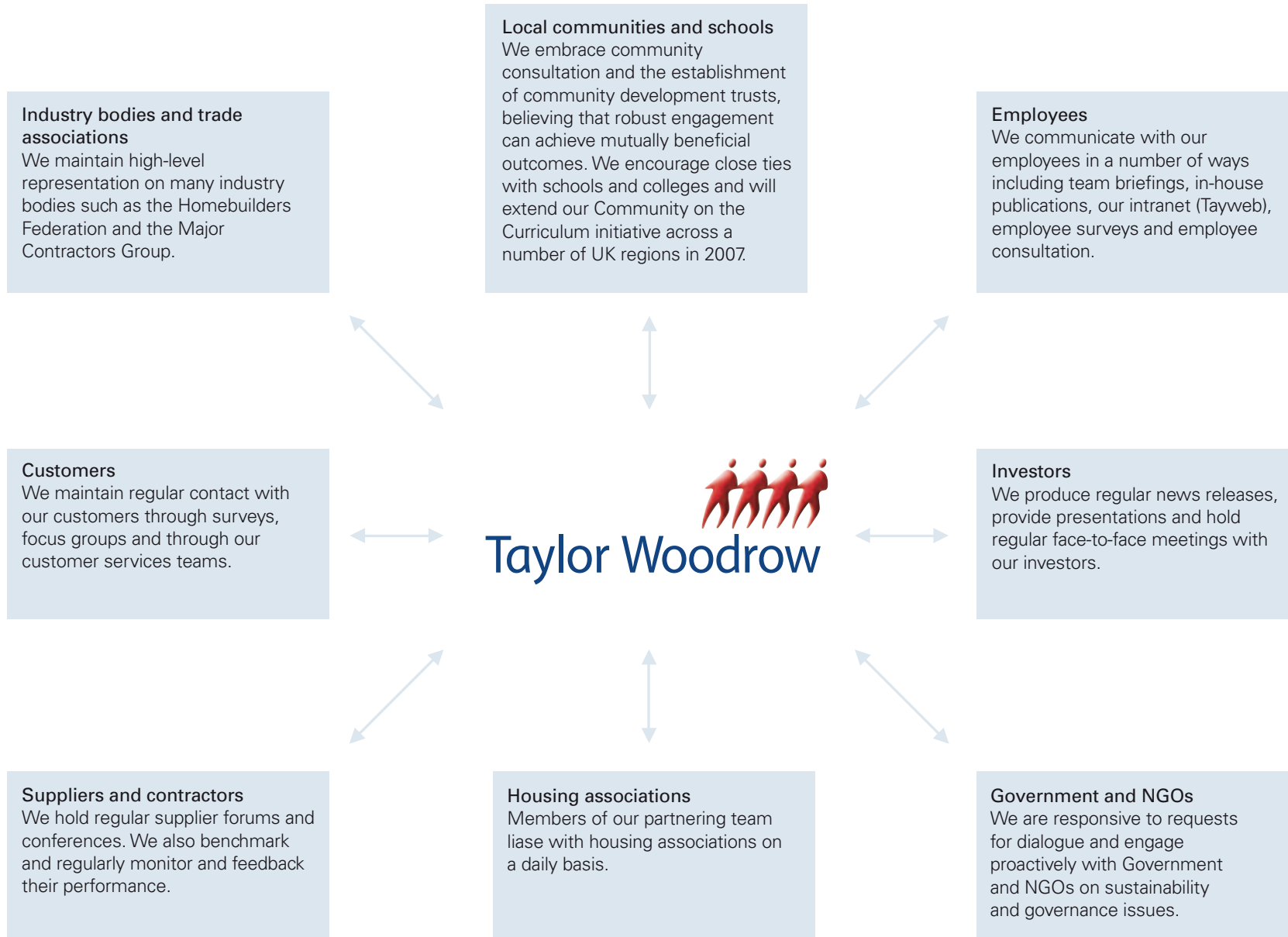
Commitments to external initiatives
Our csr credentials remain recognised by our inclusion in the FTSE4Good and Dow Jones Sustainability Indices.

Stakeholder engagement
We aim to be both a proactive and responsive organisation and engage in extensive debate and consultation with all of our stakeholders, on a wide range of business and sustainability issues. We actively participate with industry bodies, academic institutions, regulators and Government. We keep ourselves informed of developments in risk management and corporate governance and try at all times to listen and learn from others.

We maintain relationships with our shareholders in a number of ways: directly, through City analysts and by other means, including through news releases, presentations and regular meetings.

Insight Investment and WWF have adopted a leadership role for benchmarking companies in our sector. They did not carry out a sustainability survey in 2006 but have established the NextGeneration Partnership in which we actively participate.

Our approach to csr continued



Management approach and performance indicators

A rigorous risk management framework, covering financial, environmental, social and governance issues, is at the heart of our management processes.

We are committed to reducing greenhouse gas emissions from our homes and activities. We seek to enhance the built environment and recognise our responsibility to minimise the environmental impact of our operations.

We create value for society by building sustainable communities that can be enjoyed by generation after generation. We are committed to upholding our duties as a good corporate citizen for the greater benefit of the communities in which we operate.

We guide our customers through their home-buying journey and provide information and guidance on sustainable living.

We value and invest in our people, recognising their contribution to our business. We strive to be an attractive company for talented and motivated people in which high levels of personal and company performance will be recognised and rewarded.

We work as far as possible to understand the ethos and aspirations of our host countries and communities, respecting all applicable laws and customs.

Wherever we operate, the Health and Safety of our employees, suppliers and customers is paramount.

Our procurement policies and procedures guide our selection of sustainable materials and practices. To assist us we seek ever-closer working relationships with our supply chain.

Community and environment

Creating value for society



Above: Calders Green, Cheshire, England.

Below: Taylor Woodrow's UK central office in Solihull, West Midlands, England.



By the nature of our activities, we have a major impact on the local communities and environment in which we operate. We always aim to provide tangible and sustainable benefits and enhancements wherever we operate.

Key issues

Affordable homes

We have been leading the way for private developer provision of affordable homes (homes built for registered social landlords or as part of Key Worker programmes) in the UK, since becoming the first company to deliver affordable homes under the Government's £250m Starter Home Initiative. We were also the first to receive Housing Corporation accreditation for a national range of affordable housing designs. We have embraced the requirement to provide affordable housing, which now features on the majority of our developments. As a result, the proportion of affordable homes we produce continues to rise; 2004: 9 per cent, 2005: 13 per cent, and 2006: 15 per cent.

Our affordable housing developments are sought after by housing associations because of our reputation for delivering a quality product, indistinguishable from private sector homes. This reputation puts us in the fortunate

position of partnering only those housing associations that have a reputation for active, quality management.

Urban regeneration

Urban regeneration is a significant and growing part of our business, transforming areas of land that are derelict, and sometimes contaminated, into desirable places to live. Through development of brownfield land we preserve and regenerate the UK's scarce land resources and have a positive effect on the local environment and communities. During 2006, 63 per cent of the homes we completed in the UK and 21 per cent of our North America homes were built on brownfield land (2005 – 68 per cent and 17 per cent respectively). One aspect of regeneration is the clean up of contaminated sites in order that they can be used for residential and commercial uses; wherever possible we conduct these operations in a sustainable manner, recycling materials on site and supporting innovative remediation

Community and environment

Creating value for society



Above: Telford Millennium Community, Telford, Shropshire, England. The development is one of the seven Millennium Communities commissioned by English Partnerships.



Above: The Summit Collection at Shamrock Estates, Phoenix, Arizona, USA.

technologies that remove or make safe the contamination.

Performance

During 2006, we commenced work on Telford Millennium Community, a 35-hectare brownfield site. The site was formerly a colliery and is now a major regeneration project. Plans for the development include up to 800 sustainable, high-quality homes, at least 25 per cent of which will be affordable, and associated community, education and commercial facilities. The development is one of seven Millennium Communities identified by the Deputy Prime Minister, John Prescott, as part of the Millennium Communities programme, initiated by English Partnerships in 1997.

The Botanic, Manchester will comprise over 200 apartments, which are due to go on sale in early 2007. The development will boast innovatively designed homes integrated with mature tree areas. The Botanic is part of the New Islington Millennium Community, a 29-acre waterside site, just east of Manchester city centre, which is being radically transformed to a strategic and ambitious vision created by Will Alsop. The development, due to launch in early 2007 is also one of the seven Millennium Communities (Taylor Woodrow have an involvement in three out of seven of these communities).

Our Construction business also undertakes regeneration projects and is currently working with Sandwell Homes to deliver a five-year package of repairs and improvements to more than 30,000 homes across six towns in the West Midlands.

We have contributed to local communities through Section 106 agreements (community and local authority planning contributions) both by direct payment and also by carrying out infrastructure and other works for Local Authorities. We also construct affordable homes on the vast majority of our developments. Whilst we do not fully control the scale of Section 106 payments, as these are negotiated with local authorities, the projects to which the money is put have significant beneficial impacts on local communities. Our contributions have been used for a variety of uses such as education, sport and youth facilities, healthcare and other services, transport improvements and environmental projects.

KPIs targets and objectives

Affordable home completions

2006 – 1,277

2005 – 1,048

2004 – 782

Our 2007 objectives for urban regeneration and affordable homes are:

- We will collate information on our Section 106 payments to gain a full understanding of our commitments and contribution;
- We will continue to develop our affordable housing policy and maintain and enhance our commitment to urban regeneration and the restoration of degraded land.

Community and environment

Community building



Children celebrate the opening of a new play area at our Grand Union Village development in West London, England.

We are committed to:

- Being a responsible corporate citizen and serving the community by providing products and services efficiently and profitably, and by providing employment opportunities;
- Contributing to the economic well-being and social development of the communities where we conduct our business;
- Safeguarding and enhancing local environments within the communities in which we operate;
- Encouraging our people to participate in community and civic affairs.

Key issues

We aim to enhance the economic prosperity of the communities in which we operate through the employment of local people and suppliers wherever appropriate.

We provide the mechanism for all our employees to involve themselves in the local communities where they work, either through volunteer activities in local organisations and charities or by participating in local business groups and educational establishments in sharing knowledge and experience.

Performance

Community consultation

We embrace community consultation, believing that a robust engagement can achieve mutually beneficial outcomes. As trust evolves and the community has an informed understanding of the proposals and how they impact on their lives, a co-operative framework can be established for the discussion of planning related matters. In order to achieve a consistent approach in this key subject, we have developed community consultation best practice guidelines for use by our teams.

Community and environment

Community building



Our West Midland team in the UK celebrate their achievement at the Three Peaks Challenge which helped to raise £4,800.

Our development at Wichelstowe is designed to provide a highly sustainable community. 4,500 homes are being designed to EcoHomes 'very good' standard (225 to 'excellent' standard). The project has also been recognised by Government as a best practice development for community consultation. We approached 80,000 people, held 22 workshops, developed a website, and continue now, post-planning, with community liaison workshops etc. Wichelstowe is also in the Government and CABE (Commission for Architecture and the Built Environment) initiative for nine best practice Design Code exercises. Sustainable master planning and design is often under-appreciated as a sustainability issue, influencing the quality of life for residents now and in the future.

Community Development Trusts

We have been responsible for the management of commercial, retail, mixed use and purely residential estates for many years, and are leading the industry in establishing vehicles to take on the wider issues now relating to new developments. Our experience includes forming a number of community development trusts outsourcing the management and ceding the community areas and assets to third parties.

Taylor Woodrow established and part-funded the Community Development Trust at our Grand Union Village (GUV) development in Northolt. The Trust has enabled residents to become actively involved in the creation and management of community facilities provided at the site. The Prime Minister, Tony Blair, and the Mayor of London Ken Livingstone have applauded the development, Ken Livingstone said: "GUV is a model development, a template that I would urge other developers

to follow. It's a remarkable example of what can be done when we work together". The development was recognised with a Prince's Foundation Award in February 2007 for creating a community design that has helped to improve the quality of life for the people who live there.

Corporate giving

We believe that acting as a good corporate citizen is important to maintain the goodwill of communities and the morale of our people.

We have continued our 'Building Futures' partnership with the children's charity, Barnardo's. Our partnership began in 2004 and employees throughout the UK have continued to support the charity and raise funds for local Barnardo's projects. For example, a West Midlands team raised £4,800 by completing the Three Peaks Challenge. The team took to the hills and scaled the summits of Scafell Pike, Mount Snowdon and Ben Nevis, the highest mountains in England, Wales and Scotland respectively. In the North West, our team raised an impressive £20,000 at their inaugural Charity Sportsman's Dinner. Sub-contractors were invited to sponsor tables, and many of them generously supplied prizes for a raffle and an auction. The proceeds were split between Barnardo's and the specialist cancer hospital Christie's, Manchester. The 'Building Futures' partnership with Barnardo's helps to fund skills and training programmes for disadvantaged young people to facilitate their entry into the jobs market. The programme includes car mechanics, painting, decorating and bricklaying.

During 2006, our teams and a number of company events raised £37,447 (2005: £24,113).

Community and environment

Community building



Above: Team members from our Texas division in the USA raised more than \$50,000 in a sponsored walk benefiting the Juvenile Diabetes Research Foundation.

Below: Children from Llangewydd Junior School have been taking part in a photography competition as part of the school's 'Eco Week'.



In addition to our ongoing support to Barnado's, we continue to match charitable fund-raising efforts in the community by our teams across the UK through the 'Support the Team' programme. In 2006, these contributions totalled over £28,959 (2005: £35,918).

Our North America operations participated in a large number of community events, which have contributed over £135k to communities and charities in the US during 2006. Examples include:

- Team members from Texas raised more than \$50,000 in walks benefiting the Juvenile Diabetes Research Foundation. "We congratulate all of our team members who took time out of their busy lives to raise these funds and to participate in the walk" said Tim Howell, President of Texas operations. "Our Houston team can be proud that they are part of finding a cure for this devastating disease affecting the lives of so many children";
- Our team in Southern California raised more than \$25,000 for HomeAid Orange County, a non-profit organisation that helps to build and renovate shelters for the transitionally homeless men, women and children in the community;
- The Arizona division hosted an Easter Egg-stravaganza for residents of one of its communities, which was attended by over 100 residents with their children. More than 10,000 eggs were hidden with prizes including gift certificates, toys and bicycles.

During the year, group companies donated £198,000 (2005: £363,000) to various charities; £63,000 (2005: £96,000) in the UK and Europe and £135,000 (2005: £267,000) in North America.

Community support

In addition to financial support we also sustain communities by sharing expertise or knowledge; on many occasions this can bring benefits to both Taylor Woodrow and the local communities that we engage with.

Budding David Baileys at Llangewydd Junior School have been taking part in a photography competition run by Taylor Woodrow to encourage local children to capture images of the countryside around Bridgend. The competition formed part of the school's 'Eco Week' where the children learned about the environment, recycling, animals and even planted their own fruit and vegetable gardens. The winning team, Lewis Dunlop and Jack Evans, each won £25 worth of book vouchers. Mrs Davies, head teacher at Llangewydd Junior School said: "The children thoroughly enjoyed taking part in the photo competition which tied-in perfectly with our Eco Week. The book vouchers should come in handy for the new school year!"

A class of Key Stage 2 pupils from Stanbridge Lower School visited the Taylor Woodrow Technology Centre at Leighton Buzzard as part of National Science Week. The eager seven year olds brought their technology curriculum to life at our cladding technology centre (the largest in Europe), accompanied by their science teacher. Our Technology Centre is a state of the art materials testing facility, unique in the construction industry, which allows the company to add value and innovation through research.

On all our projects, we are working hard to be good neighbours. An example is the sponsorship of the 2007 Sheffield Children's Festival. Pupils from High Storrs School joined

Community and environment

Community building

Our 2007 objectives for community building are:

- We will continue to support charitable organisations both at corporate level and through our 'Support the Team' programme;
- We will further encourage our homes developments to register in the Considerate Constructors Scheme.
- All Construction sites with a value in excess of £5m will register for the scheme;
- We will roll-out our best practice guide to improve our activities in relation to community consultation;
- We will roll-out our Community on the Curriculum initiative in a number of our UK regions.

Councillor Mike Pye and Gerald Slack (a Director of Taylor Woodrow Construction) to celebrate the announcement. Taylor Woodrow Construction is leading the consortium, Paradigm, which was recently selected as the preferred bidder for the £320m Building Schools for the Future programme in the city. Councillor Pye said: "It is great news that Taylor Woodrow is showing its commitment to opportunities for children and young people by sponsoring the Sheffield Children's Festival, this year's festival is sure to be as big, bright and bold as ever. Not only does the event offer wonderful opportunities for the 25,000 children taking part, it also provides the city with a feast of entertainment and spectacle".

Our Construction business has been operating in Ghana since 1947. This year will see festivities to celebrate 200 years since the abolition of slavery, 50 years since Ghanaian independence and 60 years of our engagement with the country. We are the largest single infrastructure company in Ghana, having undertaken road, rail, healthcare, irrigation, water and sewage projects across the country. We have supported the growing tourism industry in Ghana where we have upgraded various facilities in the country's wildlife reserves; for example, the Mole airstrip and approach road were regraded and resurfaced to improve

visitor access. The local team have also been involved in sponsorship, training and development of Ghanaian students, both in Ghana and overseas.

Our Construction business has become an Associate Member of the Considerate Constructors Scheme and is committed to registering all of their construction sites. Sites registered with the scheme are monitored by experienced industry professionals to assess their performance. Three main areas are covered:

- Environment – working in an environmentally conscious, sustainable manner;
- Workforce – clean, appropriate facilities for the workforce;
- The public – a positive impact on those they affect.

In recognition of their 'good neighbour' activities, our Construction business was awarded two gold, one silver and two bronze awards in the 2006 Considerate Constructors Scheme. Our UK homes business also has a number of schemes registered.

Community and environment

Sustainability



All homes at our Greenwich Millennium Community are built to achieve the BRE EcoHomes rating of excellent and all non-residential buildings will be designed to BREEAM excellent principles. The development is one of seven Millennium Communities commissioned by English Partnerships.

More and better homes, built in the right place at the right cost, and of the right quality are vitally important to creating sustainable communities. Places where people want to live and work, now and in the future.

Key issues

There is now an overwhelming body of scientific evidence showing that climate change is a serious and urgent issue. Approximately one quarter of the UK's carbon dioxide emissions - a major cause of climate change - comes from the energy people use to heat, light and run their homes, so it is vital to ensure that homes are built in a way that minimises the use of energy and reduces these harmful emissions. Government policy and regulation, particularly the new Code for Sustainable Homes, will encourage a rapid move towards more sustainable development. With our in-house technical resources and wealth of experience in building to an EcoHomes standard and using modern methods of construction, we are well-placed to work with our partners in addressing this issue.

The Code for Sustainable Homes offers a tool for homebuilders to demonstrate the sustainability performance of their homes and to differentiate themselves from their competitors.

The sustainability agenda is becoming increasingly important in our US markets, where sustainability issues tend to be managed at local or regional level. Consequently our US business is responsive to the local needs of sensitive sites, particularly wetlands. Around a quarter of our developments in North America are built on 'brownfield' sites.

Performance

We held our first sustainability conference in 2006 and appointed sustainability champions who are experts in their particular fields of sustainability. These champions act as knowledge managers and share best practice for sustainability with others in our business.

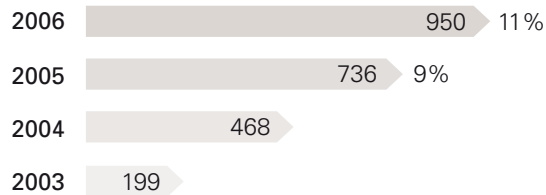
Community and environment

Sustainability



Our Stamford Brook development in Altrincham, Cheshire, England, is part the National Trust's Durham Massey Estate.

Number of units certified to an EcoHomes standard
(certified by an accredited EcoHomes assessor such as the NHBC, Taylor Woodrow Technology Centre or Cyril Sweet).



We also established a cross-functional working party to address sustainability issues and cascade initiatives in our UK homes business. In addition, our central technical team has been tasked with optimising the energy efficiency of our standard homes range, evaluating renewable energy sources and addressing other issues associated with the new Code for Sustainable Homes.

We actively engage with Government and industry bodies on sustainability issues. In particular, the managing director of our homes business is working with the Homebuilders Federation in developing the industry approach to the new Code for Sustainable Homes.

We are committed to continual improvement in the design and construction of new homes and enhancing the built environment for people who live in and near our new communities. Part of that commitment is our leading role in the deployment of Eco Homes – the environmental assessment method for homebuilding and refurbishment. In 2006, 950 of our homes were certified to EcoHomes standards representing 11 per cent of our total UK completions (2005: 736, 9 per cent).

Our in-house expertise includes sustainability specialists who have trained as EcoHomes, BREEAM (Building Research Establishment Environmental Assessment Method) and CEEQUAL (Civil Engineering Environmental Quality Assessment and Award Scheme) assessors. All have expertise in market-based sustainable engineering solutions. Our assessors give advice very early in the design process to help achieve target ratings and have developed tools and support processes to reduce risk and increase certainty of cost.

Examples include the National Assembly for Wales (BREEAM Excellent), Greenwich Millennium Village (EcoHomes Excellent) and the Green Building in Manchester (EcoHomes Excellent).

Stamford Brook is an exemplar sustainable community in Altrincham and forms part of the Dunham Massey estate owned and managed by the National Trust. The homes and apartments are built to high environmental standards and the development incorporates several major initiatives. Stamford Brook:

- Introduces a biodiversity initiative including a new landscape and wildlife corridor, with new woodland and the restoration of a river back to its historic setting on a wide meandering profile, which will create and encourage wildlife habitats to flourish;
- Ensures an holistic approach to sustainability with support and integration of the local community;
- Minimises energy and greenhouse gas emissions – working with Leeds Metropolitan University as a Partners In Innovation project on 2006 and 2010 Part L research;
- Develops a building envelope with a high level of insulation, free from cold bridging, with double lintels and zero conductivity wall ties;
- Substantially reduces air leakage from the homes;
- Encourages a healthier lifestyle through the provision of cycleways, woodland walks and greenways;
- Introduces water minimisation including working with our supply chain to provide a new, approved water efficient wc product;
- Raises materials standards including zero ozone depletion potential, low volatile organic compounds finishes, avoidance

Community and environment

Sustainability



The sustainability credentials of our business were recognised by a number of awards during 2006:

- RICS Wales Sustainability Award for the Welsh Assembly Building;
- Building Magazine Sustainable Building of the Year runner-up for the Welsh Assembly Building;

The Green Building at our Macintosh Village Development in Manchester, England. This ecological building is designed by Sir Terry Farrell and features 32 apartments.

- Civic Trust Sustainability Award for the Green Building, Manchester;
- Leading European Architects Forum (LEAF) award for the best environmentally sustainable project – the Green Building, Manchester.

of pvc in wiring and ducting, use of low formaldehyde chipboard, MDF, OSB and timber from accredited sources;

- Will establish a community trust, which allows each household to be involved in management of the area.

Stamford Brook demonstrates that volume house builders can spearhead more sustainable living and effectively use research and development to influence key initiatives involving energy efficiency, reducing CO₂, water minimisation, improved materials standards, waste reduction and building a new community which will last over many decades.

During 2006, we carried out a detailed review of renewable energy technology particularly on our own projects:

- Photovoltaic panels on the Earth Centre and Newcastle Great Park;
- Solar thermal heating on the Green Building, Macintosh Village and Newcastle Great Park;
- Combined Heat and Power at Greenwich Millennium Village;
- Biomass at the National Assembly of Wales and the Earth Centre;
- Wind energy at the Green Building;
- Ground source heat pumps at the National Assembly of Wales;
- Heat sink at the Earth Centre.

A target to meet 10 per cent of the energy demand using renewable energy will be reached at our Grand Union Village Phase 11 development through the use of solar thermal heating.

One indicator of energy efficiency of UK homes is the SAP (Standard Assessment Procedure) rating, a measure of the space heating and hot water requirements for building, stated on a scale of 0 (lowest) to

120 (highest). Our average SAP rating for 2006 was 97, one of the highest in the homebuilding sector (2005: 98).

We promote household recycling through the provision of internal recycling bins in all households on many of our developments such as Greenwich Millennium Village, Grand Union Village and Stamford Brook.

In addition, we actively promote water reduction and replenishment initiatives such as:

- Rainwater harvesting at Colchester Garrison, Bletchley Park and Stevenage Phase 2;
- Greywater recycling at the National Assembly Building in Wales;
- Sustainable Urban Drainage Systems (SUDS) at South West Warwick, Petersfield and Park Prewett, Basingstoke.

The average internal potable water consumption on our developments is currently 125 litres per person per day.

Sustainability and environmental issues are becoming increasingly important in North America. All our new projects within Sarasota County, Florida, will voluntarily meet or exceed standards set by the Florida Green Building Coalition. The essential elements of green building are in the conservation of energy, providing ways to consume less water, the re-use of storm water, improvement of air quality, and increasing the durability of homes. As a result, our customers gain from a measurable reduction in the cost of operation.

Our Sarasota projects will provide for the permanent preservation of natural indigenous habitats, and wetland buffers. All new landscaping in common areas and around the homes will feature native, drought resistant landscape materials, avoiding exotic species.

Community and environment

Sustainability

Our 2007 objectives for sustainability are:

- We will continue to research and introduce modern methods of construction;
- SAP - For 2007, our average target is 79 out of 100; for 2008, this target will increase to 80;
- Water - we will design our homes to reduce the internal potable water consumption to below 120 litres per person per day over a two-year timeframe;
- We will review our performance in respect of the introduction of SUDS;
- We will continue to review renewable energy technologies to enhance our knowledge and enable us to make appropriate choices for our customers and the environment;
- We have developed and will utilise a Sustainability Toolkit to benchmark all of our homes against the Code for Sustainable Homes;



- Carbon Challenge – we intend to take part in the Government ‘Carbon Challenge’ which has been launched to accelerate the housebuilding industry’s response to climate change;
- We will reduce greenhouse gas emissions both from the homes we build and from our activities;
- We will continue to promote environmental good practice in all of our offices.

Above: Founders Club, Sarasota, Florida, USA.

The ‘walk-ability’ of the site is enhanced through pedestrian and bike trails, wider sidewalks, a central location of community amenities, and access to public transportation.

We support building techniques using modern methods of construction (mmc). In addition to reducing build programmes, use of mmc such as timber-frame or other pre-fabricated building components, reduces waste and CO₂ emissions in the construction and transportation processes. One example is Higher Broughton in Salford. Higher Broughton forms part of the Government ‘Pathfinder’ Scheme for the urban regeneration of Salford in Greater Manchester. The aim of the scheme is to replace dilapidated terraced houses with a new environment that includes the construction of around 600 homes and apartments along with office and retail space and a community hub. For part of the scheme our Construction business used a ‘volumetric’ system to build the homes. Its unique ‘pods’ are manufactured and assembled in a factory prior to delivery and erection on site. Erection of the pre-fabricated components took just seven days helping to improve quality and alleviate problems with skilled labour shortages. The scheme proved to be extremely cost effective and almost eliminated waste on site.

The innovation and engineering expertise in our Construction business provides research and development services covering the entire built environment. New initiatives include exploring the wider application of off-site manufacturing techniques to reduce waste as well as supporting its sustainability objectives, which include achieving 25 per cent of its build off-site in 2007. In addition, we will deliver two demonstrator projects involving schools and affordable housing as a partner of Manubuild. This is a part-funded EU initiative, which promotes a radical shift from ‘craft and resource based construction’ towards ‘open building manufacturing’, using manufactured components from the open market and assembling them efficiently on site.

Community and environment

Environmental stewardship

A site worker transporting segregated plasterboard ready for recycling.



We take a pro-active and balanced approach to managing our business activities in an environmentally responsible way. We are committed to:

- Continual improvement in our environmental performance;
- Raising environmental awareness throughout the company;
- Developing a culture in which protection of the environment is a common objective shared with clients, contractors, suppliers and partners, and the communities in which we operate;
- Complying with all applicable environmental legislation in the territories in which we operate;
- Reporting our environmental performance on an annual basis.

Key issues

We maintain a good record in environmental management. All UK development and Construction sites operate environmental management plans, which follow the principles of BS EN ISO 14001 and commit us to best practice air and water pollution controls. The plans used on housing sites are simplified versions of those used on Construction sites, which are accredited to ISO 14001. Any incidents are recorded, fed

back into our risk management procedures and used as learning opportunities.

For our waste reduction programme in the UK, our homebuilding business uses Wastefile on all developments and our Construction business uses the BRE waste-monitoring tool, SMARTStart on all major projects. Both of these approaches provide waste management information that is used to set and monitor targets for waste reduction.

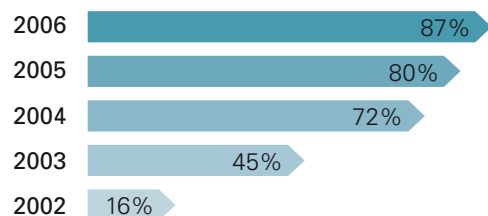
Community and environment

Environmental stewardship

Waste management

| | 2006 | 2005 | 2004 | 2003 |
|-------------------------|------|------|-------|-------|
| m ³ per home | 24.5 | 30.3 | 31.4 | 36.2 |
| Tonnes per home | 4.70 | 6.57 | 10.15 | 12.80 |
| Waste cost per home | 291 | 351 | 422 | 513 |

Estimated percentage of plasterboard waste segregated for recycling



A case study on our plasterboard programme has been published by Article 13 on behalf of the Confederation of British Industry www.article13.com

UK environmental incidents and regulatory interventions

| | 2006 | 2005 | 2004 | 2003 | 2002 |
|--|------|------|------|------|------|
| Environmental prosecutions | 1 | 0 | 1 | 0 | 0 |
| Environmental notices | 1 | 8 | 4 | 6 | 4 |
| Environmental incidents/non-conformances | 17 | 21 | 8 | 8 | 6 |

Performance and KPIs

Many of our developments add value by restoring degraded land. One example is in Salisbury at our Netherhampton Road development, which had previously been contaminated with chromium and other chemicals from previous manufacturing operations. Working with WSP Remediation, in-situ reduction of chromium and other contaminants in the chalk aquifer below the site was achieved using a combination of chemical and biological agents. Molasses (sugar) was introduced into the groundwater to convert the chromium to a safer form then ferrous sulphate was used to limit migration of the contamination. This was the first large-scale chromium reduction project in the UK and resulted in a dramatic success in reducing hexavalent chromium concentrations in the chalk aquifer below the site to safe levels.

Environmental impact

Whilst we maintain a very good record for environmental compliance, in 2005, at a project in Clapham, London, we received a Section 60 notice for a roadsweeper operating before normal working hours and a prosecution followed in 2006. On all of our projects, we go to great lengths to manage noise and to communicate with our neighbours. In this case we did not meet our own high standards and, following the incident, we have reinforced to all of our

project teams the importance of continuing to be vigilant in managing this and other environmental issues.

Waste – UK homebuilding

We constantly monitor and reduce waste generated from our business operations. The charts on this page illustrate the continual improvement achieved by the UK homes business in waste reduction and plasterboard recycling. Waste volumes from UK homebuilding have reduced by 19 per cent compared with 2005. Improved segregation has also allowed the cost of waste to fall despite increasing landfill charges.

Our improved management of waste is saving nearly £2m pa compared to three years ago, and we sent 67,000 fewer tonnes of waste to landfill in 2006 than in 2003.

Segregation of waste plasterboard for recycling has progressed significantly since the scheme was introduced in January 2002. In 2006, 5,277 tonnes of waste plasterboard was segregated and returned for recycling. Prior to the introduction of this scheme, all plasterboard waste would have gone to landfill.

Community and environment

Environmental stewardship



Residents on our Grand Union Village development are encouraged to use public transport and can hire cars for short periods from the CityCarClub, reducing the need to own their own vehicles.

We are working with the Waste and Resources Action Programme (WRAP) on a number of initiatives to exploit the commercial benefits of resource efficiency:

- A number of our developments in the East Midlands were used as examples of good practice for segregating and recycling construction waste in conjunction with the Envirocentre;
- Zero Net Waste – a project funded by WRAP and led by Cyril Sweet;
- Measuring Net Waste and Neutrality – WRAP funded research by Davis Langdon Management.

Taylor Woodrow Engineering is also leading plasterboard waste recycling research:

- Plasterboard waste prevention study – funded by Envirowise;
- Operational trials to capture plasterboard and gypsum waste – funded by WRAP;
- Demonstration projects – funded by WRAP.

Transport is one of the major sustainability issues in the UK. We participate in providing transport solutions in a number of ways, for example, through funding of new bus services at Newcastle Great Park and encouraging the CityCarClub at Grand Union Village, where residents can hire cars for short periods of time, reducing the need to own their own vehicles. We have also introduced a green travel plan at our Harbour Reach development in Poole and introduced homeworking facilities in all homes at Stamford Brook to reduce the need for travel.

We are also addressing transport issues in our own activities by promoting the use of technologies such as video-conferencing and encouraging more flexible working arrangements. Through these innovations, we have been able to make significant reductions in business mileage. Our data highlights the improvements over the past eight years.

UK company car mileage

| | Mileage | Mileage per £m turnover |
|------|------------|----------------------------|
| 2006 | 11,809,686 | 5,112 |
| 2005 | 13,512,519 | 6,010 |
| 2004 | 17,571,439 | 7,411 |
| 2003 | 15,260,425 | 9,689 |
| 2002 | 16,073,461 | 10,265 |
| 2001 | 13,847,833 | 9,941 |
| 2000 | 14,086,782 | 17,475 |
| 1999 | 17,067,711 | 18,698 |
| 1998 | 15,884,139 | 17,524 |

Community and environment

Environmental stewardship

Our 2007 objectives for environmental stewardship are:

- We will target 90 per cent of our plasterboard waste to be segregated and recycled on our homes developments. Our Construction sites will segregate and recycle plasterboard where more than 2 tonnes is used on the site;
- We will continue to work with the Waste and Resources Action Programme (WRAP) on initiatives to exploit the commercial benefits of resource efficiency;
- Waste benchmarks for UK homes are:
 - Volume 24.9m³ (32.5 cu yds) per home;
 - Cost £339 per home;

- Construction sites with a value in excess of £5m will segregate waste using SMARTStart;
- We will reduce UK business mileage as a proportion of turnover (both homes and Construction);
- We will reduce CO₂ emissions from our use of energy in the UK;
- We aim to provide environmental training for all of our senior management team;
- We will review our car policies and business processes to seek ways to reduce the carbon footprint of our transport activities;
- Our Construction business will target successful outcomes to all third party audits of their environmental management system;
- We will maintain our zero tolerance approach towards environmental pollution prosecutions.

Whilst the main contribution that homebuilders can make towards mitigating the effects of climate change is through improving the energy efficiency of the homes we build, we also produce CO₂ as part of our operations. It is our policy to endeavour to minimise our energy consumption and hence limit greenhouse gas emission and the rate of depletion of natural resources.

Environmental issues are becoming increasingly important in North America and we have a number of initiatives underway in our different regions. For instance, our Florida business has implemented a recycling programme at its Palma Sola Trace community, which has successfully increased the amount of waste material that is recycled or re-used.

Electricity and diesel are used during the construction process whilst electricity and gas are used in our offices and show homes. The company vehicle fleet comprises 923 cars and 190 vans of which 787 are diesel and 326 petrol. A further 1,169 employees receive car allowances.

Estimated CO₂ emissions from use of energy in the UK (tonnes)

| | 2006 | 2005 | 2004 | 2003 |
|------------------------|---------------|---------------|---------------|---------------|
| Electricity* | 5,977 | 7,927 | 14,957 | 13,250 |
| Gas* | 2,393 | 2,876 | 3,866 | 3,739 |
| Diesel* | 6,705 | 5,030 | 4,330 | 30,057 |
| Company cars and vans* | 3,959 | 4,571 | 6,065 | 4,224 |
| Totals | 19,034 | 20,204 | 29,218 | 51,270 |

*Estimated by multiplying our energy and other costs by appropriate conversion factors.

Workplace Health and Safety

The Health and Safety Executive (HSE) and Constructing Excellence have published case studies on their websites, highlighting our management approach to Health and Safety as an exemplar.



[www.constructingexcellence.org.uk//resources/publications/view.jsp?id=2632](http://www.constructingexcellence.org.uk/resources/publications/view.jsp?id=2632)

www.hse.gov.uk/businessbenefits/casestudy.htm

We promote a positive safety culture, supporting the development of skills and knowledge, providing a framework for the management of safety and monitoring our performance.

UK activities are supported by a specialist team of independent, in-house safety advisers who conduct regular and detailed inspections and audits of our projects to provide guidance and advice to our site and other teams. We also carry out a series of site safety inspections by senior managers and directors of the business, which identify areas of good practice and areas in need of improvement. Where deficiencies are identified, an action plan is agreed with the site manager and implemented. Site safety and project performance is linked to bonus schemes for site and senior managers.

In North America, we conduct independent Health and Safety audits of all developments twice a year and set continuous improvement targets.

Our Spanish business has achieved certification to the occupational Health and Safety management standard 18001. The standard has been successfully audited by

Lloyds Register and is being promoted to our contractors and suppliers.

Key issues

In recognition that a blend of knowledge, process and skills matched with behavioural safety training is needed to sustain energy and commitment over a prolonged period, we have designed an in-house behavioural safety-training programme. To be truly effective, it is vital that the management team from CEO down act as role models to ensure our corporate commitment is fully and effectively cascaded through the organisation. Underpinned by an eight-year licensing and approval relationship with IOSH (Europe's leading Health and Safety professional body) our training regime has been compiled in-house and uniquely carries full IOSH accreditation across the whole programme.

Workplace Health and Safety

Site work at our Calders Green Development in Cheshire, England.



UK regulatory interventions

| HSE | 2006 | 2005 | 2004 |
|----------------------|------|------|------|
| Prosecutions | 0 | 0 | 1 |
| Prohibition notices | 2 | 3 | 3 |
| Improvement notices | 0 | 2 | 3 |
| Letters of complaint | 1 | 4 | 4 |

North America statistics (including Canada)

| | | | |
|--|---|----|----|
| Legal actions (prosecutions) | 0 | 0 | 0 |
| Enforcement actions (prohibition notices) | 9 | 7 | 11 |
| Hazardous conditions (improvement notices) | 5 | 14 | 21 |

Performance

Our 'Total Safety' management system underpins our commitment to provide a safe and healthy workplace for our employees, both direct and indirect. It has been uniquely selected by 'Constructing Excellence' and CITB Construction Skills as demonstrating industry best practice. In addition, the Institution of Chartered Civil Engineers (ICE) has adopted our safety management system for use as a best practice training medium, accessible to all ICE members.

In 2006, our UK homes and Construction businesses each received gold awards from the Royal Society for the Prevention of Accidents.

Monitoring/continual improvement

We believe that our overall safety performance management systems and procedures are second to none and that our overall record in terms of incidents and interventions by regulatory bodies is good. However, building activities by their nature are potentially dangerous and we have been unable to achieve an improvement in the company's overall accident frequency rate which has remained unchanged at 0.34 accidents per 100,000 man hours worked.

KPIs targets and objectives

Within UK homes, a Health and Safety performance target is set annually in the form of a Safety Index score to be achieved. This index score is assessed from the results of both inspections and management audits undertaken within the business and ranges from one to five. All sections of the business are challenged to achieve an index score of three or more. Each year the matrix from which the index is derived is reviewed to

make it more challenging. This, along with the process of continual improvement incorporated into both the inspection and audit system, ensures the business encourages improvement each year. For 2006, we achieved a safety index score of five.

To support our drive for improvement, each division of the business defines objectives and targets that are more specific to their operations.

UK regulatory interventions

One prohibition notice related to our Canal View development in Manchester concerning inadequate fall protection in stairwells; the other to our Stone Court site in Sussex and was for an unprotected balcony and for working on an incomplete scaffold. In both cases, immediate action was taken to rectify the defects and full investigations carried out. As a result of these investigations, our management processes were reinforced and further training carried out with the relevant contractors to ensure that no similar incidents re-occurred.

In North America, the results of our 2006 audits were very good with average scores achieved of 93 per cent compared with a target score of 88 per cent. Training remains a key theme and this has contributed to the improvement in Health and Safety performance throughout the year.

Details of the enforcement actions and hazardous conditions notices are reported to the North America Executive Committee each month. All of the enforcement actions come from our business in Toronto, Canada and relate to non-compliance with Canadian

Workplace Health and Safety

Our 2007 objectives for Health and Safety are:

- Our UK safety index target for 2007 is 3 or above. For our homes business this represents a safety inspection score of 76-77 and a management audit score of 140-144. For our Construction business the figures are 80-81 and 145-149;
- We will register with the HSE Corporate Health and Safety Performance Index and provide benchmarking information from the beginning of 2006 onwards;

- We will maintain our zero tolerance approach to accidents with an objective to continually reduce our accident incident rates;
- We will seek to improve the safety of our workforce by rolling out behavioural training across the UK;
- Our target for North America Health and Safety audit scores is 88 per cent.

Health and Safety regulations as identified by on-site inspectors, such as the failure to wear appropriate protective equipment and visibility of hazard signage and are immediately rectified with minimal disruption to the build programme. Across North America, we continually work with our sub-contractors to improve their awareness and compliance with Health and Safety regulations and our record of incidents is low.

In North America we issue hazardous condition reports wherever we observe unsafe practices being carried out by our sub-contractors. The increase in these notices reflects the improvements in education of our site supervisors and an increasing intolerance to customs and practices that would previously have been considered 'the norm', such as the failure to properly secure ladders.

Where our Construction business operates in Ghana, we are recognised as setting the standard in the country by applying UK levels of Health and Safety management on all sites.

Despite our best efforts, incidents related to our business activities resulted in three fatalities, two in Ghana and one in Florida. In Ghana, both deaths occurred on our Nsawam Road project. The accidents were rigorously investigated and led to revised highways policies and procedures. All employees of the projects were given additional training to reduce the risk of similar incidents. In Florida, a self-supervised surveyor, working for one of our technical advisors, electrocuted himself whilst clearing bamboo, directly adjacent to the boundaries of a property that was in the early stages of being developed for home construction. A full series of investigations was carried out by the police, Health and Safety inspectors, the insurance firm involved as well as the surveyor's employer. At no stage was Taylor Woodrow found to be at fault with regard to its management or supervision of the site. Whilst these fatalities are profoundly regrettable, we are satisfied that there are no implications regarding our operational or management processes.

UK health and safety training statistics

| | 2006 | 2005 | 2004 | 2003 |
|--|-------|-------|-------|-------|
| Total training days | 4,555 | 4,439 | 4,886 | 2,621 |
| Delegates receiving Health and Safety training | 3,913 | 3,954 | 3,104 | 3,695 |

Taylor Woodrow Accident Incident Rates

| Per 1,000 persons on site 12 month rolling average | 2006 | 2005 | 2004 | 2003 | 2002 |
|---|------|------|------|------|------|
| Homebuilding UK | 12.1 | 9.9 | 10.6 | 13.2 | 13.6 |
| Construction UK | 10.8 | 11.0 | 12.4 | 10.4 | 11.7 |
| North America | 3.2 | 3.4 | 5.4 | 5.1 | 5.8 |
| Group worldwide | 7.8 | 7.8 | 9.3 | 10.4 | 11.2 |
| Fatalities worldwide | 3 | 0 | 1 | 3 | 0 |

The equivalent figure for the Major Contractors Group is 7.56 per 1,000 (annual rolling average to September 2006), and for the HSE (2005/6 construction) 9.42 per 1,000. The Homebuilders Federation does not have figures available.

Workplace People

The quality of our people has been recognised by a number of industry awards including:

- CIOB Construction Manager of the Year 2006 – Jerry Williams;
- NHBC Pride in the Job Supreme award 2006 & 2007 – Steve Vorres;
- NHBC Pride in the Job awards – 12 UK housing site managers received 'seal of excellence' awards, with three winning regional awards and going through to the overall UK final.



At Taylor Woodrow our employees are the key to our current and future performance.

Our employees are the key to our current and future performance. Our goal is to develop and retain team members who are technically excellent, safety conscious, customer-focused, comfortable with collaboration and success orientated.

Policy/strategy

As a leading employer we provide an excellent range of benefits for our people. We provide extensive training opportunities through our employee review process and make a number of options available to promote personal performance and development.

We are committed to:

- Employees' freedom of association as a right;
- Employees being free from discrimination;
- Ensuring safe and healthy working conditions for all employees;
- Adhering to all local laws and customs;
- Ensuring a right to peaceful co-existence by demonstrating consideration of our neighbours.

Key issues

Along with the Homebuilders Federation (HBF) and Major Contractors Group (MCG), we support the Qualified Workforce Initiative (QWI) and Construction Skills Certification Scheme (CSCS). The proportion of team members and contractors that have CSCS cards is rising steadily. Our Construction division introduced mandatory possession of CSCS cards on all UK sites from January 2007. The homebuilding business is targeting the end of 2007 for full compliance. The compliance figures from the October 2006 audit of CSCS card holding are: homes 62 per cent (the average for the HBF was 49 per cent) and Construction 74 per cent (the average for the MCG was 80 per cent). The January 2007 figures were 71 per cent for homes (the highest scoring company within the HBF which had an average compliance of 54 per cent) and nearly 90 per cent for Construction.

Workplace People



Above: Robert Rodney, Senior Site Manager from the London region, was one of our NHBC Pride in the Job Quality Award Winners for his achievements at our Grand Union Village development, Northolt.

Below: Steve Vorres, Project Director at Taylor Woodrow, received one of the industry's top accolades when the NHBC awarded him the UK Supreme Award for his management of our Victoria Wharf development in Cardiff, Wales.



Performance

We are addressing the skills shortage in our industry in a number of ways, including graduate, sponsored student and apprenticeship schemes. This year we increased the number of students on our sponsored students scheme to 73. Students on our sponsored student scheme each benefit from an annual bursary towards their studies and paid work experience either during their summer vacation or as part of a sandwich course. We intend to recruit a further 30 new sponsored students each year.

The Group's whistleblowing policy is supported in the UK by an externally facilitated procedure – 'Safecall' – through which employees of the company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. 'Safecall' is widely publicised within the company. During 2006, 22 calls were made to 'Safecall', covering issues including allegations of inappropriate personal behaviours in the workplace and other operational matters. The Head of Risk Management and Audit investigated all allegations and the closure and outcomes were reported to the Audit Committee.

We are also enhancing the skills of our current employees using a wide variety of training delivery mechanisms. For example, 122 of our UK homes site and assistant site managers are currently studying for NVQs on a Site Management Development Programme delivered by the NHBC. All of our site and assistant site managers will be offered this training package. Another example is in our UK Construction business where 40 of our

team will join a Construction Management NVQ this year, again delivered by the NHBC.

Pre-employment health screening for all new employees ensures the correct health and job match and also makes sure that any potential health issues are identified and managed at the earliest opportunity. The net effect is to help reduce accidents, sickness absence and lost productivity. In 2007, a new proactive sickness absence initiative will further improve the health of the company, supported by an annual on-going health promotion programme. We also carry out checks to ensure that potential employees have a legal right to work in the UK.

Diversity

Taylor Woodrow is committed to capitalising on the added value that diversity brings and considers discrimination in the workplace on the basis of age, gender, disability, religion, ethnic origin and sexual orientation to be totally unacceptable.

We undertake regular employee surveys and benchmark the responses against both previous results and industry standards. Our 2006 survey showed that 79 per cent of our employees would recommend Taylor Woodrow to others as a good place to work, an improvement on the 2004 figure, which was 74 per cent. In the UK in 2007, there will be a drill-down and focus on specific business areas in need of greater employee insight e.g. scope for brand effectiveness and 'Safecall'.

We are committed to keeping our employees informed of developments within the business. Internal communication methods include weekly news bulletins, regular team

The 2007 objectives for our team:

- We will seek to improve the health of our people through a series of occupational health campaigns during 2007 e.g. healthy eating;
- Employee surveys - in the UK in 2007, there will be a drill-down and focus on specific areas in need of improvement or invigoration e.g. Safecall;
- We recognise the key role that our team has to play and will work with them to raise their knowledge of sustainability (particularly the Code for Sustainable Homes) and engage them in the delivery of our csr objectives;

- We will undertake a management awareness programme on stress including recognising stress and the strategies for dealing with it;
- Staff turnover to be maintained at a low level;
- We will address skills shortages by continuing and expanding our apprenticeship and sponsored student schemes;
- We will continue to offer NVQ training to all of our production managers, site managers and assistant site managers with a target for 50 per cent to pass at the appropriate level by the end of 2007.

briefings, the company intranet and frequent opportunities to meet senior management face-to-face.

The Taylor Woodrow pension fund closed to future accrual for existing members on 1 December 2006. The company has agreed to increase its past service deficit funding payment from £4.8m to £20m per annum for a period of 10 years.

Monitoring/continuous improvement

KPIs targets and objectives

Sickness absence referrals to occupational health

TW

2006 – 121

2005 – 123

Health surveillance programme - number of employees screened

TW

2006 - 794

2005 – 712

During 2006, 34 employees received benefit under an income protection plan; these are employees who have been absent for a continuous period of 26 weeks and the insurers are satisfied that they are incapacitated and unable to perform the material and substantive duties of their insured occupation.

Marketplace

Customers

“It is two months since we moved in and we are still being treated as special customers. Your after-sales service has been first class.”

One of our Bryant Homes customers comments about living at The Malms development in Hampshire, England.



Our vision is to be ‘the homebuilder of choice’. To achieve this vision it is essential that all our operations, products and services meet or exceed the requirements of our customers. We strive to engender a customer-focused attitude throughout the business.

Results of customer service questionnaire*, UK homes

| | 2006 | 2005 | 2004 |
|-----------------------------------|------|------|------|
| Overall satisfaction | 78% | 75% | 67% |
| Areas of strength: | | | |
| Likelihood to recommend | 89% | 85% | 78% |
| Made to feel valued | 82% | 81% | 67% |
| Areas needing improvement: | | | |
| State of readiness of home | 70% | 69% | 58% |
| Handling of issues raised | 70% | 61% | 49% |

*Figures include all questionnaire results recorded to the end of January the following year. The figures for 2004 differ slightly from those previously reported due to a change in reporting period.

Key Issues

A key objective for the homebuilding business both in the UK and North America is to continually improve the quality of the homes we build and the service we offer to our customers.

In the UK, we guide our customers through the homebuying process from the moment they reserve until two years after legal completion in what we call ‘the customer journey’. Customer satisfaction with their ‘journey’ is monitored through a postal questionnaire and telephone contact. The results of these customer ratings form part of the incentive scheme for directors, senior managers, site managers and assistant site managers. During 2006, there was an improvement in the levels of our customer satisfaction across all areas.

Performance and KPIs

Within the UK, in addition to our own quality inspections, all homes are inspected by the NHBC on five occasions during construction

and once on completion. These inspections are carried out to ensure that the appropriate standards and regulations are being met. Any issues picked up by the NHBC are recorded on-site and signed off once rectified. The NHBC issues quarterly reports detailing the performance of individual developments in Taylor Woodrow and allow comparison with other developers. Elements of the incentive scheme for our site and senior managers are based on performance in respect of NHBC inspections and also on the results of our customer surveys regarding quality and service.

Marketplace

Customers



“I feel that everyone we have dealt with has done that one bit extra to help us, from the sales office to the workmen on-site.”

A Bryant Homes customer describes living at The Grange development in Lincolnshire, England.

We endeavour to enhance the environmental awareness of our customers through the provision of relevant information in our homeowners pack and via our homes consultants. The homeowners pack contains information on:

- The operation and environmental performance of their homes;
- Sustainable living and how to reduce their use of energy, and water;
- Details about the development and surroundings including public transport, recycling and local shops.

In the UK, we commissioned research into our customers' views on EcoHomes, renewable energy and other sustainability issues. Further research is planned for 2007.

Our North America divisions are consistently recognised by customers and industry peers, winning some of the most sought-after awards in the business. In particular, our Arizona division received five awards at the 2006 'The Nationals' awards, recognising Taylor Woodrow's contribution to innovation in home design, marketing and sales.

In North America, we carry out two customer surveys, once when buyers move in and then 30 days later. We are committed to giving our customers the best service that we can offer and seek to continually improve our customer experience, with the help of satisfaction researchers such as J D Power. As a result, we have some of the best customer satisfaction ratings in the industry.

North America customer satisfaction statistics - when buyers move in

| | 2006 | 2005 |
|--|------|------|
| Home completed to customer's satisfaction | 91% | 90% |
| Satisfied with the quality of construction | 90% | 89% |
| Moved in on time | 87% | 87% |

North America customer satisfaction statistics - 30 days after move-in

| | 2006 | 2005 | 2004 |
|-------------------------|------|------|------|
| Overall satisfaction | 87% | 86% | 84% |
| Likelihood to recommend | 80% | 81% | 84% |
| State of readiness | 87% | 87% | 84% |

Marketplace

Customers

We continue to receive very positive feedback on the quality of our homes and our customer service:

"Our customer care representative goes above and beyond what is necessary." (Florida buyer)

"We fell in love with Taylor Woodrow Homes and the quality we saw in the build process!" (Austin buyer)

"We wish to express our sincere appreciation for the attention and service." (Austin buyer)

"Superb workmanship." (California buyer)

We have seen an improving trend over the last three years in our North America overall satisfaction scores, with a particular focus on improving the state of the home that we handover to our customers. The fall in 'likely to recommend' scores is not driven by any specific region or underlying cause, but rather reflects a slight decline in this area across the board. We have recently reviewed our customer satisfaction survey process to improve the quality of the feedback and to ensure it drives management action and decision-making.

Our Construction business uses an approach called 'Heartbeat' to monitor and measure customer satisfaction through a mix of interviews, surveys and workshops. The overall satisfaction rate for 2006 was 86 per cent, continuing the trend of improvement since measurement began in 2001 and demonstrating an ability to consistently deliver our promises.

Our 2007 customer objectives are:

- Each of our UK homes regions has been tasked with achieving a minimum overall customer satisfaction score of 80 per cent;
- We will continue to proactively seek and respond to the views of our customers;
- We will provide training and raise awareness in sustainability issues for our sales consultants;
- We will provide our customers with relevant and comprehensive information to enable them to make informed decisions about their homes and lifestyles and the benefits that new homes have over old in terms of energy use and cost;
- Our North America customer satisfaction target score for 2007 is 86 per cent;
- Our Construction business will target an improvement on their 2006 customer satisfaction score of 86 per cent.

Marketplace

Suppliers/contractors



Our team members complete periodic on-line reports assessing the performance of suppliers and subcontractors.

An effective and efficient supply chain is crucial to the success of our business. Through our supply chain policies and strategies we drive our procurement precedence for:

- Materials with low embodied energy and environmental impact;
- Responsibly sourced materials e.g. FSC or ISO 14001;
- Locally sourced, recycled and reclaimed materials.

Policy/strategy

Suppliers and services from third parties are fundamental to the operation of our business. Our supply chain policy in the UK is to:

- Afford advantage to those materials and processes that have a lesser environmental impact when undertaking our developments;
- Review alternative materials that have a lower environmental impact when developing material specifications, including use of recycled materials;
- Have supplier environmental and societal credentials as part of the selection criteria when choosing our suppliers;
- Develop and implement supplier development programmes specifically directed to improving environmental performance;
- Provide training and raise awareness of csr issues within our own team;

- Measure, assess and improve environmental risks associated with services provided by suppliers;
- Measure and review the performance of suppliers;
- Encourage and set targets for continual improvement of supplier performance;
- Recognise excellent supplier performance in environmental and sustainability issues;
- Encourage a collaborative approach when working with suppliers.

In addition, there is an obligation on all of our contractors to ensure that their employees have a legal right to work in the UK and that their employment practices comply with appropriate legislation e.g. Equal Opportunities Act.

Marketplace

Suppliers/contractors

We held our third annual UK Supplier Awards evening where we recognise those suppliers who add value to our business.



Key initiatives

Our procurement policies and ever-closer working relationships with our suppliers improve the transparency of our operations from a CSR and commercial perspective. It is our intention to enhance our understanding of the supply chain in order to facilitate the achievement of our sustainability and social objectives.

Our supply chain team works to deliver value throughout the build process. Their skills were recognised by the Chartered Institute of Purchasing and Supply when Taylor Woodrow's Supplier Management Solution won the award for 'Best Use of Technology' in 2006.

To minimise the environmental impact from transporting materials to our sites, we have been extending the use of our logistics company WCL. Dedicated plot related deliveries reduce waste at source as well as reducing the environmental impact of site delivery vehicles. This is further enhanced by return loading of packaging and pallet waste. Further reductions in packaging and elimination of waste at source are key initiatives for 2007.

Performance

Our team members hold regular performance review meetings with our supply chain partners, they also complete periodic on-line reports assessing the performance of suppliers and sub-contractors. All aspects of performance are covered, including cost, quality, service, Health and Safety and corporate social responsibility. The data from each report is then consolidated by the system for analysis and used in the development and management of each supplier and sub-contractor. Individual targets are set and performance monitored against other suppliers within the same trade or geographic comparison. These reports are then used as part of the selection process for our ongoing relationships with our supply chain partners.

All of our bulk timber is procured from sustainable sources, certified by FSC or similar and our performance audited. Over 90 per cent of other timber related products are also procured in this manner.

Marketplace

Suppliers/contractors

Our 2007 supplier/contractor objectives are:

- We are committed to a fully CSCS carded workforce by 1 January 2008 and a fully qualified workforce by 1 January 2010;
- Working with our supply chain partners we will develop our preference for:
 - Materials with low embodied energy and environmental impact;
 - Responsibly sourced materials;
 - Locally sourced, recycled or reclaimed materials;
- Timber products will be sourced from legally logged sources in all cases and from sustainable sources where practicable. Assurance will be provided by an approved scheme (FSC, CSA, PEFC, SFI or MTCC);
- All appliances will be 'A' rated including washer/driers within a two-year time-frame;
- Working with our logistics partner, WCL, we aim to further reduce packaging and waste at source and to minimise transport distances;

- We will work to improve our understanding of and relationships with renewable energy suppliers and energy services companies. We will form partnerships with contractors who have renewable energy technology skills;
- We will raise the understanding of our supply chain partners to the benefits of sustainability;
- We will work with our supply chain partners to ensure appropriate employment practices are followed;
- We will endeavour to increase the transparency of our supply chain;
- We aim to increase the number of materials suppliers with ISO 14001 or other appropriate environmental management system in place.

We have worked with a number of external organisations on initiatives to improve our procurement practices during 2006 including:

- Wastefile – to further improve our segregation and recycling of construction waste;
- British Gypsum – to further improve our collection and recycling of plasterboard waste;
- Wavin – to promote the use of water management solutions e.g. SUDS.

There are many environmental initiatives in hand with our supply chain partners including:

- All appliances are 'A' rated with the exception of washer/driers both for energy and water conservation;
- Baxi – to further develop our capability on renewable energy;
- Twyfords – to further develop the environment features of sanitaryware including water management;
- Speedy Space – to develop environmentally friendly, low carbon site offices.

KPIs targets and objectives

Targets for suppliers have been set so as to achieve compliance with the Code for Sustainable Homes as a minimum (i.e., relevant accreditations, e.g. FSC timber and ISO 14001). The countdown is on towards the zero carbon development and this too will be reflected in future objectives.

Our UK homes business held its annual Supplier Awards evening in February 2007 when recognition was given to those suppliers that were adding value to our business. British Gypsum were awarded the prize for contribution to sustainability for working with us to introduce the recycling scheme for plasterboard and saving 4,860 tonnes of material going to landfill. Far greater emphasis is now being placed on suppliers towards environmental performance and sustainability through the supply chain and recognition of excellence.

The future



Neil Johnson, Director of
Corporate Social Responsibility

Currently there is a convergence between risk management, corporate governance and corporate social responsibility. Moreover, the interdependence of business and society is increasing. In the same way that the convergence of information technology and communications led to major changes to the way in which business and society operate, so the changing landscape of csr will influence the way that successful companies operate. This changing landscape and heightened accountability is leading to an increased focus on csr matters in our strategic review and action. This realignment will improve our competitive position and assist in protecting and enhancing shareholder value.

We believe that our proactive approach to csr issues will help us to address the many challenges facing the homebuilding sector in the coming years. There are a number of strategic csr matters that are relevant:

Management

- In recognition of the increasing significance of csr we have appointed a Director of Corporate Social Responsibility to co-ordinate our business functions in a manner that will deliver upper quartile csr performance for the Taylor Woodrow Group;
- We will integrate csr into our core business strategies and activities including business planning, performance reviews, incentive schemes, investment decisions, the development process and employee surveys.

Our approach to corporate social responsibility

Governance

- We have restructured our csr continual improvement structure to embed our csr approach more quickly into the business;
- We will introduce external verification of our reporting to improve transparency;
- We are carrying out a policy review to ensure that our policies fully reflect our increased focus on csr matters;
- We will review our key risks to ensure that environmental, social and governance risks are included in the corporate risk register and adequately addressed.

Commitments to external initiatives

- We will maintain our high level of commitment to research and development;
- We will strive to improve our business by target setting and monitoring, and by benchmarking with our peers for example in NextGeneration;
- We will continue to participate in the Carbon Disclosure Project to record our responses to climate change;
- We will participate in the FTSE4Good EIRIS survey.

Stakeholder engagement

- We will continue to proactively engage with our stakeholders, providing accurate, comprehensive and transparent reporting and a clear appropriate set of Key Performance Indicators. We will increase our level of engagement with Government and our industry peers.

The future

Community and environment

Creating value for society

- We will further develop our affordable housing policy and maintain and enhance our commitment to urban regeneration.

Community building

- We will review our existing charitable portfolio and community engagement activities to ensure opportunities to create social value are maximised;
- We will roll-out our best practice guide to improve our activities in relation to community consultation.

Sustainability

- We will be at the forefront of efforts to enhance the sustainability of the developments we build and work with Government, NGOs and our peers to improve the sustainability of our industry;
- We have developed and will utilise a Sustainability Toolkit to benchmark all of our homes against the Code for Sustainable Homes;

- Carbon Challenge – we intend to take part in the Government 'Carbon Challenge' which has been launched to accelerate the homebuilding industry's response to climate change by fast-tracking the creation of a number of zero and near-zero carbon communities (levels 6 and 5 of the Code for Sustainable Homes);
- We will reduce greenhouse gas emissions both from our homes and from our activities.

Environmental stewardship

- We will continue to innovate in the restoration of degraded land;
- We will refocus our attention on waste reduction both on our developments and in our offices;
- We will review our car policies and business undertakings and seek ways to reduce the carbon footprint of our transport activities.

Workplace

Health and Safety

- We will maintain our zero tolerance approach to accidents with an objective to continually reduce our accident incident rates;
- Our commitment to the CSCS and Qualified Workforce Initiatives will continue;
- We will seek to improve the safety of our workforce by rolling out behavioural training across the UK.

People

- We recognise the key role that our team has to play and will work with them to raise their knowledge of sustainability and engage them in delivery of our csr objectives;
- We will seek to improve the health of our people through a series of occupational health campaigns during 2007 e.g. healthy eating.

Marketplace

Customers

- We will provide information to raise awareness of sustainability issues, a healthy lifestyle and the benefits that new homes have over old in terms of energy use and cost.

Suppliers/contractors

- We will work with our supply chain partners to:
 - Identify and deliver renewable energy sources;
 - Increase the use of materials with low embodied energy and environmental impact;
 - Reduce waste at source;
 - Minimise transport;
 - Increase the use of responsibly sourced materials;
 - Increase segregation and recycling;
 - Ensure appropriate employment practices are followed;
- We will also increase the transparency of our supply chain.

What do you think of us?



If you have any queries or comments on this report and its contents they should be addressed to:

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