

Module: Introduction**Page: F0. Introduction**

F0.1**Please give a general description and introduction to your organization**

Crest Nicholson is a leading residential developer, one of the top 10 listed house-builders, building homes across the southern half of the UK. We aim to improve the quality of life for individuals and communities by providing better homes, workplaces, retail and leisure spaces in which people aspire to live, work and play - now and in the future.

To deliver that ambition, we have been on a journey of innovation and transformation to position the Group for profitable growth. Whether carrying out systematic scientific research into low-carbon housing solutions, partnering with our supply chain to drive out waste, or developing our product for a rapidly evolving market, the focus is on delivery, quality and choice for our customer and sustainable business value for our shareholders.

Our operational focus remains concentrated in the southern half of England with an emphasis on creating well-designed, high-quality homes in sustainable communities. Our portfolio meets the needs of a wide range of purchasers, from first-time buyers to investors, with a product range that includes houses, apartments and commercial units on mixed-use developments.

F0.2**Please select the stages of the value chain which best represent your organization's area of operation pertaining to forest risk commodities. If your organization is diversified or vertically integrated, please select all that apply**

Retailing

F0.3

Are there any parts of your direct operations that are excluded from this disclosure?

No

F0.3a

Please identify the parts of your direct operations that are excluded from your disclosure

| Exclusion | Description of exclusion | Potential for deforestation risk | Please explain |
|-----------|--------------------------|----------------------------------|----------------|
|-----------|--------------------------|----------------------------------|----------------|

F0.4

Are there any parts of your supply chain that are excluded from this disclosure?

No

F0.4a

Please identify the parts of your supply chain that are excluded from your disclosure

| Exclusion | Description of exclusion | Potential for deforestation risk | Please explain |
|-----------|--------------------------|----------------------------------|----------------|
|-----------|--------------------------|----------------------------------|----------------|

F0.5

Do you produce or use materials that contain any of the forest risk commodities? Please complete the table

| Forest risk commodity | Produce/use forest risk commodity | Explanation if not disclosing but produce/use the commodity |
|-----------------------|-----------------------------------|---|
| Timber | Yes | |
| Palm Oil | No | |
| Cattle Products | No | |

| Forest risk commodity | Produce/use forest risk commodity | Explanation if not disclosing but produce/use the commodity |
|-----------------------|-----------------------------------|---|
| Soy | No | |
| Other | No | |

F0.6

Please confirm which commodities you will be disclosing on

Timber

F0.7

Please state the start and end date of the year for which you are reporting data

| Reporting year |
|--------------------------------------|
| Sun 01 Nov 2015 - Mon 31 Oct 2016 |

Further Information

Module: Current State

Page: F1. Context

F1.1

How does your organization use your selected commodities? Please provide details on the form and source of the commodities you use or produce

| Forest risk commodity | Activity | Form of commodity | Source | Country of origin | % of procurement spend | Comment |
|-----------------------|-----------------------------|--|---|--|------------------------|---|
| Timber | Construction | Sawn timber, veneer, chips Boards, plywood, engineered wood | Contracted suppliers (manufacturers) Other: Subcontractors | Brazil Canada China Côte d'Ivoire Finland France Germany Indonesia Italy Malaysia New Zealand Norway Poland Spain Sweden Switzerland United Kingdom United States of America Uruguay Other: Belgium, Cameroon, Congo, Croatia, Denmark, Estonia, Ghana, Ireland, Latvia, Lithuania, Netherlands, Portugal | 1-5% | As a housebuilder and residential developer, we use a number of timber products to construct our houses and apartments and the wider public open spaces. The exact % of timber present in any one house or apartment will vary significantly depending on its design and construction type. |
| Timber | Buying manufactured product | Paper Goods Not For Resale (GNFR) | Contracted suppliers (manufacturers) | United Kingdom | <1% | We also use Goods Not For Resale and Paper in the form of office paper and other stationary, sales brochures and literature, and office furniture. |

Please indicate the percentage of your organization's revenue that was dependent on each of your selected forest risk commodities in the reporting year

| Forest risk commodity | % of revenue dependent on commodity in the reporting year | Comment |
|-----------------------|---|--|
| Timber | 1-5% | The exact percentage of our organisation's revenue dependent on timber is 2.15% (taking the amount we spent on procuring timber-based products in the Financial Year divided by our turnover). |

F1.3

Has your organization experienced impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year?

No

F1.3a

Please identify the impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year

| Forest risk commodity | Impact driver | Impact | Description of impact | Estimated financial impact | Response strategy | Description of response strategy |
|-----------------------|---------------|--------|-----------------------|----------------------------|-------------------|----------------------------------|
|-----------------------|---------------|--------|-----------------------|----------------------------|-------------------|----------------------------------|

F1.4

Please describe why you do not know if your organization experienced any impacts related to forest risk commodities that have generated a substantive change in your business operations, revenue or expenditure in the reporting year

| | |
|---|---------|
| Primary reason for being unaware of impacts | Comment |
|---|---------|

Further Information

Module: Risk Assessment

Page: F2. Risk assessment

F2.1

Please select the option that best describes your procedures with regard to assessing deforestation risks and opportunities

| Forest risk commodity | Deforestation risk assessment procedure | Operational coverage | Please explain |
|-----------------------|---|-----------------------------------|--|
| Timber | Integrated into a comprehensive, company-wide risk assessment process | Direct operations Supply chain | Our risk management framework manages and monitors risks through risk registers that are maintained at both divisional (covering division and asset level risks) and Group level (covering significant division-level and company-wide risks). Divisional teams undertake three assessments related directly to timber, the results of which are reviewed at a divisional and group-wide level by the Sustainability Manager, Commercial Directors, and Procurement Director, who, together, agree any required mitigation strategies or wider business impacts, and then liaise with divisional teams to implement solutions. These assessments are described in 2.1a. If the risks identified are considered of very high-risk or to have a significant impact on business operations, these would be incorporated into the Group Risk Matrix, which is reviewed and monitored by the Audit Committee. This Committee is responsible for reviewing the effectiveness of the Group's internal controls and risk management systems including the Group's control framework; this is then reflected in the risk matrix. The Committee approves the internal audit programme and monitors the implementation of any recommendations made. |

F2.1a

Please provide further details on your risk assessment procedures with regard to deforestation risks and opportunities

| Forest risk commodity | Frequency of monitoring | To whom are results reported? | Scale of risk assessment | How far into the future are risks considered? | Please explain |
|-----------------------|--------------------------------|--|---|---|---|
| Timber | Six-monthly or more frequently | Board or individual/sub-set of the Board or committee appointed by the Board | Whole company Tier 1 supplier(s) Other: Tier 2 suppliers where the level of risk for the Tier 1 supplier is considered high | 1-3 years | <p>Our timber risk framework includes three assessments. All three work to reduce the risk of Crest Nicholson procuring uncertified or unsustainable timber products and assess the risks posed by supply chain partners that procure for Crest Nicholson, but may not hold a Chain of Custody. The first assesses the potential level of risk to our direct operations from our Tier 1 suppliers through quarterly internal audits of our commercial agreements. This internal audit seeks to ensure that our supply chain partners have met the requirements of our Sustainable Timber Procurement Policy and procedures, and supplied all evidence required to satisfy their claims regarding certified timber. The second is an annual assessment that requires supply chain partners to disclose the entire volume of timber supplied to Crest Nicholson in the financial year and provide evidence of its provenance back to country of origin. The annual audit results are used to measure progress against our Sustainable Timber Action Plan and the results are published on our corporate website. Both of these audits are conducted by designated auditors in each division and overseen by Group Sustainability. It is also the Sustainability team that will conduct the overall risk assessment of our timber supply chain through its review of the divisional audits. At a minimum, upon completing a quarterly audit, Group Sustainability will meet with the key senior divisional directors, namely the Commercial Directors and the Group Procurement Director, to make a final judgement on any required mitigation strategies or wider business impacts, and agree how solutions will be implemented. Where an audit has identified a high-risk issue relating to illegal timber or the potential that Crest Nicholson's purchasing decisions are unknowingly supporting deforestation, the matter will be discussed with the Board representative for Sustainability in the first instance, and if required the Company Secretary and Chief Financial Officer. The third assessment is an internal audit of all office paper procured by our regional offices, which is conducted by Group Sustainability on an annual basis. Spot checks of sales literature</p> |

| Forest risk commodity | Frequency of monitoring | To whom are results reported? | Scale of risk assessment | How far into the future are risks considered? | Please explain |
|-----------------------|-------------------------|-------------------------------|--------------------------|---|--|
| | | | | | is also undertaken by Group Sustainability. These two measures ensure that divisional teams are complying with our Sustainable Paper Policy. |

F2.1b

Please identify which of the following criteria are factored into your organization's deforestation risk assessments

| Criteria | Timeframe | Relevance | Please explain |
|--|-------------------|-----------------------|--|
| Changes in availability and quality of forest risk commodities | Current Future | Relevant, included | According to WWF-UK, the world has lost more than half of its forest cover and each year an area the size of England is lost to deforestation. Given that between 9-15% of a typical Crest Nicholson home is made of timber-based products, and we look to acquire high-quality and easily available soft and some hardwood timber products, any potential global deforestation risk could have a material impact on the business. We assess this criterion primarily through discussions with supply chain partners at regular stages of our design and build processes. This information is important and integrated into decisions we make during our house design evolution, budget setting, and construction programmes. |
| Impact of activity on the status of ecosystems and habitats | Current Future | Relevant, included | Our Sustainable Timber Procurement Policy commits Crest Nicholson to specifying and purchasing products sourced from sustainably managed forests and credible certification schemes. Within the Policy we set a clear preference for FSC. The decision to set a preference for FSC-certified timber products is due partly to our recognition of the impact that forestry activities can have on ecosystems and habitats, and the fact that FSC certification includes standards around protecting ecosystems and biodiversity. Without healthy and diverse ecosystems and habitats, our timber supply chain would be at serious risk. Our Commercial teams understand the importance of purchasing, where possible, FSC certified timber and the potential impact from choosing to purchase timber products from unknown sources. |
| Regulation | Current Future | Relevant, included | Currently, our supply chain must comply with the European Union Timber Regulations, which ensures that only legal timber products enter the EU market. Crest Nicholson monitors the EUTR and on-going developments/impacts following the UK's decision to exit the EU in order to be able to respond any changes that might affect our future supply chain. Further to this, Crest Nicholson relies on its Sustainable Timber Procurement Policy – and its requirement to only procure certified timber – to mitigate any potential international or bilateral regulations. |

| Criteria | Timeframe | Relevance | Please explain |
|--|-------------------|-----------------------|---|
| Tariffs or price increases | Current Future | Relevant, included | Given that our products are constructed using between 9-15% timber products, price increases on any timber product could have a negative impact on the overall cost of building a new house. Commercial teams regularly discuss prices with suppliers in order to have sight of issues well before our construction budgets are set. We rely on our suppliers to remain informed of potential price changes, both up and down, due to availability issues in the market or other deforestation-related impacts. We base procurement decisions, in part, on the balance between potential cost increases and the quality and sustainability credentials of the product. |
| Loss of markets | Not applicable | Not relevant | Deforestation and climate change are two well-understood and emotive 'sustainability' subjects for the public. However, given Crest Nicholson's stance and transparency on procuring sustainable timber, we do not see the 'loss of markets' as a potential risk to our business. Instead, we assess the potential brand damage. See below for an explanation of how we mitigate that risk. |
| Stakeholder conflicts concerning forest risk commodities | Not applicable | Not relevant | Stakeholder conflicts regarding timber are not factored into Crest Nicholson's deforestation risk assessment. This is primarily due to the fact that our Sustainable Timber Procurement Policy seeks to only purchase timber from sustainably managed forests through credible certification schemes, such as FSC. |
| Brand damage related to forest risk commodities | Current Future | Relevant, included | Deforestation and climate change are two well-understood and emotive 'sustainability' subjects for the public. We recognise that customers buying a Crest Nicholson home do not wish to have any component part of that home to have been made from illegally logged timber. We have taken the decision to be as transparent as possible to mitigate any reputational risk. Crest Nicholson's stance on sustainable timber, including our Sustainable Timber Procurement Policy, Action Plan, and annual % of procured certified timber products are all published on our corporate website. We publicly support the WWF-UK Forests campaign. We also participate in various benchmarks, including the FTSE4Good Index and NextGeneration (a sustainability index of the top 25 housebuilders in the UK) as well as this Disclosure, which demonstrates our leadership in our industry in the UK. In 2016, we came 2nd in the the NextGeneration benchmark, demonstrating our leadership in our sector for sustainability; timber procurement is one of the areas assessed in this benchmark. This level of transparency and support for a key NGO fighting deforestation stand Crest Nicholson is a good position to defend itself against any potential brand damage relating to our procurement decisions. |
| Corruption | Not applicable | Not relevant | Crest Nicholson has a robust anti-bribery and corruption policy in place for its employees and supply chain partners. Furthermore, we only procure our timber-based products through UK-based companies who are subject to this policy and UK law regarding corruption. |
| Other | Not applicable | Not evaluated | |

Please provide any additional information about your approach to assessing deforestation risks here

F2.1d

If you have conducted a partial risk assessment, please identify any exclusions in the following table

| Forest risk commodity | Exclusion | Please explain |
|-----------------------|-----------|----------------|
|-----------------------|-----------|----------------|

F2.2

Please explain why you do not have a process in place for assessing and managing deforestation risks, and whether you plan to introduce such a process in the future

| Forest risk commodity | Primary reason for not having a process | Do you plan to introduce a process? | Timeframe | Comment |
|-----------------------|---|-------------------------------------|-----------|---------|
|-----------------------|---|-------------------------------------|-----------|---------|

Further Information

Module: Implications

Page: F3. Risks

F3.1

Have you identified any inherent risks related to producing, marketing or sourcing forest risk commodities that have the potential to generate a substantive change in your business operations, revenue or expenditure? Please select all that apply

| Forest risk commodity | Risk |
|-----------------------|--|
| Timber | Operational risks driven by changes in physical parameters Reputational risks |

F3.1a

For your selected forest risk commodities, please describe any inherent operational risks in your direct operations or supply chain driven by changes in physical parameters that have the potential to generate a substantive change in business operations, revenue or expenditure

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|---|--------------------|--|---|-----------|---------------------------------|----------------------|---------------------|--|
| Timber | Change in temperature or temperature extremes | Global | Changes in temperature could significantly impact some tree species ability to grow by altering or reducing their habitat or shortening their growing season. It may also lead to desertification. Some tree species would not survive. While our first tier timber suppliers are all UK-based, many of the timber | Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of supply | >6 years | Supply chain | More likely than not | Medium-high | Setting a requirement within our Sustainable Timber Procurement Policy and procedures to only specify and procure timber products from sustainably managed forests and credible certification schemes. This commitment to responsibly source timber products |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|---|--------------------|--|--|-----------|---------------------------------|----------------------|---------------------|--|
| | | | products are procured from around the world, including Europe, North America, Asia, and Africa. The potential impact on our global supply chain presents a risk to Crest Nicholson in procuring certain building materials made of timber. | | | | | | helps Crest Nicholson to ensure it is not contributing to deforestation or supporting illegal logging. Setting a further requirement within our Policy for our design and technical teams to specify timber that is defined in terms of its technical, performance, and aesthetic requirements so that we are not overly reliant on any one species. Maintaining a broad supply chain in order to not overly rely on any one supplier's procurement chain. |
| Timber | Change in precipitation extremes and droughts | Global | Changes in precipitation extremes and droughts could severely impact some trees ability to grow or result in a loss of habitat. It may also lead to desertification. | Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of | >6 years | Supply chain | More likely than not | Medium | Setting a requirement within our Sustainable Timber Procurement Policy and procedures to only specify and procure timber products from sustainably |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|--------------|--------------------|--|----------------------------|-----------|---------------------------------|----------------------|---------------------|--|
| | | | Some tree species would not survive. While our first tier timber suppliers are all UK-based, many procure timber products from around the world, including Europe, North America, Asia, and Africa. The potential impact on our global supply chain presents a risk to Crest Nicholson in procuring certain building materials made of timber. | supply | | | | | managed forests and credible certification schemes. This commitment to responsibly source timber products helps Crest Nicholson to ensure it is not contributing to deforestation or support of illegal logging. Setting a further requirement within our Policy for our design and technical teams to specify timber that is defined in terms of its technical, performance, and aesthetic requirements so that we are not overly reliant on any one species. Maintaining a broad supply chain in order to not overly rely on any one supplier's procurement chain. |
| Timber | Forest fires | Global | With increasing global temperatures, the | Increased operational cost | >6 years | Supply chain | More likely than not | Medium | To manage this unpredictable event, Crest |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|--|--------------------|---|---|-----------|------------------------------------|------------|---------------------|--|
| | | | risk of unintentional forest fires is increasing in some countries from which our supply chain procure timber, including the United States. Also, the increasing temperature may result in the rise of forest fires in countries previously considered more 'protected' from such a risk, like northern Europe. Forest fires could also make some species unavailable for a number of years or more costly to procure from elsewhere. | Reduction/ disruption in production capacity Reduction/ disruption of supply | | | | | Nicholson's primary management method is to maintain a broad supply chain in order to not overly rely on any one supplier's procurement chain. We also require our design and commercial teams to not overly specify any particular type and species of timber for use in constructing our houses. |
| Timber | Availability of certified sustainable material | Global | Crest Nicholson has a policy to procure only certified timber products. A lack of FSC or PEFC certified materials could present a risk to the business and require us to extend our procurement to | Increased operational cost Reduction/ disruption in production capacity Reduction/ disruption of supply Other: | >6 years | Direct operations and supply chain | Likely | High | As part of our commitment to procuring sustainably managed and credibly certified timber products, we commit to working with and helping those companies within our supply |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|----------------------------|--------------------|---|---|-----------|---------------------------------|------------|---------------------|---|
| | | | less well-established and less robust certification programmes for our timber products. | reputational impact with customers, investors and stakeholders of procuring uncertified or weaker certification products. | | | | | chain that do not hold a Chain of Custody to improve their transparency and understanding of their own supply chain. For example, we provide guidance to these companies on what documentation is required to prove the purchase of certified products and support them in acquiring the correct information from their own Tier 1 and 2 suppliers. We also actively encourage our non-certified supply chain partners to become certified where feasible and appropriate for their business. |
| Timber | Loss of ecosystem services | Global | Loss of ecosystems services could impact the ability for some forests and tree species to thrive or even survive. This loss occurs around the | Increased operational cost Reduction/ disruption in production capacity Reduction/ | >6 years | Supply chain | Likely | Low-medium | Setting a requirement within our Sustainable Timber Procurement Policy and procedures to only specify and procure timber |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|-------------|--------------------|--|----------------------|-----------|------------------------------------|------------|--|--------------------|
| | | | world and therefore its potential impact on our global supply chain presents a risk to Crest Nicholson in procuring certain building materials made of timber. | disruption of supply | | | | products from sustainably managed forests and credible certification schemes. This commitment to responsibly source timber products helps Crest Nicholson to ensure it is not contributing to deforestation or the loss of biodiversity and habitat. Setting a further requirement within our Policy for our design and technical teams to specify timber that is defined in terms of its technical, performance, and aesthetic requirements so that we are not overly reliant on any one species. Maintaining a broad supply chain in order to not overly rely on any one supplier's procurement chain. | |

F3.1b

For your selected forest risk commodities, please describe any inherent risks in your direct operations or supply chain driven by changes in regulation that have the potential to generate a substantive change in business operations, revenue or expenditure

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|-------------|--------------------|---------------------|------------------|-----------|---------------------------------|------------|---------------------|--------------------|
|-----------------------|-------------|--------------------|---------------------|------------------|-----------|---------------------------------|------------|---------------------|--------------------|

F3.1c

For your selected forest risk commodities, please describe any inherent reputational risks in your direct operations or supply chain that have the potential to generate a substantive change in business operations, revenue or expenditure

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|-------------------------|--------------------|--|---|-----------|---------------------------------|------------|---------------------|--|
| Timber | Negative media coverage | Region | Crest Nicholson is a leader in the UK housing industry for sustainability. Industry, consumer, and partner trust (such as local planning authorities) is dependent on the company acting responsibly in terms of environmental and social issues, including the procurement of sustainably sourced | Reduced stock price (market valuation) Other: Declining standing in industry benchmarks; reduction in planning consents and land acquisitions | 3-6 years | Direct operations | Unlikely | Low | Crest Nicholson's primary method to manage this risk is to have a robust and transparent procedure in place to support the commitments we make in our Sustainable Procurement policies. Crest Nicholson is also committed to be transparent in its performance |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|---------------------------|--------------------|--|--|-----------|---------------------------------|---------------|---------------------|--|
| | | | timber products. Possible negative media coverage from being found to have procured illegal timber products could impact upon our long-standing reputation for sustainability and the trust built with stakeholders. | | | | | | against our timber policy and associated action plan. Results from our annual timber audit are published on our corporate website and we openly discuss challenges and opportunities we face to meet our stretching targets for sourcing sustainable timber in our operations. Crest Nicholson also participates various benchmarks, such as FTSE4Good as a further measure of our transparency and to drive our own improved performance. |
| Timber | Consumer market campaigns | Country | Crest Nicholson is a leader in the UK housing industry for sustainability. Industry, consumer, and partner trust (such as local planning authorities) is dependent on the | Reduced demand for goods/service Reduced stock price (market valuation) | 3-6 years | Direct operations | Very unlikely | Low | Crest Nicholson's primary method to manage this risk is to have a robust and transparent procedure in place to support the commitments we make in our |

| Forest risk commodity | Risk driver | Geographical scale | Description of risk | Potential impact | Timeframe | Direct operations/ supply chain | Likelihood | Magnitude of impact | Management methods |
|-----------------------|-------------|--------------------|--|------------------|-----------|------------------------------------|------------|---------------------|--|
| | | | <p>company acting responsibly in terms of environmental and social issues, including the procurement of sustainably sourced timber products. Potential consumer market campaigns against our organisation or industry could impact upon our long-standing reputation for sustainability and the trust built with stakeholders.</p> | | | | | | <p>Sustainable Procurement policies. Crest Nicholson is also committed to be transparent in its performance against our timber policy and associated action plan. Results from our annual timber audit are published on our corporate website and we openly discuss challenges and opportunities we face to meet our stretching targets for sourcing sustainable timber in our operations. Crest Nicholson also participates various benchmarks, such as FTSE4Good as a further measure of our transparency and to drive our own improved performance.</p> |

F3.2

If you indicated in question F3.1 that you do not consider your organization to be exposed to operational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below

| Forest risk commodity | Primary reason for not identifying risks | Please explain |
|-----------------------|--|----------------|
| | | |

F3.3

If you indicated in question F3.1 that you do not consider your organization to be exposed to risks related to producing, marketing or sourcing any of your selected commodities driven by changes in regulation, please explain why in the table below

| Forest risk commodity | Primary reason for not identifying risks | Please explain |
|-----------------------|--|--|
| Timber | Risks exist, but no substantive impact anticipated | The European market is covered by the EU Trade Regulations, which require that timber-based products imported into our market be legally sourced. All of our Tier 1 is located within the UK and thus are covered by these regulations. Despite the decision by the UK to exit the EU, there is no indication that the UK Government will move away from the requirements set in the EUTR. We regularly discuss issues, such as regulatory changes, with our supply chain. During the Brexit negotiations or after the UK has left the EU, should there be a change in our perception of the UK Government's stance on the EUTR and UK legislation, we will review whether 'regulation' should be an area included within our risk assessment. |

F3.4

If you indicated in question F3.1 that you do not consider your organization to be exposed to reputational risks related to producing, marketing or sourcing any of your selected commodities, please explain why in the table below

| Forest risk commodity | Primary reason for not identifying risks | Please explain |
|-----------------------|--|----------------|
| | | |

Further Information

Page: F4. Opportunities

F4.1

Have you identified any opportunities related to producing, marketing or sourcing these commodities sustainably that have the potential to benefit your organization?

| Forest risk commodity | Opportunities? |
|-----------------------|----------------|
| Timber | Yes |

F4.1a

Please describe the opportunities related to producing, marketing or sourcing these commodities sustainably, and your organization's strategy to capitalize on them

| Forest risk commodity | Opportunity | Scale of opportunity | Strategy to realize opportunity | Timeframe | Comment |
|-----------------------|-----------------------|--|--|-----------------------------|---|
| Timber | Increased brand value | Company-wide opportunities in three areas: 1)In our dealings with local stakeholders where we are proposing to build a new development. 2)Among our industry through participation in key benchmarks. 3)With potential | 1)Maintaining a robust Sustainable Timber Procurement Policy and procedures within the organisation and with our supply chain partners AND meeting the stretching targets within our Sustainable Timber Action Plan for annual increasing % of procured FSC-certified timber | Last 3-6 years 1-3 years | Key stakeholders, such as environmentally conscious Local Planning Authorities and residents, who expect or require Crest Nicholson to use sustainably sourced and credibly certified timber products. Key industry and other benchmarks, such as FTSE4Good |

| Forest risk commodity | Opportunity | Scale of opportunity | Strategy to realize opportunity | Timeframe | Comment |
|-----------------------|-----------------------------|--|--|--|--|
| | | customers looking to buy a new home. | products. 2)Transparent and active communication about our efforts with stakeholders, including: Publishing engaging and informative information about our sustainable timber procurement performance and efforts to support our supply chain in acquiring certified timber materials that can be used by our teams in their work with local stakeholders or used as evidence for different benchmarks. Publishing our annual performance on our corporate website. Highlighting our use of sustainably sourced timber in building Crest Nicholson homes on the landing page for our current developments. Participating in industry benchmarks (such as NextGeneration) and external benchmarks (such as FTSE4Good Index). Supporting the WWF-UK Forests campaign. This strategy is underway within the organisation. | | Index and NextGeneration, which evaluate Crest Nicholson's sustainability performance in part by our sustainable procurement procedures and timber procurement. Potential new customers that are environmentally conscious purchasers. |
| Timber | Increased shareholder value | Opportunities to increase ethical investors' interest in investing in Crest Nicholson. Opportunities to increase overall confidence by current and future investors in Crest Nicholson's ability to maintain a secure supply of a key material and mitigate climate change and deforestation risk. | 1)Maintaining a robust Sustainable Timber Procurement Policy and procedures within the organisation and with our supply chain partners AND meeting the stretching targets within our Sustainable Timber Action Plan for annual increasing % of procured FSC-certified timber products. 2) Making our efforts and performance transparent and accessible to the investor community by publishing our annual performance on our corporate | Last 1-3 years 1-3 years 3-6 years >6 years | Two key areas of consideration for our shareholders relate to deforestation. The first is the security of our supply chain for timber. As a developer that, not only has a requirement for specifying and procuring sustainably sourced timber products, but sets a preference for FSC, Crest Nicholson is able to demonstrate to shareholders that we are aware of the risk of deforestation and have put in place mechanisms to support our long-term resilience and |

| Forest risk commodity | Opportunity | Scale of opportunity | Strategy to realize opportunity | Timeframe | Comment |
|-----------------------|------------------------------|--|--|---|--|
| | | | <p>website. 3)Participating in benchmarks, such as NextGeneration and FTSE4Good Index, which provide external assurance to investors of our performance among our industry colleagues. This strategy is underway within the organisation.</p> | | <p>mitigation to any operational and regulatory risks related to one of our key commodities for housebuilding. The second is the risk of climate change to our business and operations. Our Sustainable Timber Procurement Policy, procedures, and Action Plan demonstrate how we ensure that our procurement decisions do not support deforestation and the resulting climate change. Furthermore, our position and policy on sustainable timber supports our position as a sustainability leader in our industry and may present opportunities for future investment by ethical investors. Shareholders and investors are increasingly looking for companies that can demonstrate how they are integrating long-term environmental and social considerations and impacts in their decision-making, and that they are creating value for society beyond increasing financial returns. This may open up the opportunity in the future to enter the increasing 'ethical investor' market.</p> |
| Timber | Increased security of supply | <p>All of Crest Nicholson's homes include some products derived from timber. We also design, plan and build developments that can take anywhere from 1 to 15+ years to complete. Crest Nicholson's commercial and production teams must plan effectively for tight build</p> | <p>1. Maintaining a robust Sustainable Timber Procurement Policy and procedures within the organisation and with our supply chain partners. In particular, setting a preference for FSC-certified timber products. 2. Maintaining collaborative and mutually beneficial relationships with</p> | <p>Last 3-6 years 1-3 years 3-6 years</p> | <p>Crest Nicholson's business strategy, as outlined in our 2016 Integrated Report, has two areas that relate to ensuring the security of our supply of timber. The first is our managed strategy of growth, which aims to build 4000 homes a year by 2019. In 2016, we delivered 2870 units. In</p> |

| Forest risk commodity | Opportunity | Scale of opportunity | Strategy to realize opportunity | Timeframe | Comment |
|-----------------------|------------------------|---|---|------------------------------|--|
| | | <p>programmes over long periods of time. This requires a secure supply of our key materials, including timber. Using sustainably sourced timber products are a key opportunity for Crest Nicholson to create an increased secure supply of timber for our delivery needs.</p> | <p>suppliers and subcontractors. This strategy is underway within the organisation.</p> | | <p>order to achieve this strategic business aim, Crest Nicholson will need to build 39% more homes in 2019 than it has in 2016. This aim will require Crest Nicholson to ensure it maintains a secure and reliable supply of timber materials. The second is our aim to build and maintain long-term relationships with our supply chain and other partners. We have a programme of work in place to work with our supply chain to innovate and improve in all areas of our operations, including sustainable sourcing. Maintaining a robust Sustainable Timber Procurement Policy and procedures within Crest Nicholson and with our supply chain partners is one example of this. It includes regular auditing of our supply chain to ensure our timber is sourced from sustainable and secure sources; working with supply chain partners that do not hold a Chain of Custody in FSC or PEFC to improve their transparency and audit trail or, in some case, encourage them to acquire certification. We are also developing mutually beneficial agreements with our supply chain partners to ensure an enhanced level of business certainty for both us and them, while reducing the supply risks in key materials, like timber.</p> |
| Timber | Increased transparency | 1)Company-wide opportunities to maintain our reputation as a leading sustainable housebuilder in the UK, | We work to increase transparency in our company, with our supply chain, and within the industry by: | Last 3-6 years Within the | Crest Nicholson is one of the few UK housebuilders to publicly disclose the volume and certification split |

| Forest risk commodity | Opportunity | Scale of opportunity | Strategy to realize opportunity | Timeframe | Comment |
|-----------------------|--|---|---|---|---|
| | | <p>and our position in benchmarks.</p> <p>2) Opportunities to increase the level of transparency and compliance among our direct supply chain, and in some cases, our Tier 2 suppliers.</p> <p>3) Opportunities to increase the level of transparency among industry colleagues by leading by example.</p> | <p>Maintaining a robust Sustainable Timber Procurement Policy and procedures within the organisation and with our supply chain partners. Publishing engaging and informative information about our sustainable timber procurement performance and efforts to support our supply chain in acquiring certified timber materials on our corporate website.</p> <p>Participating in industry and external benchmarks (such as NextGeneration & FTSE4Good Index). This strategy is underway within the organisation.</p> | <p>last year</p> <p>1-3 years</p> <p>3-6 years</p> | <p>between timber that we purchase directly through our suppliers and that which comes indirectly on our sites through our subcontractors. These supply chains present different challenges in procuring sustainable timber. Presenting our data in this way was something we introduced in our 2013 Sustainability Report, following years of only publishing data on our direct supply of timber through suppliers. It is one example of Crest Nicholson's increasing level of transparency, and supports our belief that such transparency of our performance helps to foster trust among our stakeholders, support other strategic objectives (such as increased shareholder and brand value), and drive industry colleagues to follow suit. We work with supply chain partners that do not hold a Chain of Custody in FSC or PEFC to improve their transparency and audit trail or, in some case, encourage them to acquire certification.</p> |
| Timber | Driving demand for sustainable materials | <p>First, Crest Nicholson has the opportunity to drive demand for sustainably sourced materials within the organisation itself by increasing employees' awareness of the importance and reason for our commitment to only using sustainably sourced timber products in building our homes, in our printed materials, and office supplies.</p> | <p>Our strategy includes several key initiatives, all of which are implemented within the organisation: Maintaining a robust Sustainable Timber Procurement Policy and procedures within the organisation and with our supply chain partners. Maintaining an Action Plan that drives our commercial teams to procure ever-increasing volumes of</p> | <p>Last 1-3 years</p> <p>1-3 years</p> <p>3-6 years</p> | <p>In our Financial Year 2016, Crest Nicholson purchased 37,160 m3 of timber through its suppliers and subcontractors. During our tender process with timber supply chain partners we set clear expectations for acquiring sustainably sourced and credibly certified timber products, and make explicit our preference for FSC-certified timber</p> |

| Forest risk commodity | Opportunity | Scale of opportunity | Strategy to realize opportunity | Timeframe | Comment |
|-----------------------|-------------|--|---|-----------|--|
| | | Second, by increasing our commercial teams' awareness about the impact of their decisions, Crest Nicholson has an opportunity to drive demand for sustainably sourced materials in two other areas: 1) With our supply chain partners 2) Within the industry – by demonstrating the commercial, business, and stakeholder advantages we gain. The competitive nature of our industry may lead others to follow suit. | FSC-certified timber products. Publishing engaging and informative information about our sustainable timber procurement performance and efforts to support our supply chain in acquiring certified timber materials on our internal website. Providing training to staff who are responsible for making commercial and procurement decisions about sustainable timber, deforestation, our Policy and procedures. A Business Strategy of growth for delivering units of completed homes. | | materials. Our strategy of managed growth will see Crest Nicholson aim to build 4000 homes by 2019. Within each of those 4000 homes, approximately 9% to 15% of its building materials will be made from (or contain) timber. Maintaining our robust Sustainable Timber Procurement Policy and procedures as well as targets for using FSC-certified timber will help to drive an increased demand for sustainable materials by Crest Nicholson on its supply chain. |

F4.2

Please explain why you do not consider there to be any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably

| Forest risk commodity | Primary reason for not identifying opportunities | Please explain |
|-----------------------|--|----------------|
| | | |

F4.3

Please explain why you don't know if there are any opportunities for your organization associated with producing, marketing or sourcing these commodities sustainably

| | | |
|-----------------------|---|----------------|
| Forest risk commodity | Primary reason for not knowing if there are opportunities | Please explain |
|-----------------------|---|----------------|

Further Information

Module: Measure & Monitor

Page: F5. Measurement

F5.1

Do you own or manage land used for the production of any of your selected commodities? Please complete the table

| Forest risk commodity | Own and/or manage land? | Size (Hectares) | Type of control | System in place to monitor deforestation? | Recent infractions? | Please explain |
|-----------------------|--------------------------|-----------------|-----------------|---|---------------------|---|
| Timber | Don't own or manage land | Not applicable | Not applicable | Not applicable | Not applicable | As a housebuilder, we procure all our timber based products through our supply chain. |

F5.2

Does your organization collect production and/or consumption data for your selected commodities?

| Forest risk commodity | Production and/or consumption data available? |
|-----------------------|---|
| Timber | Consumption data available, disclosing |

F5.2a

Please disclose your production and/or consumption data using the table below

| Forest risk commodity | Production/consumption data | Volume | Metric | Full/Partial data? | If partial data, please explain |
|-----------------------|-----------------------------|--------|--------------|--|---|
| Timber | Consumption data | 37160 | Cubic meters | Partial commodity production/consumption | Our annual audit of sustainable timber procurement includes all of the suppliers and subcontractors that procured timber on our behalf in the Financial Year. However, certain elements of this audit require our supply chain partners to voluntarily participate and disclose key pieces of information, including the volume of timber in the products they procured on our behalf. While our quarterly audits ensure that all of our supply chain partners are procuring sustainably sourced and credibly certified timber for us, we are not able to confirm the volume of timber purchased without that voluntary participation by our suppliers and subcontractors in the annual audit. In our FY16 annual audit, 5.76% of the timber procured by Crest Nicholson was not fully disclosed by our supply chain. |

F5.3

Please explain why your organization is not disclosing production and/or consumption data for your selected commodities

| Forest risk commodity | Primary reason for not disclosing production/consumption data | Please explain |
|-----------------------|---|----------------|
| | | |

F5.4

Please explain why production and/or consumption data is not available for your selected commodities

| Forest risk commodity | Primary reason for not having production/consumption data | Please explain |
|-----------------------|---|----------------|
| | | |

Further Information

Page: F6. Traceability

F6.1

Do you have a system in place to track and monitor the origin of raw materials for your selected commodities?

| Forest risk commodity | System to track and monitor origin of raw materials? |
|-----------------------|--|
|-----------------------|--|

F6.1a

Please describe the system you have in place to track and monitor the origin of raw materials for your selected commodities

| Forest risk commodity | System | System coverage | If partial, % of total production/consumption tracked/monitored | Please explain |
|-----------------------|--------|-----------------|---|----------------|
|-----------------------|--------|-----------------|---|----------------|

F6.2

Please explain why you do not have a system in place to track and monitor the origin of raw materials for your selected commodities

| Forest risk commodity | Primary reason for not having a system in place | Please explain |
|-----------------------|---|----------------|
|-----------------------|---|----------------|

F6.3

Please provide details on the level of traceability your organization has for your selected commodities

| Forest risk commodity | % of total production/ consumption traceable | Traceability system | Point to which traceable | Exclusions | Exclusion description, if applicable | Comment |
|-----------------------|--|--|--------------------------|---|---|--|
| Timber | 91-99% | Use of Chain of Custody schemes (FSC & PEFC) along with supply chain audits. | Country | Other: Small volume of timber not audited (see F5.2a) | Only 5.76% of the timber procured by Crest Nicholson was not audited. Of the remaining volume of timber, full Chain of Custody was proven on 86% of the timber audited, certified by FSC and PEFC. A further 12% was assessed to come from a known legal source. 2% was disclosed by our supply chain partners as uncertified, but will have had to meet basic EUTR requirements. | Crest Nicholson's traceability audit includes four classifications for timber products. 1. Fully certified Chain of Custody to FSC. 2. Fully certified Chain of Custody to PEFC (or FSC Controlled Wood). 3. The sourced is assessed to be legal. 4. There is limited knowledge about the origin of the timber. As an organisation, Crest Nicholson actively seeks to work with small local organisations as well as larger national businesses. In 2016, 34% of our supply chain were from areas within 20 miles of our construction sites. This commitment to working with local companies is a key mechanism for Crest Nicholson to support social and economic sustainability. However, this commitment also means that we sometimes choose to work with local supply chains that do not hold a Chain of Custody for FSC or PEFC. Despite working with some non-certified organisations that procure timber for us, we still require them to procure fully certified timber (to either FSC or PEFC) for use on our sites. Our third classification "Source Assessed to be Legal" recognises those organisations which, without a Chain of Custody, have broken the certification chain, but can prove that the timber comes from a legal source. Goods Not for Resale, such as office paper and sales literature, are not included in our annual |

| Forest risk commodity | % of total production/ consumption traceable | Traceability system | Point to which traceable | Exclusions | Exclusion description, if applicable | Comment |
|-----------------------|--|---------------------|--------------------------|------------|--------------------------------------|--|
| | | | | | | audit. However, our Sustainable Paper Policy is sent to all affected suppliers. We receive regular updates from our stationary suppliers on the certification of paper purchased and conduct regular spot checks of our sales literature and brochures to ensure compliance. |

F6.3a

Please describe your organization's approach to establishing traceability

Crest Nicholson's Sustainable Timber Procurement Policy states that we commit to specifying and purchasing products sourced from sustainably managed forests and credible certification schemes. On an annual basis, Crest Nicholson undertakes a detailed assessment with its supply chain, which includes traceability back to country of origin and accompanying certification scheme. Suppliers and subcontractors complete a detailed Timber Questionnaire, which includes questions about the timber product's country of origin, timber species, and certification scheme; as well as questions about the company's own environmental and supply chain management systems. This Timber Questionnaire was designed in collaboration with WWF-UK to ensure it met a high-level of robustness. Where a supply chain partner is certified in either FSC or PEFC, we further require evidence of certification through certificates and invoicing. Where a supply chain partner does not have its own Chain of Custody, we require evidence of certification (including certificates and invoices) from their own supplier (our Tier 2) or in some cases their Tier 2 supplier (our Tier 3) to verify our Tier 1 supplier's claim of certification. All Chain of Custody information is also verified online using www.fsc.org and www.pefc.org databases.

Further Information

Module: Response

Page: F7. Governance and strategy

F7.1

Please indicate where the highest level of direct responsibility for deforestation risk lies within your organization and detail the frequency and nature of engagement on the issue

| Highest level of responsibility | Name/position of individual or name of committee | Frequency of briefing | Nature of engagement |
|--|---|-----------------------|---|
| Board or individual/sub-set of the Board or committee appointed by the Board | Overall responsibility for all issues relating to sustainability, including sustainable timber procurement, fall within the purview of the Board representative for Sustainability, Strategic Projects and Regeneration Chairman. On a day-to-day basis, overall responsibility for sustainable timber procurement is shared between the Group Sustainability Manager, the divisional Commercial Directors, and the Group Procurement Director. | Quarterly | The Group Sustainability Director meets every six weeks with the Board representative for Sustainability. Discussion regarding sustainable timber occurs when the results of the internal quarterly audit and full traceability annual audit for sustainable timber are concluded and risks or opportunities have been identified that require Board-level involvement. The Group Sustainability Manager attends a quarterly meeting with all Commercial Directors and the Group Procurement Director. At this quarterly meeting, the company's performance against its Sustainable Timber Procurement Policy and associated Action Plan targets is discussed, as well as results from the quarterly and annual audits. |

F7.2

Have you evaluated how the availability or quality of forest risk commodities could affect your organization's growth strategy?

Not evaluated

F7.2a

Please explain how you evaluated the effects of the availability or quality of forest risk commodities on the success (viability, constraints) of your organization's growth strategy

F7.3

Please explain why you have not evaluated how the availability or quality of forest risk commodities could affect the success (viability, constraints) of your organization's growth strategy

| Primary reason for not evaluating potential impact on growth strategy | Please explain |
|--|---|
| Other: Only 2.15% of our revenue is dependent on the amount we spend on procuring timber | On a regular basis, and at a minimum annually, the Group Procurement Director and Commercial Directors review the future availability and expected costs of materials procured for use in our operations through our suppliers and subcontractors. Procurement and Commercial teams meet regularly with their supply chain partners on site or by telephone to discuss issues related to the materials being purchased. These formal reviews and ongoing meetings include discussions on any future constraints on the supply of materials, including products made of timber. When prompted, supply chain partners have not highlighted any concerns regarding the availability or quality of the timber products we procure. At this time, Crest Nicholson has determined that undertaking a detailed evaluation of the availability and/or quality of the timber products we procure is not required. However, it is prepared to undertake this evaluation should any issues within the supply chain become evident or if our % of timber procurement increases significantly. |

Further Information

Page: F8. Policies

F8.1

Does your organization have a policy that recognizes the role of reducing deforestation for climate change mitigation and sets out clear goals and guidelines for action?

| Policy | Please explain |
|--------|---|
| Other: | Our Sustainable Timber Procurement Policy states clearly that Crest Nicholson will not source timber-based products from: Forests or forest product suppliers that do not comply with all relevant national and international legislation relating to the trade in forest products. High Conservation Value Forests where these are recognised nationally or regionally, unless these forests are progressing towards credible forest certification. Protected areas where harvesting operations are not complementary to responsible forest management. Natural forests which are currently being converted to other land uses, or converted natural forests, unless legitimately and credibly certified. Forests which are in areas of armed conflict or civil unrest where there is a direct relationship between income arising from the forest products trade and the funding of such conflicts. We work to achieve this through various measures, also outlined in our Policy, including: Procuring only timber from known legal sources and giving preference to timber products certified under FSC. Auditing our supply chain on a yearly basis. Specifying timber products in terms of their technical and aesthetic performance, so as not to overly |

| Policy | Please explain |
|--------|--|
| | rely on any one species. However, our Policy does not make specific reference to the role that reducing deforestation makes to climate change mitigation. Our Sustainable Timber Procurement Policy is available on our corporate website. |

F8.2

Has your organization made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain?

Yes

F8.2a

Please identify which of the following criteria are specifically stated in your organization's commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain

| Criteria | Commodity coverage | Operational coverage | % of total production/consumption covered by commitment | Commitment timeframe | Please explain |
|--|--------------------|------------------------------------|---|----------------------|--|
| High Conservation Value (HCV) management Avoidance of land area under conservation Certification Other: Please see explanation box. | Timber | Direct operations and supply chain | 100% | No timeframe | While our Sustainable Timber Procurement Policy and corresponding Action Plan do not make an overt commitment to reduce or remove deforestation and forest degradation from our supply chain, we have committed to not sourcing timber-based products from five key forest types: 1. Forests or forest product suppliers that do not comply with all relevant national and international legislation relating to the trade in forest products. 2. High Conservation Value Forests where these are recognised nationally or regionally, unless these forests are progressing towards credible forest certification. 3. Protected areas where harvesting operations are not complementary to responsible forest management. 4. Natural forests which are currently being converted to other land uses, or converted natural forests, unless legitimately and credibly certificated. 5. Forests which are in areas of armed conflict or |

| Criteria | Commodity coverage | Operational coverage | % of total production/ consumption covered by commitment | Commitment timeframe | Please explain |
|----------|--------------------|----------------------|--|----------------------|--|
| | | | | | civil unrest where there is a direct relationship between income arising from the forest products trade and the funding of such conflicts. |

F8.3

Please explain why your organization has not made a commitment to reduce or remove deforestation and forest degradation from your direct operations and/or supply chain, and whether you plan to do this in the future

| Primary reason for not having made a commitment | Do you plan to introduce a commitment? | Please explain |
|---|--|----------------|
| | | |

F8.4

Do you have commodity specific sustainability policies?

| Forest risk commodity | Commodity specific sustainability policies? | Criteria | Cut-off date, if applicable | Please explain |
|-----------------------|---|----------------|-----------------------------|--|
| Timber | No | Not applicable | Not applicable | We have two policies that, together, cover all the timber-based products we purchase. At this time, Crest Nicholson does not believe that commodity specific sustainability policies are required. However, should our supply chain audits identify any area of repeated high-risk, we would consider commodity-specific targets within our Sustainable Timber Procurement Action Plan to address the issue and mitigate further risk. |

Further Information

Attached are copies of our Sustainable Timber Procurement Policy and our Sustainable Paper Policy. These are also publicly available on our corporate website.

Attachments

[https://www.cdp.net/sites/2017/59/4059/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/Sustainable timber policy 2017.pdf](https://www.cdp.net/sites/2017/59/4059/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/Sustainable%20timber%20policy%202017.pdf)
[https://www.cdp.net/sites/2017/59/4059/Forests 2017/Shared Documents/Attachments/Forests2017/F8.Policies/Sustainable Paper Policy 2014.pdf](https://www.cdp.net/sites/2017/59/4059/Forests%202017/Shared%20Documents/Attachments/Forests2017/F8.Policies/Sustainable%20Paper%20Policy%202014.pdf)

Page: F9. Standards and targets

F9.1

Do you have any environmental standards for the production of raw materials for your selected commodities, other than third party certification schemes?

| Forest risk commodity | Production standards in place? | Please describe your production standards | Comment |
|-----------------------|--------------------------------|---|---------|
| | | | |

F9.2

Does your organization enforce any procurement standards that impact your sourcing of forest risk commodities?

| Forest risk commodity | Procurement standards in place? | Monitor compliance? | Impact on sourcing activities | Please explain |
|-----------------------|---------------------------------|---------------------|----------------------------------|--|
| Timber | Yes | Yes | Factored into supplier selection | Our Sustainable Timber Procurement Policy sets a clear baseline procurement standard, that of being sourced from a known legal source. However, our Policy drives us to go further -- to |

| Forest risk commodity | Procurement standards in place? | Monitor compliance? | Impact on sourcing activities | Please explain |
|-----------------------|---------------------------------|---------------------|--|--|
| | | | process Impact on supplier engagement strategy | specify and purchase products sourced from sustainably managed forests and credible certification schemes, with a clear preference for FSC. Our Policy is supported by a 3-year Action Plan with procurement targets for certified timber products. Our Policy ambitions and Action Plan targets are two considerations for Commercial and Procurement teams in selecting their suppliers. We have a thorough internal audit/monitoring process in place to monitor commercial teams' and our Tier 1 suppliers' compliance with these standards and publish our annual results on our corporate website, making specific reference to the % of FSC and PEFC certified timber procured during the Financial Year. The internal audit/monitoring process includes quarterly audits to check that our procurement and commercial teams have acquired all the evidence required to ensure that we are purchasing sustainably sourced timber. An annual audit, conducted at the end of a Financial Year, makes sure that our supply chain has complied with our policy requirements. Any products or companies shown to not comply with our procurement standards are addressed by our Commercial teams. We also work with these companies to help them improve their performance and compliance. We also have a suite of documents for our supply chain to assist them in meeting the ambitions of our Policy. This includes different guidance for certified and non-certified suppliers and subcontractors to ensure that: a) Crest Nicholson receives the right level of information it needs to ensure that all the timber products we purchase are legal and sustainably sourced. b) Non-certified suppliers and subcontractors understand what evidence and certification they should be acquiring from their own supply chain to ensure that the products or raw materials they are acquiring are legal and credibly certified. |

F9.3

Are you involved in any multi-partnership or stakeholder initiatives relating to the sustainability of these commodities? Please describe your role

| Forest risk commodity | Involved in initiatives? | Initiatives | Please explain |
|-----------------------|--------------------------|----------------|---|
| Timber | No | Not applicable | At this time, Crest Nicholson is not part of any multi-partner or stakeholder initiative relating to sustainable timber procurement. However, between 2007 and 2015, we were members of the GFTN-UK. In that time, our relationship with the WWF helped Crest Nicholson to drive its improved procurement performance. Following the creation of our Action Plan in 2014, which provided us with a clear road map for continuing to improve our sustainable procurement of timber-based products, we moved our relationship with WWF from member of GFTN to campaign supporter. |

F9.4

Do you specify any third party certification schemes for your selected commodities? Please indicate the percentage of total production and/or consumption currently certified

| Forest Risk Commodity | Specify third party certification schemes? | % of total production/ consumption certified | Certification scheme breakdown | Please explain |
|-----------------------|--|--|--------------------------------|---|
| Timber | FSC | 51-60% | FSC Chain of Custody | Our Sustainable Timber Procurement Policy states a commitment to specify and purchase timber sourced from sustainably managed and credibly certified sources, with a preference for FSC. While the Policy does not make explicit reference to other certification schemes, our internal procedures and guidance to supply chain partners states that where FSC is not available, PEFC should be acquired. Where PEFC is not available, we will accept other credibly certified schemes such as SFI, Cerflor, RA, and CSA. For the past three years, Crest Nicholson has had an Action Plan in place to increase the overall % of certified timber products from our baseline in FY13 (including both FSC and PEFC timber products), and a specific target to increase FSC-certified timber through both our suppliers and subcontractors. This Action Plan and our year-on-year performance is published on our corporate website. In our Financial Year 2016, 59% of the total volume of timber procured by Crest Nicholson through its suppliers and subcontractors was FSC-certified Chain of Custody. 100% of the paper purchased for our offices and marketing materials was FSC-certified and recycled. |
| Timber | PEFC | 21-30% | PEFC Chain of Custody | Our Sustainable Timber Procurement Policy states a commitment to specify and purchase timber sourced from sustainably managed and credibly certified sources, with a preference for FSC. While the Policy does not make explicit reference to other certification schemes, our |

| Forest Risk Commodity | Specify third party certification schemes? | % of total production/ consumption certified | Certification scheme breakdown | Please explain |
|-----------------------|--|--|--------------------------------|--|
| | | | | internal procedures and guidance to supply chain partners states that where FSC is not available, PEFC should be acquired. Where PEFC is not available, we will accept other credibly certified schemes such as SFI, Cerflor, RA, and CSA. For the past three years has had an Action Plan in place to increase the overall % of certified timber products from our baseline in FY13 (including both FSC and PEFC timber products). This Action Plan and our year-on-year performance is published on our corporate website. In our FY16, 27% of the total volume of timber procured by Crest Nicholson was PEFC certified Chain of Custody. |

F9.5

Do you have any quantified targets for third party certified materials in your direct operations and/or supply chains?

| Forest risk commodity | Quantified targets for third party certification? | Certification scheme breakdown | Baseline year | Target year | Coverage | % of materials third party certified in target year | Please explain |
|-----------------------|---|--------------------------------|---------------|-------------|-------------------|---|--|
| Timber | FSC | FSC Chain of Custody | 2013 | 2016 | Direct operations | 41-50% | Our Action Plan has set different targets for timber-based products procured through suppliers and subcontractors. This is to account for the specific challenges we face in working with numerous small, local subcontractors who may not have the capacity or business need to hold a Chain of Custody with a credible certification scheme. This first target is for timber-based products procured directly through suppliers, such as door and stair manufacturers. The exact target for our Financial Year 2016 was 45% of our directly supplied timber to be FSC certified. We further set a target of having 95% of total procurement by suppliers to be covered by a credibly certification scheme in FY16 (i.e. PEFC & FSC). |

| Forest risk commodity | Quantified targets for third party certification? | Certification scheme breakdown | Baseline year | Target year | Coverage | % of materials third party certified in target year | Please explain |
|-----------------------|---|--------------------------------|---------------|-------------|-------------------|---|--|
| Timber | FSC | FSC Chain of Custody | 2013 | 2016 | Direct operations | 10-20% | This second target is for the subcontractors, who work on our sites (such as kitchen suppliers and fitters, carpenters, and landscapers) and procure timber-based products on our behalf for use in their work. We have set our target for acquiring FSC-certified timber through this supply chain at 20% in our Financial Year 2016. We further set a target for having 86% of total procurement by subcontractors to be covered by a credible certification scheme in FY16 (i.e. PEFC & FSC). |

F9.6

Do you have any quantified targets for sustainable production and/or procurement, other than third party certification?

| Forest risk commodity | Quantified targets for sustainable production/ procurement? | Type of target | Baseline year | Target year | Coverage | % of materials to meet requirements in target year | Please explain |
|-----------------------|---|-------------------------|---------------|-------------|-------------------|--|---|
| Timber | Yes | Sustainable procurement | 2013 | 2016 | Direct operations | 91-99% | Our Action Plan sets 2 further quantified targets for our sustainable procurement. Both focus on reducing the percentage of timber sourced through our suppliers and subcontractors that is only legally sourced or comes from unknown sources. Our target is set at 0% for timber sourced from unknown sources and reducing the % of 'legal only' timber to below our baseline year (18%). In FY16, the % of timber from sources assessed to be legal was 12% and the % of timber from unknown sources was 2%. |

Further Information

Attached is a copy of our Sustainable Timber Procurement Action Plan, which includes information on our performance in our Financial Years 2014, 2015, and 2016. This document is also available publicly on our corporate website.

Attachments

[https://www.cdp.net/sites/2017/59/4059/Forests 2017/Shared Documents/Attachments/Forests2017/F9.Standardsandtargets/Sustainable Timber Action Plan and Performance.pdf](https://www.cdp.net/sites/2017/59/4059/Forests%202017/Shared%20Documents/Attachments/Forests2017/F9.Standardsandtargets/Sustainable%20Timber%20Action%20Plan%20and%20Performance.pdf)

Page: F10. Engagement

F10.1

Have you identified sufficient sources of sustainable materials to meet your operational needs? Please explain what you are doing to ensure security/continuity of supply

| Forest risk commodity | Current demand | Future demand | Actions to ensure security/ continuity of supply | Please explain |
|-----------------------|----------------|---------------|---|---|
| Timber | Yes | Yes | Engaging in capacity building activities in the value chain | As outlined above in section 3, as a housebuilder, timber products are important materials for our products. Our Group Procurement Director and Commercial Directors are responsible to ensure that we maintain a secure and continuous supply of timber products in order to meet our yearly delivery targets and growth strategy. They are also responsible to ensure that their procurement and commercial decisions comply with the commitments set out in the Sustainable Procurement Policy and Sustainable Timber Procurement Policy. Our primary method to ensure sufficient sources of sustainable timber materials to meet our current and future operational needs is to maintain a broad supply chain in order to not overly rely on any one supplier's procurement chain, and to work with supply chain partners that are either certified to carry FSC and/or PEFC timber or able to guarantee that they are purchasing FSC-certified and/or PEFC-certified products on our behalf. As explained in previous sections and below, we encourage our supply chain partners to increase their level of transparency in relation to their timber procurement. And for those supply chain partners who are not certified to carry FSC or PEFC, we encourage them to seek certification where appropriate to their business. |

F10.2

Are you working with smallholders to encourage and support sustainable forest management practices?

| Forest risk commodity | Working with smallholders? | Please explain |
|-----------------------|----------------------------|----------------|
| | | |

F10.3

Are you working with your direct suppliers to support and improve their capacity to supply sustainable materials?

| Forest risk commodity | Working with direct suppliers? | Supplier engagement strategy | Please explain |
|-----------------------|--------------------------------|--|--|
| Timber | Yes | Encouraging certification Supplier audits | Crest Nicholson's supply chain is made up of both direct suppliers of materials and subcontractors, who provide both materials and labour, to our construction sites. Crest Nicholson aims to work with only suppliers that are certified to carry either FSC and/or PEFC certified timber products in order to ensure that all materials procured through this supply chain is sustainably managed and credibly certified. Given the nature and size of a number of the subcontractor companies we work with, not all are certified to carry or trade in FSC and/or PEFC timber products. We recognise the challenges and financial burden that some small 'one-man-band' subcontractors face to become certified; for some it is not a commercial decision that currently benefits their organisation. However for some of the subcontractors we have long-standing relationships with, and which are of a reasonable size, we strongly encourage certification. Through our annual traceability audit, we review invoices submitted by our suppliers and subcontractors. When we identify issues that affects the Chain of Custody for the products outlined within an invoice, we alert the company in question and provide them with written and verbal guidance to ensure that the issue is rectified. |

F10.4

Are you working beyond the first tier of your supply chain to manage and mitigate risk?

| Forest risk commodity | Work beyond first tier of supply chain? | Please explain |
|-----------------------|---|---|
| Timber | No | Where we work with suppliers or subcontractors that do not hold a Chain of Custody for FSC and PEFC, we provide guidance to them in order to ensure they are procuring certified timber products on our behalf. We also require those subcontractors to provide us with evidence from their own suppliers (our Tier 2) to demonstrate that they have, indeed, procured certified timber products for us. Where we identify issues with this Tier 2 supplier's evidence, such as incorrect invoicing, an out-of-date Chain of Custody certificate, or high-risk timber species, we will alert our Tier 1 supply chain partner and asked that they work with their supplier to resolve the issue. We also offer Tier 1 supply chain partners to use our guidance documents to assist in this conversation with their supplier. This follows the procedures we outlined earlier in question 2.1a. However, we do not approach our Tier 2 suppliers directly. |

F10.5

Do you engage in activities that could either directly or indirectly influence the market for sustainable forest risk commodities?

| Activity | Please explain |
|--|--|
| Increasing demand for sustainable materials Raising awareness of the issue of deforestation | In 2015, Crest Nicholson signed up to support the WWF-UK Forests campaign. This campaign aims to help protect forests by ensuring that UK businesses do not contribute to deforestation through trade in timber and timber products. As part of our participation in this campaign, Crest Nicholson added its name to the WWF-UK Industry Statement that was handed to the European Union in September 2015 to fight to increase the product types captured by the European Union Timber Regulations (EUTR). As part of our support to the Forests campaign, we also coordinated an internal letter writing campaign by Crest Nicholson employees to their UK Members of Parliament to support changes to the EUTR. The campaign included education on the risks of deforestation and its impact on climate change, as well as how to seek out FSC-certified products for purchase in their personal and professional capacity. The following is an extract from the WWF-UK website on the success of the letter writing campaign: "Thanks to over 2,000 personal letters and emails written by members of the public, including staff from some of the businesses we have been working with such as Willmott Dixon and Lathams, almost 100 MPs signed Early Day Motion (EDM) 65 in support of a market in legal and sustainable timber in the UK and wrote about the issue to the Secretary of State for Defra, Liz Truss." |

Further Information

Module: Challenges

Page: F11. Barriers and challenges

F11.1

Please describe any key barriers or challenges to achieving deforestation free direct operations and supply chains

Internally:

- We need to continue to educate commercial and procurement teams on the macro-level imperatives for supporting our Sustainable Timber Procurement Policy and working with our supply chain to drive increased access to sustainably sourced and credibly certified materials. Education and understanding are critical to driving continued motivation and support, both internally and within our supply chain, to demand sustainably sourced and credibly certified products.
- There is a large amount of time spent by a number of employees within the business to maintain our robust audit and compliance programme for our Sustainable Timber Procurement Policy. While this time and level of robustness is needed, it is a challenge to manage this in such a way as to not be overly burdensome.

Externally:

- Within the European market, we struggle to find and secure structural timbers, certified to FSC, that are available in sufficient volume. With many northern European countries preferring to support PEFC, access to FSC-certified structural timbers that are cost-effective and available in sufficient volume for our needs, is difficult. This is one of the key reasons our annual % of FSC-certified timber remains lower than we would like.
- Despite being committed to the principles of our Sustainable Timber Procurement policy, we do not see a high-level of interest from the investor community regarding the risks associated with deforestation. This lack of interest means that the business must continually demonstrate to its Board and investors why it chooses to support the principles (and the potential increased costs) of credibly certified timber products.

F11.2

Please describe any measures that would improve your organization's ability to manage deforestation risk

Internally, Crest Nicholson can:

- Continue to refine the mechanisms and IT systems available to commercial teams to allow for more automated methods to ensure that suppliers and subcontractors comply with our Sustainable Timber Procurement Policy and procedures and to improve the traceability within the supply chain.
- Continue to build longer-term relationships with key suppliers and subcontractors in order to secure our supply of sustainably sourced and credibly certified timber products, and use these relationships to support our supply chain's continued drive to manage deforestation risk and procure certified timber products.
- Continue to encourage and support small, local subcontractors to acquire certification in FSC and/or PEFC.

Externally, Crest Nicholson can:

- Work with industry colleagues and our large suppliers of timber-based products to encourage the European supply chain to increase its production of FSC-

certified structural timbers for use in housebuilding.

- Continue to support initiatives and policy at a national level that will support a UK market that does not support the import and use of illegal and high-risk timber products.

Further Information

Module: Sign Off

Page: F12. Sign off

F12.1

Please provide the following information for the person that has signed off (approved) your CDP forests response

| Name | Job title | Corresponding job category |
|--------------|--|----------------------------|
| Chris Tinker | Executive Board member, Strategic Projects and Regeneration Chairman. Executive Management Team and Board representative for Sustainability | Board/Executive board |

Further Information

CDP 2017 Forests 2017 Information Request