Chairman's introduction to Corporate Governance

Dear Shareholder,

Your Board remains strongly committed to ensuring that Carillion maintains and continuously improves the structures and processes required to underpin the effective delivery of its growth strategy. We believe that good governance is an essential part of the way we undertake our business on a day-to-day basis, while maintaining effective risk management, control and accountability.

I am pleased to report that our commitment to business integrity, safety, strong governance and sustainability remains a key strength of our business. In this section of the Annual Report we provide details of our governance policies and practices, highlights of our governance activities and the status of our compliance with the principles of the UK Corporate Governance Code (September 2014).

Your Company continues to be led by a strong and balanced Board, which is well qualified to challenge, motivate and support the business. Biographical details of all of the Directors are provided on pages 42 and 43. The Board as a whole is responsible for the Group's overall strategy and has in place clearly defined structures for the allocation of responsibilities relating to the various elements of the Group's strategy. Please see page 44 for an overview of the governance and management structure for the Group.

The Nominations Committee continues to review the composition of the Board to ensure that we have the right balance of skills, experience, diversity and independence in place to support the future development of the Group. During 2015 the Committee led the process which culminated in Keith Cochrane's appointment to the Board. Keith was subsequently appointed as Senior Independent Non-Executive Director and joined all five committees of the Board. Keith's appointment was made ahead of the planned retirement of Steve Mogford in December after nine years on the Board. Steve also served as our Senior Independent Non-Executive Director until September and made a significant contribution to the Group's development during a period of considerable change for our business. The 2015 report of the Nominations Committee is set out on page 50.

Recognising the importance of right behaviours to long-term performance and our reputation, the Board continues to remain committed to maintaining high standards of ethics and business integrity throughout the Group. The 2015 report of the Business Integrity Committee is set out on page 51. The Group also continues to put sustainability at the heart of all operational activity. During 2015, we were delighted that our external reporting on sustainability was once again recognised when we won the 2015 PwC Building Public Trust Award for the FTSE 250 Sustainability Reporting category for the third year in succession. The Sustainability Committee's report on its work during 2015 is set out page 52.

The annual review of Board effectiveness is an important process for helping to identify key areas for future improvement or focus. The 2015 review was led by myself and facilitated by Linstock Limited, an independent corporate advisory firm. The results from our 2015 evaluation are detailed on page 48, but the following areas were, inter alia, identified as being key future priorities for the Board:

- Overseeing the development of the Group's strategy for growth
- Developing the Board's effectiveness and managing membership succession successfully and
- Supporting the development of the senior management team.

More details of our compliance with the leadership and effectiveness provisions of the Code can be found on pages 46 to 48.

The Board understands the importance of presenting a fair, balanced and understandable assessment of the Company's position and prospects and of the importance of effective reporting, risk management and internal control procedures. Further details on the Group's reporting, internal control and risk management processes are provided in the Audit Committee report on pages 53 to 56.

We also remain committed to regular and active dialogue with our shareholders. Keith Cochrane and I continue to make ourselves available to facilitate such dialogue and in addition we also consult with our shareholders on any significant changes to remuneration for the Executive Directors and other matters of a strategic nature. Our 2015 Remuneration report is set out on pages 57 to 72 and further details on our 2015 interaction with our shareholders are set out on page 49.

Compliance with the 2014 Code
During the year ended 31 December 2015, as detailed in our Corporate Governance report on page 49 and in the Remuneration report on page 57, the Company complied fully with the requirements of the UK Corporate Governance Code (September 2014). Full details of this Code can be obtained from the Financial Reporting Council's website at www.frc.org.uk.

Philip Green
Chairman
3 March 2016

Board of Directors

Your Company continues to be led by a strong and balanced Board, which is well qualified to challenge, motivate and support the business.

01. Philip Green, CBE
Chairman
Age 62

Date appointed to Board:
1 June 2011

Tenure on Board:
4 years 9 months

Committee memberships:
- Chairman of Nominations Committee
- Chairman of Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Significant level of listed company board experience gained in executive and non-executive roles
- Chief Executive Officer experience gained with large and complex UK and international businesses
- Operational leadership experience from a variety of business sectors
- Strong track record in corporate responsibility
- Experienced in M&A and strategy development

External appointments:
- Non-Executive Chairman, BakerCorp Inc (USA)
- Senior Independent Director, Saga plc
- Chairman Designate, Williams & Glyn Bank Limited
- Chairman, Sentebale, a charity focused on Lesotho established by Prince Harry

Past roles:
- Chief Executive of United Utilities Group PLC
- Chief Executive of Royal P&O Nedlloyd
- Director and Chief Operating Officer, Reuters Group PLC
- Chief Operating Officer, DHL Europe and Africa
- Chairman of Clarkson plc

02. Richard Howson
Group Chief Executive
Age 47

Date appointed to Board:
10 December 2009

Tenure on Board:
6 years 3 months

Committee memberships:
- Nominations Committee
- Sustainability Committee

Independent: No

Relevant skills and experience:
- Fellow of the Institution of Civil Engineers
- 20 years of service with Carillion in a variety of roles
- Operational leadership experience gained through previous role of Chief Operating Officer
- Detailed knowledge of key business units gained through previous roles
- Significant experience in operational delivery, management of commercial positions and performance improvement
- Strong track record on Health & Safety and sustainability

External appointments:
- Chairman of BITC's Community Leadership Team
- Chairman of the CBI's Construction Council

Past roles:
- Chief Operating Officer, Carillion plc
- Executive Director responsible for UK Construction and Middle East and North Africa, Carillion plc
- Managing Director, Middle East and North Africa, Carillion plc

03. Richard Adam
Group Finance Director
Age 58

Date appointed to Board:
2 April 2007

Tenure on Board:
8 years 11 months

Committee memberships:
None

Independent: No

Relevant skills and experience:
- A Chartered Accountant qualifying with KPMG in 1982
- Nearly 30 years of experience as Finance Director of private and listed businesses
- Significant experience of M&A activity with Carillion and in prior roles
- Well-developed investor relations skills
- Well versed in financing and capital structures, Carillion's funding sources have been significantly diversified over the past eight years
- Strong track record in cost control, cashflow and pension scheme risk management

External appointments:
- Non-Executive Director of Countrywide PLC where he is Chairman of the Audit and Risk Committee
- Non-Executive Director of Countryside Properties Plc where he is Senior Independent Director and Chairman of the Audit Committee

Past roles:
- Group Finance Director, Associated British Ports Holdings plc
- Group Finance Director, Hodder Headline Plc
- Group Finance Director, TVS Entertainment plc
- Non-Executive Director and Chairman of Audit Committee of SSL International plc

04. Keith Cochrane
Senior Independent Non-Executive Director
Age 51

Date appointed to Board:
2 July 2015

Tenure on Board:
8 months

Committee memberships:
- Audit Committee
- Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Chartered Accountant and Member of the Institute of Chartered Accountants of Scotland
- Chief Executive Officer of major listed companies
- Board level strategic leadership of complex domestic and multi-national businesses
- Significant regulatory and Government affairs experience in the UK and internationally
- Experienced in corporate finance, managing large procurement contracts and risk mitigation

External appointments:
- Chief Executive of The Weir Group PLC
- UK Government Lead Non-Executive Director for the Scotland Office and Office of the Advocate General

Past roles:
- Chief Executive, Stagecoach Group PLC
- Finance Director, Stagecoach Group PLC
- Director of Group Finance, ScottishPower PLC

05. Andrew Dougal
Non-Executive Director
Age 64

Date appointed to Board:
3 October 2011

Tenure on Board:
4 years 6 months

Committee memberships:
- Chairman of Audit Committee
- Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Chief Executive Officer and Finance Director experience with FTSE 100 international business
- Extensive experience of M&A and strategic initiatives
- Experienced non-executive director, has chaired two FTSE 350 audit committees in addition to Carillion
- Has detailed knowledge of best practice in risk management and internal control

External appointments:
- Non-Executive Director and Audit Committee Chair of Victrex plc
- Member of the Council and the Oversight Board of The Institute of Chartered Accountants of Scotland

Past roles:
- Chief Executive, Hanson plc (international building materials company)
- Group Finance Director, Hanson plc (Anglo-American diversified industrial company)
- Non-Executive Director and Audit Committee Chair, Creston plc
- Non-Executive Director and Audit Committee member, Premier Farnell Plc
- Non-Executive Director and Chairman of Audit Committees, Taylor Wimpey plc and Taylor Woodrow plc
- Non-Executive Director and Audit Committee member, BPB Plc

06. Alison Horner
Non-Executive Director
Age 49

Date appointed to Board:
1 December 2013

Tenure on Board:
2 years 3 months

Committee memberships:
- Audit Committee
- Chairman of Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Sustainability Committee

Independent: Yes

Relevant skills and experience:
- Operational leadership experience
- Significant experience in managing human resources, currently manages international workforce of 480,000 employees
- Detailed knowledge in design and implementation of employee and executive remuneration
- Experienced in managing provision of pension arrangements to employees and risk associated with pension schemes
- Strong track record of building capability and driving Group-wide development and change programmes

External appointments:
- Chief People Officer and member of Executive Committee, Tesco Plc
- Trustee, Tesco Pension Scheme

Past roles:
- Operations Director, Tesco
- Non-Executive Director, Tesco Bank

07. Ceri Powell
Non-Executive Director
Age 52

Date appointed to Board:
2 April 2014

Tenure on Board:
1 year 11 months

Committee memberships:
- Audit Committee
- Remuneration Committee
- Nominations Committee
- Business Integrity Committee
- Chairman of Sustainability Committee

Independent: Yes

Relevant skills and experience:
- International operational leadership experience
- Strong track record in business and market development focused on emerging markets
- Significant experience in development and implementation of strategic initiatives
- Well-developed skills in delivery of large capital projects and management of risks associated with these
- Detailed knowledge of key issues and best practice in sustainability

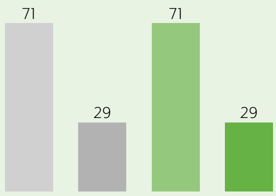
External appointments:
- Executive Vice President for Global Exploration, Royal Dutch Shell
- Member of the Advisory Board of the United Nations Sustainable Energy for All initiative, chaired by the UN Secretary General

Past roles:
- Vice President Strategy, Royal Dutch Shell
- Regional Vice President Exploration, Middle East, Caspian and South Asia, Royal Dutch Shell

Board diversity
The Board continues to ensure it has the right balance of skills, knowledge and experience, independence and diversity to lead the business.

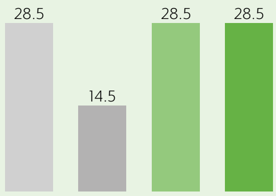
The composition and tenure of our Board members is summarised below.

Board composition



Independent	71%
Non-independent	29%
Male	71%
Female	29%

Board tenure



0-2 years	28.5%
2-4 years	14.5%
4-6 years	28.5%
6+ years	28.5%

Carillion plc's Governance and management structure

Governance and management structure
Under the Board's leadership, Carillion plc has put in place a comprehensive management structure together with clearly defined policies, procedures and limits of delegated authority. Our management and governance structure is summarised in the diagram below.

Board chaired by Philip Green

Nominations Committee
Chaired by Philip Green
For terms of reference see: www.carillionplc.com/investors
For 2015 report see page 50

Business Integrity Committee
Chaired by Philip Green
For terms of reference see: www.carillionplc.com/investors
For 2015 report see page 51

Sustainability Committee
Chaired by Ceri Powell
For terms of reference see: www.carillionplc.com/investors
For 2015 report see page 52

Audit Committee
Chaired by Andrew Dougal
For terms of reference see: www.carillionplc.com/investors
For 2015 report see pages 53 to 56

Remuneration Committee
Chaired by Alison Horner
For terms of reference see: www.carillionplc.com/investors
For 2015 report see pages 57 to 72

Major Projects Committee
Chaired by Richard Howson

Chief Executive's Leadership Team
Chaired by Richard Howson

Pensions Sub-Committee
Chaired by Richard Howson

Group Health and Safety Committee
Chaired by Richard Howson

Business Units
- Services
- Public Private Partnerships
- UK, Canada and Middle East Construction

Support functions
- HR/Pensions
- ICT
- Supply chain
- Legal
- Finance
- Strategy
- Risk management
- Treasury

However, the Board recognises that on their own policies and procedures are not enough and, in order to achieve consistently high standards of governance and service excellence, we have to ensure that our values are at the heart of everything we do. Our values are helping to shape the culture, character and beliefs of our business. For more information on our values visit www.carillionplc.com/about-us.

More than any policy document our values define the way we behave, with each other, with our customers and partners, and how we approach our challenges and opportunities on a daily basis.

Our vision
To be the trusted partner for providing services, delivering infrastructure and creating places that bring lasting benefits to our customers and the communities in which we live and work.

Our values
We care.
We respect each other and we do things safely and sustainably. It's good for our people, our business and our local communities.

We achieve together.
We value the contribution of each individual and we work together to build strong, open and trusting partnerships.

We improve.
We listen, learn and adapt our ideas and experience into better solutions and services for our customers.

We deliver.
We set ourselves stretching goals, taking pride in doing a great job and helping our customers and partners to succeed.

Corporate Governance report

Leadership

The Board
The Board as a whole continues to take ownership of effective leadership and the long-term success of the Company. The management and governance framework, which the Board has implemented to support the Company's long-term growth objectives, is set out on page 44. The diverse range of skills and leadership experience offered by the Non-Executive Directors means that they are well qualified to scrutinise performance, assess the Group's risk management and control processes, provide constructive challenge and to support the Executive Directors. Biographical details for each of the Directors together with their Board responsibilities are set out on pages 42 and 43.

The Board has 10 scheduled meetings during the year; additional meetings are arranged if required. The Board committee meetings are scheduled around the regular Board meetings.

In order to facilitate increased understanding of our overseas businesses amongst Board members and to provide local employees and management with access to the Board, a Board meeting is held each year at an overseas operation.

Decision making
Directors are required to attend each Board meeting and meetings of any Committee of which they are a member. In addition, other members of the senior management team and the Group's advisers may, by invitation, attend meetings to address specific agenda items. There is a formal schedule of matters reserved for the Board, which is reviewed regularly to ensure that it remains current. Matters reserved for the Board include the items summarised in the table below:

Governance	Strategy and direction	Risk management, accountability and control
– Review of governance arrangements – Appointments to and removals from the Board – Terms of reference for and membership of Board committees	– Approval of strategy and annual budgets – Authorisation of acquisition and disposal activity – Affirmation of risk management strategies and risk appetite	– Approval of financial statements, other updates to market and recommendations on dividends – Approval of authority levels, financial and treasury policies – Review of internal control and risk management – Approval of Health & Safety policies

In addition, The Chief Executive's Leadership Team (CELT) meets on a monthly basis. The CELT, led by Richard Howson, is responsible for strategy development, operational and financial management and the executive management of the Group's businesses. In addition to Mr Howson, the CELT comprises the Group Finance Director, the Group Financial Controller, the Managing Directors of selected Business Units, the Group Development and Strategy Director, the Group HR Director and the Company Secretary and Director of Legal Services.

The Executive Directors and the Carillion subsidiary companies operate within clearly defined limits of authority delegated by the Board and any matters outside these limits are referred to the Board for consideration.

Arrangements in relation to Directors' indemnification and the management of conflicts are provided in the Directors' report on page 74.

Division of responsibilities
A clear division of responsibilities is important for the effective working of the Board and to ensure that no one individual has unfettered power of decision. The Chairman and Group Chief Executive work together to provide effective and complementary stewardship. The roles of the Chairman, Group Chief Executive and Senior Independent Non-Executive Director are clearly defined as summarised below.

Chairman
- Responsible for the composition and capability of the Board
- Responsible for the effective leadership and governance of the Board
- Ensures Board and Committee meetings are used effectively by focusing on key areas and promoting a culture of openness and healthy debate
- Maintains regular contact with the Group Chief Executive providing advice, counsel and support to the Group Chief Executive as and when appropriate
- Works with the Group Chief Executive and Company Secretary to establish the Board's 12-month rolling agenda
- Leads assessment of the effectiveness of the Board and each Director.

Group Chief Executive
- Responsible for providing effective leadership to the Company
- Identification and analysis of strategic options for growth in shareholder value
- Implementation of operating plans and budgets required to deliver the agreed strategy
- Works closely with the Group Finance Director to ensure that the Group has in place an appropriate capital structure and risk management and internal control processes
- Works closely with the Group Finance Director to ensure that the Group maintains effective relationships and communications with investors
- Responsible for delivery of ongoing operational performance against targets and continuous improvement in performance on safety and sustainability.

Senior Independent Non-Executive Director
- Available as the alternative point of contact for shareholders where communication through the Executive Directors or the Chairman may not be appropriate
- Act as a sounding board for the Chairman and alternate Board contact for other Directors where appropriate
- Would chair Board meetings in the absence of the Chairman
- Leads the annual assessment of the effectiveness of the Chairman.

The Company Secretary acts as the Secretary to the Board and each of its Committees. The Chairman maintains contact with the Senior Independent Non-Executive Director and the Company Secretary in relation to Board and governance matters. In addition, the Chairman holds meetings with the Non-Executive Directors without the Executive Directors present. The Senior Independent Non-Executive Director also holds meetings with the Non-Executive Directors without the Chairman present at least once a year.

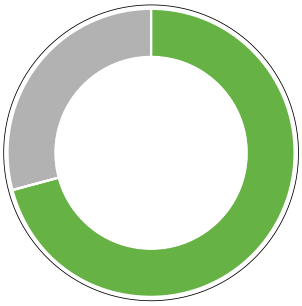
Corporate Governance report
continued

Effectiveness

Board composition
The Board and its Committees continue to benefit from an appropriate balance of expertise, experience, independence and knowledge of the Company and its business sectors. At 31 December 2015, the Board comprised two Executive and five Non-Executive Directors.

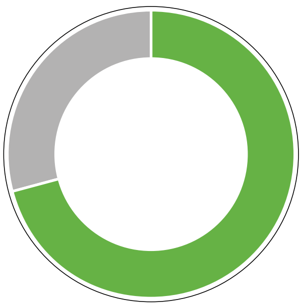
Ceri Powell, who joined the Board in 2014, is the Executive Vice President for Global Exploration at Royal Dutch Shell, a customer of, and supplier to, the Group. However, Dr Powell has not been and is not expected to be involved with any commercial dealings between the Group and Royal Dutch Shell. Consequently, the Board confirms that the Chairman and each of the Non-Executive Directors are considered to be independent of management under the guidelines set out in the UK Corporate Governance Code.

71 per cent of Directors are independent



Independent	71%
Non-independent	29%

29 per cent of Directors are female



Male	71%
Female	29%

60 per cent of Non-Executive Directors have been in role for less than four years

1-4 years	60%
5-9 years	40%

Appointments to the Board are managed by the Nominations Committee (see page 50 for the Nominations Committee's 2015 report). In line with our succession planning, during 2015 there were two changes to the composition of the Board. Keith Cochrane was appointed as an Independent Non-Executive Director of the Company and in September succeeded Steve Mogford as Senior Independent Non-Executive Director. Steve Mogford, who completed nine years as a member of the Board in September 2015, retired from the Board on 31 December 2015.

Changes to the Board since 1 January 2015 are summarised in the table below:

Director	Position	Date of appointment	Date of resignation
Keith Cochrane	Non-Executive Director	2 July 2015	N/A
Steve Mogford	Non-Executive Director	5 Sep 2006	31 Dec 2015

Commitment
All Directors are made aware at the time of appointment of the time commitment required to discharge their Board and Committee responsibilities effectively. There is a formal job specification in place for the Chairman. The terms and conditions of appointment for the Executive and Non-Executive Directors will be available at the 2016 AGM and can, at other times, be inspected at the Company's registered office, Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR.

Recognising that external appointments can broaden experience and knowledge and so be of benefit to the Company, Executive Directors are permitted, at the discretion of the Board, to accept a limited number of such appointments and retain the fees received for such appointments. In addition to his role as Group Finance Director, Richard Adam continued to act as a Non-Executive Director of Countrywide Plc and in addition was appointed as a Non-Executive Director of Countryside Properties Plc. Richard Howson does not hold any external appointments.

The Board is aware of current external commitments for all of the Non-Executive Directors who are also required to discuss any additions to these with the Chairman prior to their acceptance of any further external appointments. Changes to the external commitments of the Non-Executive Directors during 2015 are summarised in the table below:

Director	2015 changes to external commitments
Keith Cochrane	None
Andrew Dougal	Appointed a director of Victrex plc on 1 March 2015. Retired as a director of Premier Farnell plc on 16 June 2015 and Creston plc on 30 November 2015.
Philip Green	None
Alison Horner	None
Ceri Powell	None

All Directors were able to allocate sufficient time to their Board responsibilities during 2015 and this is expected to be the case in 2016.

Board meeting attendance
The number of scheduled Board meetings attended by each Director together with the number of Board meetings that they were eligible to attend during 2015 and 2014 is summarised in the table below:

	2015			2014		
Member	Attendance	Eligibility	Percentage	Attendance	Eligibility	Percentage
Richard Adam	10	10	100	10	10	100
Keith Cochrane*	5	5	100	N/A	N/A	N/A
Andrew Dougal	10	10	100	10	10	100
Philip Green	10	10	100	10	10	100
Alison Horner	10	10	100	9	10	90
Richard Howson	10	10	100	10	10	100
Steve Mogford	10	10	100	10	10	100
Ceri Powell	10	10	100	8	8	100

* Keith Cochrane was appointed to the Board on 2 July 2015.

This year's overseas meeting was held in Canada and provided Board members with an opportunity to visit some of our businesses and contracts in this country and learn more about our strategy for Canada from the local leadership team.

Key areas of activity considered at Board meetings during 2015 are summarised in the table below:

Area of activity	Frequency	Agenda item
Review of financial and operational performance	1	Group Chief Executive's report on safety and operational performance, work-winning, human resources and market development.
	1	Group Finance Director's report on financial performance, liquidity, investor relations, share price performance and supply chain
	1	Reports from the Major Projects Committee
	1	Reports on sustainability practice and performance
	2	Review and approval of latest forecasts and budgets
Leadership, governance and strategy	2	Review and approval of the Group's three-year business plan
	2	Presentations on Group and business unit strategy
	2	Review and approval of acquisition and disposal activity
	2	Review of delegated authorities
	2	Review of policies such as sustainability, ethics and business integrity
	2	Appointment of new Director and succession planning
	2	Consideration of reports from the Board Committees
	2	Evaluation of the Board and its Committees
	2	Review of any conflicts of interest
	1	Review of Directors' share dealings
Accountability, control and risk management	2	Review of 2015 half year report and 2014 Annual Report and Accounts. Approval of final dividend for 2014 and half year dividend for 2015.
	2	Review of trading updates issued to the market
	2	Consideration of reports from the Chairman of the Audit Committee on internal control and risk management
	2	Consideration of risk management procedures and key risks and uncertainties facing the Group
Relations with shareholders	2	Consideration of matters relating to the AGM
	2	Consideration of feedback from investors received following release of our results or during routine meetings with Board members.

1 Standing agenda item for all Board meetings.
2 Item tabled on a periodic basis or as and when necessary.

Board Committees

To ensure compliance with regulatory requirements, the Board delegates certain matters to its Committees, which are required to consider these in accordance with their terms of reference. Occasionally, where it may be more expedient to do so, the Board may delegate certain of its powers to a sub-committee on an ad-hoc basis. The terms of reference for each Board Committee are available on the Group's website (www.carillionplc.com/investors) and summarised in the following table.

Committee	Summary of terms of reference	Minimum number of meetings	Committee report for 2015
Nominations Chaired by: Philip Green	– Makes recommendations on appointments to the Board and its Committees – Reviews the Group's succession arrangements and overall Board composition to ensure the balance of skills and experience remains appropriate.	1	See page 50
Business Integrity Chaired by: Philip Green	– Reviews and oversees the development and implementation of the Group's Ethics and Business Integrity Policy – Monitors the Group's compliance with relevant legislation such as the Bribery Act 2010 and the Competition Act – Monitors the Group's communication and training programmes on ethics and business integrity.	2	See page 51
Sustainability Chaired by: Ceri Powell	– Reviews and approves policies, targets and performance in relation to key sustainability initiatives – Reviews and approves the annual Sustainability Report prior to publication – Monitors legislation and/or regulations that might affect the Group or its stakeholders and other matters which could impact corporate reputation and the management of any such matters – Engage with key internal and external stakeholders on key sustainability themes.	4	See page 52
Audit Chaired by: Andrew Dougal	– Reviews and reports to the Board on the Group's financial reporting to investors, internal controls and risk management processes – Makes recommendations to the Board on the appointment or reappointment of the external auditor and monitors the effectiveness and independence of the external auditor – Directs and reviews the work undertaken by the external and internal audit functions.	3	See pages 53 to 56
Remuneration Chaired by: Alison Horner	– Reviews and advises the Board on remuneration arrangements for the Chairman, the Executive Directors and their direct reports.	3	See pages 57 to 72

Induction and development

Directors are provided with a comprehensive information pack on joining the Company and are advised of their legal and other duties and obligations as a director of a listed company. In addition, all new Directors receive induction on their appointment covering such matters as the operation and activities of the Group, the role of the Board and the Company's corporate governance procedures. Directors are also briefed by the Company's external advisers, where appropriate, on changes to legislation, regulation or market practice as well as receiving briefings from business units throughout the year.

"Carillion's comprehensive induction programme has enabled me to quickly get to grips with the structure of the organisation, its operations and associated risks, the culture and the governance environment. This has supported my role on the Board in this, my first appointment as a Non-Executive Director."

Keith Cochrane

As part of his induction to the Group, Keith Cochrane received or undertook the following activities:

- A briefing on the responsibilities of a director of a public listed company
- A briefing on Carillion's culture, strategy, policies and processes
- Briefings from senior management and operational leads
- Briefings from external advisers such as the corporate brokers
- Site visits to major projects.

The Directors are also encouraged to update their skills and knowledge regularly, including in relation to environmental, sustainability and governance matters, and a procedure has been established whereby the Company Secretary is notified by Directors of their requirements in this respect. In pursuit of best practice, the Board receives presentations on governance and regulatory matters. The potential requirement for any specific training in the light of new statutory or governance regulations is kept under regular review.

Information and support

The Board is provided with regular and timely information on the financial performance of businesses within the Group, and of the Group as a whole, together with reports on trading matters, markets, Health & Safety, sustainability and other relevant issues.

The Company Secretary is the Secretary to the Board and its Committees. Prior to each Board or Committee meeting, the Company Secretary ensures that the relevant papers are made available to all Directors five working days in advance of the meeting. Since late 2010, the Board has used a secure electronic portal to receive Board papers. The portal provides information in a timely and secure manner, enabling the Directors to receive Board papers quickly and to access them via tablet devices, wherever they may be.

All Directors have access to the Company Secretary, who is responsible to the Board for ensuring that agreed procedures and applicable rules and regulations are observed. The Board approves the appointment and removal of the Company Secretary.

Any Director may, in furtherance of his duties, take independent professional advice when necessary, at the expense of the Company.

Board and Committee performance evaluation

The Board undertakes a formal review of its effectiveness and that of its Committees on an annual basis, with the evaluation being conducted by an external facilitator every three years. The 2015 performance evaluation was conducted by Linstock Limited, an independent corporate advisory firm.

Progress against key priorities identified during the 2014 review

Priority	Update
Supporting senior management	Non-Executive Directors have continued to provide effective support to the Executive Directors and other management as appropriate.
Addressing specific business challenges	The Board has continued to work collaboratively in addressing the challenges and opportunities associated with the Group's operations. Key developments during 2015 are covered in the Strategic report on pages 1 to 40.

For the 2015 evaluation, Lintstock initially engaged with the Chairman and the Company Secretary to set the context for the evaluation and subsequently reviewed and reported on the performance of the Carillion Board and Committees during the year. Customised assessments, based on anonymous responses to an online survey, were undertaken for the Board as a whole and each of its Committees. Topics addressed included Board composition, effectiveness of Board and Committee meetings, Committee structure and performance, strategy, succession, performance monitoring, leadership and culture, remuneration, relations with shareholders and accountability.

The performance of the Chairman and each Director was also reviewed as part of this evaluation process with the anonymity of respondents ensuring an open and frank exchange of views. The Senior Independent Non-Executive Director led the evaluation of the Chairman's effectiveness. At the November 2015 Board meeting, the Directors reviewed the results of the evaluation, which confirmed that the Board, each of its Committees and the Directors continue to be highly effective. The evaluation confirmed that the key priorities identified as part of the 2015 evaluation, including those in relation to succession management, development/delivery of strategy, managing around political change and management of pension liabilities, had been effectively managed during 2015. Some of the key strengths highlighted by the 2015 evaluation included the organisation of the Board, the high quality of Board business and the excellent relationships between Directors. The Group's on-boarding for new Non-Executive Directors was also rated highly as was the Board's focus on strategy.

The key priorities for the Board in 2016 were identified as follows:

- Overseeing the development of the Group's strategy for growth
- Developing the Board's effectiveness and managing membership succession successfully
- Supporting the development of the senior management team.

The Board intends to continue to comply with the UK Corporate Governance Code guidance that the evaluation should be externally facilitated at least every three years.

Re-election of Directors

In accordance with the UK Corporate Governance Code, all of the Directors will submit themselves for election or re-election at the Annual General Meeting to be held on 4 May 2016. All of the Directors proposed for election or re-election have been subject to formal performance evaluation and continue to be effective members of the Board. The Chairman has confirmed that each of the Directors remains committed to the role and to the time required for Board and, where applicable, Committee meetings and any other duties required of them.

Accountability

The Board remains committed to ensuring that its communications with shareholders continue to present a fair, balanced and understandable assessment of the Company and its prospects. Both the Audit Committee and the Board received drafts of the Annual Report and Accounts to facilitate review and to provide an opportunity for challenge and discussion.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. Principal risks and uncertainties associated with the Group's business are summarised on pages 28 to 31 of the Strategic report. The Board has an Audit Committee which monitors and reports on the Group's risk management systems. The Audit Committee also considers how the Board should apply corporate reporting and internal control principles and is responsible for maintaining an appropriate relationship with the Company's auditor, KPMG LLP. The 2015 report of the Audit Committee is set out on pages 53 to 56.

Remuneration

Details relating to the Company's policy on remuneration together with the level and components of remuneration available to the Company's Directors are provided in the Remuneration Committee's report on pages 57 to 72.

Dialogue with shareholders

The Board is committed to ensuring that we continue to engage effectively with our shareholders to facilitate a mutual understanding of objectives. Our Group Corporate Affairs Director, who reports to the Group Finance Director, is responsible for managing our investor relations programme. The Executive Directors and the Director of Group Corporate Affairs meet regularly with representatives of major shareholders in order to foster the mutual understanding of objectives.

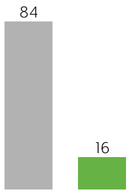
Where appropriate, meetings and requests for information are also facilitated with other shareholders and prospective shareholders. Appropriate governance around disclosure of information is maintained throughout our interaction with shareholders. The details of these meetings are reported to the Board and, in addition, the Board also receives formal investor feedback provided through the Group's corporate brokers following the release of our half-year and full-year results. The Chairman and Senior Independent Non-Executive Director are available for meetings with representatives of major shareholders as required.

During 2015, we maintained an extensive investor relations programme. Our half year and full-year results announcements, which involved a presentation to analysts, investors and banks, were given by our two Executive Directors. We issued trading updates in July and December, which were followed on the day of the announcements by conference calls for analysts and investors, hosted by our two Executive Directors. In May we released on the Regulatory News Service, an AGM statement on trading. We also continued to offer meetings to institutional investors, both shareholders and non-shareholders, and we continued to hold meetings or conference calls with all institutions that requested them. In 2015, we met or held conference calls with over 150 institutions, around 40 per cent of which were attended by at least one Executive Director.

Constructive use of the Annual General Meeting (AGM)

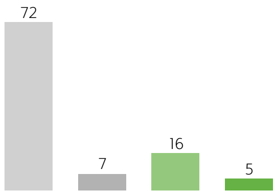
The Board uses the AGM to communicate with investors and encourages their participation. Shareholders are invited to attend the AGM each year and to ask questions. The Chairmen of the Audit, Business Integrity, Nominations, Remuneration and Sustainability Committees are present at that meeting to answer questions on the work of the Committees.

Investors by type



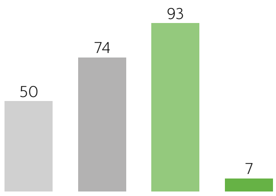
Institutional	84%
Private	16%

Investors by geography



UK	72%
Europe	7%
North America	16%
Rest of the World	5%

Investor concentration



Percentage of issued share capital held by:

Top 10 investors	50%
Top 30 investors	74%
Top 100 investors	93%
Other investors	7%

During the year under review, the AGM was held in May 2015 with each member of the Board in attendance to answer questions. Notice of the AGM and related papers were sent out more than 20 working days before the meeting. Separate resolutions were tabled on all substantively separate issues. The Group's 2014 Remuneration Report was approved by 98.9 per cent of the votes cast and its 2014 Annual Report and Accounts were approved by 99.8 per cent of the votes cast.

The Company complies fully with the provisions of the UK Corporate Governance Code (September 2014) in respect of the notice, content of agenda and conduct of its Annual General Meetings. The Chairmen of all the Board Committees will be present at the Annual General Meeting on 4 May 2016 to respond to shareholders' questions.

Philip Green
Chairman
3 March 2016

Report of the Nominations Committee

Dear Shareholder,

I am pleased to present the 2015 report of the Nominations Committee.

After a busy 2014 when we addressed a number of Board succession issues, the Committee had a relatively quiet year during 2015. As planned, Steve Mogford, who completed nine years as a member of the Board in September, stepped down as Senior Independent Non-Executive Director in September and retired from the Board and the Committee in December 2015. I would like to thank Steve for his contribution to the Committee's work over the years. Keith Cochrane joined the Board as a Non-Executive Director in July 2015 and was appointed to the Committee at that time. In September, Keith succeeded Steve as Senior Independent Non-Executive Director. We welcome Keith and the experience and skills that he brings to the Board.

This report provides a summary of the Committee's work during 2015.

Membership and attendance at meetings held during the year ended 31 December 2015

Member	Appointed/ (retired)	Meeting attendance 2015 Attended	Meeting attendance 2015 Eligible to attend	Meeting attendance 2014 Attended	Meeting attendance 2014 Eligible to attend
Philip Green	01.06.11	2	2	3	3
Keith Cochrane	02.07.15	0	0	N/A	N/A
Andrew Dougal	03.10.11	2	2	3	3
Alison Horner	01.12.13	2	2	2	3
Richard Howson	10.12.09	2	2	3	3
Steve Mogford	(31.12.15)	2	2	2	3
Ceri Powell	02.04.14	2	2	1	1

The Committee reviews the structure, size, composition, balance of skills, knowledge and experience of the Board and makes recommendations to the Board with regard to any changes that are deemed desirable. The Committee also reviews succession planning to ensure that processes and plans are in place with regard to both Board and senior appointments. The Committee continues to be chaired by myself and its membership includes the independent Non-Executive Directors plus the Group Chief Executive. The Group Human Resources Director attends certain meetings of the Committee by invitation. The Committee's terms of reference are available at www.carillionplc.com or on request from the Company Secretary.

The appointment of a Director is a matter for resolution by the Board as a whole, taking advice from the Nominations Committee.

Implementation of Board succession
I was very pleased with the seamless transition we achieved in relation to the appointment of Keith Cochrane as Non-Executive Director and Senior Independent Non-Executive Director in succession to Steve Mogford. Having served on the Board since 2006, Steve Mogford retired as a Director on 31 December 2015. In anticipation of this, the Committee led the process that culminated in the appointment of Keith Cochrane to the Board in July 2015. These changes were largely planned during 2014 and implemented during 2015.

Appointment of Non-Executive Director
In order to facilitate the search relating to the appointment of Keith Cochrane, the Nominations Committee used the services of executive recruitment consultants, JCA Group. JCA Group has no connections to the Company other than the provision of services in relation to searches for new Non-Executive Directors. The JCA Group has adopted the 'Voluntary Code of Conduct for Executive Search Firms' which, inter alia, is designed to improve gender balance on Boards.

The Nominations Committee evaluated the balance of skills, experience, independence and knowledge on the Board and, based on this assessment, prepared a description of the key skills and expertise required. Details of potential candidates were provided by the JCA Group and initially reviewed by a sub-committee of the Nominations Committee. Meetings with selected candidates were then held with the Directors. Subsequently, the Nominations Committee met to recommend Mr Cochrane's appointment, which was then proposed to the Board for approval.

Non-Executive Directors are appointed for specified terms and subject to annual re-election. Written terms and conditions in relation to the appointment of all Non-Executive Directors will be available at the 2016 AGM and can be inspected at the Company's registered office, Carillion House, 84 Salop Street, Wolverhampton, WV3 0SR. Fees payable to Non-Executive Directors are discussed in the Remuneration report on pages 57 to 72.

Board diversity
The Nominations Committee is responsible for reviewing the composition of the Board to ensure that it continues to represent the right balance of skills, knowledge and experience, independence and diversity to support the future delivery of the Group's strategy. The Committee recognises the importance of gender diversity throughout the Group.

Currently, two of the seven Board members are female. While the Committee will continue to follow a policy of ensuring that the best people are appointed for the relevant roles, the benefits of greater diversity are recognised and will continue to be taken into account when considering any particular appointment.

Annual evaluation
As part of the overall Board evaluation process, the Committee reviewed its performance for 2015 and this confirmed that it continues to be highly effective. Future priorities highlighted by this evaluation included a continued focus on executive succession within the Group. I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Philip Green
Chairman
3 March 2016

Report of the Business Integrity Committee

Dear Shareholder,

I am pleased to present the Business Integrity Committee's report for the year ended 31 December 2015.

High standards of ethics and business integrity are essential to achieving consistently high standards of corporate governance and service excellence. The Board has therefore implemented a formal ethics and business integrity policy to ensure that the Group conducts its business to the highest ethical standards.

Our ethics and business integrity policy sets out the Group's approach to a number of compliance or ethical issues and the standards and behaviours that all Carillion employees are expected to meet wherever in the world we operate. This policy provides guidance in relation to areas such as bribery, fraud and corruption, gifts and hospitality, insider trading, conflicts of interest, ethical procurement, competition law, money laundering, human rights and compliance with general laws and regulations. For further details on the Group's Business Integrity Policy see www.carillionplc.com.

The implementation of our ethics and business integrity policy is overseen by the Business Integrity Committee, and its effectiveness is reviewed annually by the Board.

Membership and attendance at meetings held during the year ended 31 December 2015

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/ (retired)	Attended	Eligible to attend	Attended	Eligible to attend
Philip Green	01.06.11	4	4	2	2
Keith Cochrane	02.07.15	3	3	N/A	N/A
Andrew Dougal	03.10.11	4	4	2	2
Alison Horner	01.12.13	4	4	2	2
Steve Mogford	(31.12.15)	4	4	1	2
Ceri Powell	02.04.14	4	4	1	1

The changes to the Committee's composition summarised in the Report of the Nominations Committee on page 50, resulted from the succession related changes to the Board discussed on page 41. The Group Chief Executive and the Group Compliance Manager are invited to attend the Committee's meetings. The main activities undertaken by the Committee during 2015 are summarised below.

Our commitment to ethics and compliance
Following the introduction of the Bribery Act 2010, we established an Ethics and Compliance Office in 2010. This Office reviews and monitors compliance and aims to ensure that the Group's policies and procedures aimed at maintaining high ethical standards remain effective. In 2014, our formal policies and procedures in relation to ethics and integrity were externally benchmarked by the Institute of Business Ethics as part of our successful application to obtain the Investing in Integrity Charter Mark. This award covers all of our businesses globally and we remain one of the largest businesses to have been awarded the Charter Mark which remains valid until 2019. We also continue to undertake regular risk assessments in light of external compliance failures to ensure that any risks highlighted by these are appropriately managed and any lessons learnt addressed within our business. The Ethics and Compliance Office reports to the Business Integrity Committee on key global compliance risks and functional activity.

Our values
To create a culture in which high standards of ethics and integrity are natural and instinctive, we promote, encourage and reward behaviours that reflect our core values. We aim to ensure that our values, which are described on page 44, are at the heart of everything we do so that they define how we behave towards our colleagues, our customers, our partners and our suppliers, and how we approach every challenge and opportunity.

Integration of acquired businesses
The Group acquired the Outland Group, a Canadian provider of remote site accommodation and associated services, during the first half of 2015. Our acquisition integration process includes procedures designed to ensure that the ethics and compliance practices at newly acquired businesses are aligned with those adopted by the Group. As part of the Outland Group's integration into the Group, we undertook an assessment of its existing ethics and compliance policies and implemented a detailed programme to align these with those adopted by the Group. This programme included face-to-face training on Ethics, Business Integrity and Competition laws for the relevant members of the Outland team, with senior management within the business then being tasked to ensure that the key messages from this training continued to be communicated to all employees on a regular basis. We also undertook a similar alignment and training programme with the Rokstad Corporation in Canada following our acquisition of a 60 per cent ownership interest in this business in December 2014.

Modern Slavery Act 2015
We commenced a review of our current policies and procedures to ensure compliance with the Modern Slavery Act 2015 which came into force in October 2015. Our initial assessment is that the Group is well placed in relation to these regulations, however, in order to ensure that any potential gaps in our current procedures are addressed, the Committee has established a Modern Slavery Steering Group, which includes senior representation from each of our five business units. This Steering Group includes a mix of functional, commercial and operational expertise and it has been tasked to identify and review any new compliance risks associated with the introduction of this new legislation. The Steering Group has developed an implementation plan to ensure full compliance with these new regulations is achieved in line with the timelines set out within the Modern Slavery Act 2015.

Training
The Ethics and Compliance Office continued to oversee the delivery of the Group's regular compliance training programme during 2015. The Group provides employees with face-to-face and online training, dependent upon role and grade, to ensure that employees are aware of any new developments in Group policy and changes to laws and regulations. This programme includes training in competition law, ethics, integrity and bribery and corruption. During 2015, some 860 employees received face-to-face compliance training. Ongoing refresher training is mandatory for all senior employees who are also required to complete an online assessment at least once every three years.

Key priorities for 2016
During 2016, the Committee will continue to monitor the delivery of training under the Group's ongoing programme for all senior employees and new joiners (including those joining as part of the recent acquisition of the Outland Group) and ensure that its content remains relevant and up to date. The Committee will also continue to monitor external legal and regulatory developments and ensure these are implemented across the Group on a timely basis. In addition, the Committee will closely monitor the work undertaken by the Steering Group established following the introduction of the Modern Slavery Act 2015 and ensure that any gaps in our existing procedures are addressed.

Annual evaluation
As part of the overall Board evaluation process, the Committee reviewed its performance for 2015 which confirmed that it continues be highly effective. I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Philip Green
Chairman
3 March 2016

Report of the Sustainability Committee

Dear Shareholder,

I am pleased to present the Sustainability Committee's report for the year ended 31 December 2015.

Sustainability is a core commitment embedded within Carillion's operational delivery, values and reputational management – backed up by our published 2020 Sustainability Strategy and independently-verified Key Performance Indicators.

Our Strategy consists of six Positive Outcomes which target a balanced set of strategic objectives across economic, environmental and social responsibility and include building a successful business, leading the way in our sector, enabling low-carbon economies, protecting the environment, supporting sustainable communities and providing better prospects for our people.

The Board Sustainability Committee was established as a principle in 2014 and commenced its work in 2015, aiming to oversee the development and implementation of the Group's sustainability strategy, values and policies, by engaging with key internal and external stakeholders on prime sustainability themes. The Board receives monthly reports on progress, priorities, targets and challenges on topical sustainability issues, so the Sustainability Committee focuses on the Group's wider strategy, its relevance to sector contexts, and legislation or regulations that might affect the Group or its stakeholders. The Committee also approves external sustainability advisor appointments and reviews Carillion's Annual Sustainability Report prior to its publication, including the annual management report of the Group's sustainability auditors.

Membership and attendance at meetings held during the year ended 31 December 2015

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/ (retired)	Attended	Eligible to attend	Attended	Eligible to attend
Ceri Powell	02.04.14	4	4	N/A	N/A
Keith Cochrane	02.07.15	3	3	N/A	N/A
Andrew Dougal	03.10.11	4	4	N/A	N/A
Philip Green	01.06.11	4	4	N/A	N/A
Alison Horner	01.12.13	3	4	N/A	N/A
Richard Howson	10.12.09	4	4	N/A	N/A
Steve Mogford	(31.12.15)	4	4	N/A	N/A

The Chief Sustainability Officer also attends the Committee's meetings. The Committee's terms of reference are available at www.carillionplc.com or on request from the Company Secretary.

Committee activities in 2015
Key areas of debate and review at the Board Committee's four meetings in 2015 included a review of sustainability risks, each of the Strategy's six Positive Outcomes, external validation and Sustainability Moments across the Group's international business operations.

Risk review
The review of risks within Carillion's Sustainability 2020 Strategy included an assessment of specific risks associated with each Positive Outcome, as well as wider considerations of work with new and existing clients, the development of an ambitious future Sustainability Strategy and the management of supply chain relationships. It was recognised that these and other risks were well managed under the Group's robust existing risk management processes, including its Group Risk Forum. In addition, Carillion has established sustainability reporting to Global Reporting Initiative G4 standards, which includes a declaration of risk issues and their associated mitigation within the Annual Sustainability Report.

Positive Outcome review
The Sustainability Committee reviewed each of the Group's six Positive Outcomes, focusing on the strategic aims, key targets and metrics associated with each one, as well as making adjustments or recommending actions to improve their associated delivery and benefits. Specific areas of review included the sources and categories of sustainability's profitability contributions under the building a successful business outcome, together with Carillion's extensive efforts to promote and enable employee volunteering. The Committee noted the compelling community engagement position that Carillion had established, targeting headline performance indicators which included local spending, employment outcomes for disadvantaged people, apprenticeships, community needs plans and direct support for schools.

See also pages 18 to 21 of Sustainability – making us a better business.

External validation and benchmarking
The Committee noted the importance of continuing to lead the way by learning from external benchmarking, exemplified by Carillion retaining PwC's Building Public Trust Award for Sustainability Reporting for an unprecedented third consecutive year. This was further demonstrated by being recognised as one of only two UK Industrial sector firms awarded a Climate A-grade within the CDP (formerly the Carbon Disclosure Project) index for cutting carbon – achieving a score of 98A for disclosure and performance in tackling climate change. The Committee further noted Carillion's investment in external partnerships such as Business in the Community (BITC), particularly with the Chief Executive Officer chairing its Community Leadership team, and the opportunities to assess best practice through initiatives such as BITC's Corporate Responsibility and Diversity Indices.

Sustainability Moments
The Committee reviewed Sustainability Moments during 2015, which offered an opportunity to focus on examples of Carillion's most inspiring sustainability behaviour and values. Specific initiatives included the independent reclamation of building materials to reduce waste and improve profitability, the support given to a homeless person under Carillion's support for BITC's Ready for Work programme and the employment of a disabled person through a focused volunteering commitment from a Carillion employee. The Committee also reviewed the positive and diverse impacts achieved through Carillion's Employee Nomination Fund, supporting 160 charities through two annual funding rounds across its international business regions.

Committee annual evaluation
The Committee reviewed its performance for 2015, as part of the overall Board evaluation process, confirming that it had established an excellent forum that stimulated good debate and focus around the sustainability agenda. The Committee felt that its agenda would develop over time, as it refined its role to add value and exercise appropriate governance. Future priorities highlighted by the evaluation include continuing to develop its understanding of wider sustainability themes and their relevance to Carillion, and engaging more directly with external advisors on current trends to benchmark Carillion's sustainability performance. In addition during 2016, the Committee plans to undertake a broader review of the strategic themes and the six Positive Outcomes, in the context of environmental and regulatory drivers, particularly to ensure that sustainability continues to serve as a competitive differentiator. It will continue to focus on responsible reporting and development of the Sustainability 2020 Strategy, to further integrate it with our wider corporate strategy. I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Ceri Powell
Chairman
3 March 2016

Report of the Audit Committee

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the financial year ended 31 December 2015. During 2015, the Committee has continued to review and report to the Board on the Group's financial reporting, internal control and risk management processes and the performance, independence and effectiveness of the auditor, KPMG LLP. This report describes the Committee's major areas of focus since my last report in March 2015.

During 2015, there were further changes to the composition of the Committee resulting from changes in Board membership. In July, I was delighted to welcome Keith Cochrane to the Committee. Keith is Chief Executive Officer of The Weir Group PLC and brings with him a wealth of financial experience, as prior to his current role he served as the Group Finance Director of The Weir Group PLC having previously been Finance Director of Stagecoach Group Plc and Director of Group Finance of ScottishPower Plc. Keith is a member of the Institute of Chartered Accountants of Scotland. His business skills and financial experience leave him very well placed to support the Committee and I look forward to working with him. As a result of his retirement from the Board, Steve Mogford stepped down from the Committee in December and I would like to thank Steve for his valuable contribution to the work of the Committee over the years.

I am also a member of the Institute of Chartered Accountants of Scotland and previously served as Group Finance Director with a FTSE 100 business. In addition, I continue to chair one other plc audit committee and I am a member of the Council and the Oversight Board of the Institute of Chartered Accountants of Scotland. This provides the Board with the confidence that the Committee continues to meet the UK Corporate Governance Code's requirement in relation to recent and relevant financial experience.

The assurance framework required by the Audit Committee is provided by complementary contributions from management reports, internal and external audit reports and from risk management reports.

I continue to hold regular meetings with both the Company's external and internal auditors, Richard Adam, the Group Finance Director and Robin Herzberg, the Group Head of Risk, in which key issues relevant to the Committee's work are discussed. In addition, I and my colleagues on the Committee visit contract operations in both the support services and construction areas of the business in order to maintain a more detailed understanding of the Group's businesses, which together with the reports we receive, facilitate the ongoing effective operation of the Committee.

In order to ensure ongoing compliance with regulatory developments, the Committee's terms of reference are reviewed annually. The requirements introduced under The UK Corporate Governance Code (September 2014), which became effective for accounting periods beginning after 1 October 2014 were incorporated into the Committee's terms of reference in 2014 and consequently there were no significant changes made to the Committee's terms of reference during 2015.

The Committee's terms of reference can be viewed at www.carillionplc.com or a copy obtained on request from the Company Secretary.

Membership and attendance at meetings held during the year ended 31 December 2015

Member	Appointed/ (retired)	Meeting attendance 2015 Attended	Meeting attendance 2015 Eligible to attend	Meeting attendance 2014 Attended	Meeting attendance 2014 Eligible to attend
Andrew Dougal (Chairman)	03.10.11	3	3	4	4
Keith Cochrane	02.07.15	2	2	N/A	N/A
Alison Horner	01.12.13	3	3	4	4
Steve Mogford	(31.12.15)	3	3	3	4
Ceri Powell	02.04.14	3	3	3	3

To ensure compliance with the requirements of the UK Corporate Governance Code, Committee membership is limited to Independent Non-Executive Directors of the Company. We also have in attendance at meetings, by invitation of the Committee, the Chairman, Executive Directors, the Group Financial Controller, representatives of both the external auditors (KPMG LLP) and the internal auditors (Deloitte LLP) and the Group Head of Risk. The Committee also meets privately with both the external and internal auditors.

The Committee is authorised by the Board to seek any information necessary to fulfil its duties, call any member of staff to be questioned at a meeting of the Committee, as and when required, and obtain independent legal, accounting or other professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties.

Main activities of the Audit Committee in relation to the year ended 31 December 2015

As summarised above, the Committee met on three occasions in 2015. The table below summarises the agenda items covered at the Committee's meetings held during 2015.

	Feb	August	Dec
Financial reporting and significant financial judgements			
Full-year results and associated announcements	●		
Half-year results and associated announcements		●	
Going concern report	●	●	
External audit			
Review and consideration of the Audit Memorandum	●	●	
Board representation letter	●	●	
Evaluation of audit function	●		
Auditor re-appointment recommendation to the Board	●		
Fees for non-statutory audit activities	●		
Year end audit plan update			●
Committee meeting with auditor	●	●	●
Internal audit			
Audit report	●	●	●
Evaluation of audit function			●
Audit plan			●
Peer review plan			●
Committee meeting with internal audit	●	●	●
Other			
Review of risk management and internal controls	●	●	
Review of whistleblowing and fraud reports	●	●	●
Annual review of terms of reference			●
Annual evaluation of the Committee			●
Compliance with the UK Corporate Governance Code and the Financial Conduct Authority's Listing Rules and Disclosure and Transparency Rules	●	●	

In addition to the above, at its meeting in February 2016, the Committee reviewed the Group's financial statements and other relevant disclosures relating to this 2015 Annual Report and Accounts.

Report of the Audit Committee

continued

Financial reporting and significant judgements

The Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the financial statements. The Committee also keeps under review the impact of any actual or expected changes to accounting standards applicable to the Group and provides general oversight in relation to the financial policies of the Group.

The Group reported revenue of £4,586.9 million (2014: £4,071.9 million) and an underlying profit before tax of £176.5 million (2014: £172.9 million) for the year ended 31 December 2015. In August 2015, the Committee reviewed the Group's half-year results and discussed these with the external auditor prior to their release. In February 2016, the Committee reviewed the Group's 2015 Annual Report and Accounts to ensure compliance with statutory and other regulatory requirements and discussed significant financial reporting issues or areas of judgement with the external auditor. In respect of the financial statements for the year ended 31 December 2015, the significant issues reviewed and how these issues were addressed are summarised below:

Revenue and margin recognition

Given the nature of the Group's activities, revenue and margin recognition continues to be a key area of judgement for management. Note 32 on page 118 of the financial statements describes the estimation techniques used by management to determine the amount of revenue and costs to be recognised in relation to construction and services contracts. A significant proportion of the Committee's time is spent reviewing contract judgements given the Company's extensive portfolio of contracts. During 2015, the Committee reviewed, through discussions with management and the external auditor, the positions and judgements taken by management on a number of material contracts across the Group. On the basis of these discussions, the Committee concluded that the positions and judgements taken in relation to the contracts reviewed were reasonable. The Committee has also continued to monitor the management of cash flows and working capital, in particular receivables and payables, as these are key areas of importance in relation to the Group's financial performance.

Valuation of goodwill

At 31 December 2015, the Group had £1,544.0 million (2014: £1,510.9 million) of goodwill, being the largest single item included in its balance sheet. Goodwill (note 11 on page 98 of the financial statements) describes the estimation techniques used by management to assess whether there has been an impairment to the carrying value of goodwill and other intangible assets. The Committee considered and critically reviewed the assumptions used in management's impairment calculations and considered the views of the external auditor on this issue. This included a review of the sensitivity analysis undertaken by management and the external auditor. On the basis of this review, the Committee agreed with management that no impairment to goodwill was necessary.

Adoption of the going concern basis

Prior to the publication of both the half and the full-year results for the Group, the Committee undertook a detailed assessment of the appropriateness of the adoption by the Group of the going concern basis in the preparation of its financial statements. Information considered to support the ongoing adoption of the going concern basis and the Committee's conclusion supporting this is set out in the Performance and financial review on page 40.

Viability statement

Prior to the publication of the full-year results for 2015, the Committee undertook a detailed assessment of the viability statement and recommended to the Board that the Directors can believe that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment. Please refer to page 27 for the statement.

Fair, balanced and understandable

At its February 2016 meeting the Committee reviewed the Group's Annual Report and Accounts and recommended them to the Board as representing a fair, balanced and understandable assessment of the Group's position.

External audit

The Committee is responsible for reviewing the scope and results of the Group's external audit process and its effectiveness. During 2015, the Committee continued to monitor the independence and objectivity of the external auditors to ensure that the services provided continued to represent a healthy balance between objectivity and value for money. In addition, in the interests of efficiency and effectiveness, the Committee also ensured that activities undertaken by the internal and external audit functions complemented each other.

External audit process

During 2015, KPMG LLP (KPMG) acted as the Company's auditor and provided certain non-audit services to the Group. KPMG has indicated its willingness to continue in office and a resolution to reappoint KPMG as auditor will be proposed at the 2016 Annual General Meeting (AGM).

Peter Meehan is the Group Audit Partner. Mr Meehan and members of his team attended each of the Committee's meetings during 2015. As Chairman of the Committee, I also maintain contact with the Group Audit Partner.

The scope of the Group's 2015 audit was discussed and approved by the Committee in August 2015. Proposed audit fees for 2015 were also reviewed by the Committee prior to their recommendation to the Board for approval. KPMG are expected to report to the Committee on any material issues identified in relation to the Group's reported performance or any significant breakdown in controls identified during the audit process. The 2015 audit plan was completed in line with the scope agreed by the Committee with no significant issues being highlighted for the Committee's attention.

External auditor effectiveness

In February 2016, the Committee undertook its annual review of the external auditor's effectiveness. This review was based on feedback received from the Committee members, the Executive Directors and Business Unit Finance Directors. This review confirmed that KPMG continued be highly effective in its role as external auditor to the Group with an overall approval rating of 4.6 out of 5.0. The Group's finance function also obtains feedback from the operating units and holds a two-way feedback session, which is designed to highlight the key strengths of the current process and potential areas for future improvement. This session confirmed that the audit continues to be undertaken in an efficient manner. In addition, the Committee received and discussed with the Group Audit Partner the Financial Reporting Council's annual Audit Quality Inspection report, published in May 2015, on KPMG LLP and KPMG Audit plc. The Audit Committee recommended to the Board the re-appointment of KPMG as auditor and for this to be put to shareholders at the 2016 AGM.

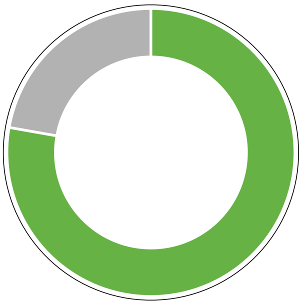
Auditor independence and non-audit services

During 2015, KPMG continued to provide certain non-audit services to the Group. The Committee maintains under review the level and scope of non-audit work awarded to KPMG to ensure that any services provided are within the constraints of the Audit Practices Board's Ethical Standards on Auditing and that the level of fees attached to these services are not sufficiently material such that it could be perceived to impact the auditor's independence and objectivity.

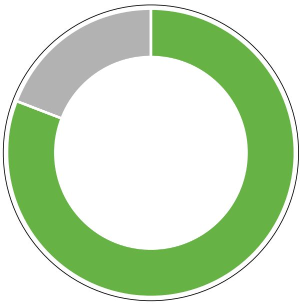
Non-audit engagements awarded to KPMG continue to be subject to strict controls agreed by the Audit Committee. In summary, the Group Finance Director is required to give prior approval of non-audit work carried out by KPMG and its associates in excess of a predetermined threshold. In addition, any such work incurring fees in excess of £250,000 is discussed with me prior to its commencement. These measures are designed to ensure that other potential providers of the services required have been adequately considered.

Non-audit services provided during 2015 related to tax advisory and other assurance services. Details of audit and non-audit fees paid to KPMG can be found in note 3 on page 93.

Non-audit fees 2015



Non-audit fees 2014



KPMG also has in place strict requirements on rotation, with the lead audit partner required to rotate off the account after five years and other senior team members required to rotate after 10 years on the audit. In addition, KPMG also provides the Committee with information on the safeguards it has in place to maintain its independence and objectivity in relation to the provision of non-audit services to the Group.

Furthermore, at each of its meetings, the Committee holds discussions with the auditor, without management being present. Based on these safeguards the Committee remains confident of the independence and objectivity of KPMG in their reporting on the audit of the Group.

External audit tendering

KPMG was appointed as the Company's auditor at its inception in 1999. The Committee has continued to monitor the independence and objectivity of the auditor and the effectiveness of the audit process through a range of measures discussed on page 54.

The Committee has also kept under review the regulatory position in relation to the tendering of the external audit and rotation of the audit firm during 2015. The UK Corporate Governance Code requires that FTSE 350 companies should put the external audit contract out to tender at least every 10 years or provide an explanation of why it is considered not appropriate to do so. The transitional arrangements associated with this requirement allow companies to align the timing of the tender with the cycle for the rotation of the engagement partner. Furthermore, under an order issued by the UK's Competition and Markets Authority, a tender is required by the year ending 31 December 2020. To achieve compliance with these requirements, after taking into account the suggested 'non-binding' transition arrangements under the UK Corporate Governance Code, the Group will tender its audit by the year ending 31 December 2019. Also, under European Union legislation, again after taking into account the associated transition arrangements, the Group will rotate its audit to a new audit firm by the year ending 31 December 2023.

The Audit Committee understands the value associated with a formal tender process and is committed to ensuring compliance with the above statutory and regulatory requirements. The Committee intends to keep under review the exact timing of a future audit tender, but will comply with the timings noted above.

Internal audit

The Group's internal audit function is currently outsourced to Deloitte LLP. The Committee is responsible for reviewing the role and effectiveness of the internal audit function by monitoring the results of its work and the responses of management to its recommendations. In the interests of increased efficiency and effectiveness, the Committee also ensures that the work undertaken by the internal audit function complements the scope agreed for the external audit.

The Committee reviewed and approved the 2015 internal audit plan at its meeting in December 2014 and continued to monitor progress against this plan during the year. Results and management actions arising from the reviews undertaken in 2015 were discussed in detail at each of the Committee's meetings. The Head of Internal Audit attended all of the Committee's meetings during 2015 and held discussions with the Committee in the absence of Executive management. In December 2015, the Committee undertook an evaluation of the effectiveness of the internal audit function with reference to robustness of audits, quality of delivery and quality of people and service. Based on an approval score of 4.7 out of 5.0 it is satisfied with the effectiveness of the internal audit function.

Risk management and internal control

The Board is ultimately responsible for the Group's system of internal control. This responsibility includes clearly determining the control environment and reviewing annually the effectiveness of the internal control system. The Board is also responsible for (i) determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and, in this regard, the Board maintains risk management and internal control systems and (ii) determining that the Group's systems for risk management and internal control are appropriate and operating effectively. As part of its terms of reference, the Committee is responsible for reviewing the Company's internal control and risk management systems on behalf of the Board.

Risk management

Management is responsible for the identification and evaluation of significant risks applicable to its areas of business together with the design, operation and monitoring of suitable internal controls. The Group Head of Risk, Robin Herzberg, is responsible for co-ordinating the reporting of strategic risk issues across the Group, and for oversight of risk management and training.

Risk management is embedded into the Group's operational activities with risk registers maintained for each project, business unit and the Group as a whole. Internal and external risks arising from a variety of sources, including control breakdowns, disruption to information systems, competition, corporate social responsibility, natural catastrophes and regulatory requirements are monitored on a continuous basis. Each business unit has a formal risk co-ordinator, each of whom participates in a quarterly risk forum chaired by the Group Head of Risk. Based on the output generated at these forums, the Group Head of Risk prepares a summary of the principal risks and associated mitigations, which is submitted to the Board on a six-monthly basis. The Group's risk management procedures are reviewed by its Internal Audit function on a periodic basis. Key risks and uncertainties together with the associated mitigating controls relating to the Group's business are summarised on pages 28 to 31 of the Strategic report.

To mitigate further the risks associated with significant new projects, the Group Head of Risk is also responsible for carrying out an independent appraisal of all projects before submission to the Major Projects Committee (see page 56). This appraisal ensures that the differentiating factors of the Group's offer have been properly identified, thus maximising the opportunities available; it also involves ensuring that all inherent and residual risks associated with the project have been properly identified and considered.

Report of the Audit Committee
continued

Internal control and assurance processes
In order to protect the Company's assets, the interests of its stakeholders and provide mitigation against the risks and uncertainties relating to its business, the Company maintains a comprehensive set of policies, procedures and controls, including financial, operational and compliance controls. This section of the report summarises the key elements of the Group's internal control framework, although it should be noted that the controls summarised below are designed to manage rather than eliminate risk and as such they provide reasonable but not absolute assurance against any material misstatement or loss.

The Group's financial and operating activities are conducted in compliance with the procedures, policies and limits set by the Board. Management has also implemented procedures to ensure timely and accurate reporting of business performance by business units. Regular performance review meetings are held in which senior managers report to the Executive Directors on business performance against targets, risk and internal control matters. The results of these meetings are presented to the Board.

The Major Projects Committee, a committee of the Board, acts as the sanctioning body for major commitments and transactions including capital expenditure, major contracts and company and business acquisitions and disposals. This Committee has delegated authority up to specified levels of risk as determined by a risk assessment matrix, beyond which Board approval is required.

Practical guidance for all staff is maintained in Group policy and procedure documents regarding the authorisation levels for commitments, contract selectivity and bidding, the provision of guarantees and management accounting as well as for reporting and resolving suspected fraudulent activities.

Employees are encouraged to raise genuine concerns about malpractice at the earliest possible stage and a confidential Whistleblowing hotline provided by an independent third party is available. A monthly report on issues raised on the Whistleblowing hotline and subsequent investigations is compiled by the Whistleblowing and Fraud Committee and presented to the Audit Committee. The Board has a policy to prosecute individuals found to have defrauded the Company or its subsidiaries. To minimise the occurrence of fraud, learning points for management are identified and action plans implemented.

The Executive Directors report to the Board on material changes in the business and the external environment that affect significant risks. The Group Finance Director provides the Board with regular financial information, which includes key performance indicators and a summary of risk. These key performance indicators are listed in the Strategic report on pages 8 to 10. Where areas for improvement are identified, the Board considers the recommendations made by both the Executive Directors and the Committee.

Internal audit carries out audits to assess the adequacy and effectiveness of internal controls over the key risks faced by the business and reports its findings to management, the Executive Directors and the Committee. Recommendations to improve the system of control made by internal audit are followed up on a regular basis.

Management has also implemented a system of 'peer reviews', under which the performance of individual contracts is reviewed by experienced teams from other projects across the business. Summaries of the peer review reports were provided to, and reviewed by, the Committee. The Committee is satisfied that the peer review process continues to work well and represents a very useful additional source of assurance for the management and the Board.

The Group has also implemented a process of Control Risk Self-Assessment where Directors and senior managers are required to detail and certify controls in operation to ensure the control environment in their business areas is appropriate. They also confirm annually, in writing, that risk management processes and appropriate controls are in place and are operating effectively.

Annual evaluation of Committee performance
As part of the overall Board evaluation process the Committee reviewed its performance for 2015. This evaluation considered areas such as the Committee's processes and support, its time management and composition, its effectiveness in reviewing the work undertaken by internal and external audit and its effectiveness in reviewing internal control systems, the quality of reporting and management of risk, and confirmed that the Committee continues to be highly effective in undertaking its responsibilities. Future priorities highlighted by this evaluation include:

- engagement with senior finance leadership at the operational level to develop further understanding of capability and risks
- continuing to develop processes to monitor and map the risk profile relating to the Group's activities and the external environment.

Review of risk management and internal controls
During the year, the Audit Committee monitored and reviewed the effectiveness of the Group's internal control systems, including its risk management procedures noted and discussed in this report, and reported thereon to the Board. Based on the Committee's report, the Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks (both financial and non-financial and including Corporate Social Responsibility risks) faced by the Group (including joint ventures and overseas businesses). The process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts and have been regularly reviewed by the Committee.

I will be available to answer any questions about the work of the Committee at the AGM on 4 May 2016.

Andrew Dougal
Chairman of the Audit Committee
3 March 2016

Remuneration report

Remuneration Committee Chairman's letter

Dear Shareholder,

On behalf of the Board, I am pleased to present our Directors' Remuneration report for 2015, which sets out the amounts earned in respect of the year ended 31 December 2015 under the Remuneration Policy for the Directors of Carillion that was approved by shareholders at the Company's 2014 AGM.

The report complies with the Large and Medium-Sized Companies and Groups (Accounts and Reports (Amendment)) Regulations 2013, the 2014 UK Corporate Governance Code ('the Code') and the Financial Conduct Authority Listing Rules. This report is presented in two sections: the Annual Report on Remuneration and the Directors' Remuneration Policy. The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 31 December 2015 and how the Directors' Remuneration Policy will operate for the year commencing 1 January 2016. This is subject to an advisory vote at the 2016 Annual General Meeting. The second section sets out the Company's Directors' Remuneration Policy, which was approved by shareholders at the Annual General Meeting on 7 May 2014, from which date it took binding effect. The Policy will expire at next year's AGM and over the course of 2016 the Committee will be reviewing the efficacy of the Policy to ensure that when it is put to shareholders at the 2017 AGM, it represents what we consider to be the most commercially appropriate for the business and one which will fully support Carillion's strategy going forward.

2015 incentive out-turns

Throughout the year, the Remuneration Committee continued to apply the Remuneration Policy prudently, with a clear alignment to the interests of shareholders. In this regard, the Remuneration Committee feels strongly that rewards should be linked to both Group and personal performance.

To encourage behaviours that facilitate profitable growth and the future development of the business, 50 per cent of the 2015 annual bonus opportunity was based on Earnings Per Share ('EPS') performance, 25 per cent was based on personal targets and 25 per cent was based on individual 'stretch' targets (individual strategic objectives that required an outstanding level of performance to be achieved).

Awards granted to Executive Directors under the Company's Leadership Equity Award Plan (LEAP) in 2013 were based on growth in earnings per share and on an average annual cash flow conversion rate target to take account of the importance of the delivery of cash-backed profits. Over the three-year performance period to 31 December 2015, the Group's annual average growth in EPS was -4.7 per cent and the Group's average annual cash flow conversion rate was 99.6 per cent. Therefore no long-term incentive awards vested under the LEAP in respect of the EPS targets, however 15.8 per cent of the overall award vested as a result of the cash conversion performance.

Proposed changes for Non-Executive Remuneration

As part of an ongoing review of remuneration structure, the Board has confirmed an increase to the Chairman's annual fee from £193,000 to £215,000 with effect from 1 January 2016. This increase is made following a review of relevant comparators. The fees paid to Non-Executive Directors were reviewed in February 2016 and increased by approximately 2 per cent. Fees will be reviewed annually in future.

Proposed changes in executive remuneration for 2016

The Remuneration Committee has continued to monitor the Executive Remuneration Policy to take account of evolving market practice, whilst also seeking to ensure that a stable framework is maintained to avoid making unnecessary and frequent changes to the structure of pay. Accordingly, the fundamental structure of the package and the overall quantum of the incentives have not changed.

In our remuneration report last year, we explained that the Committee was proposing to increase the Group Chief Executive's base salary to £660,000 phased over two increases. We provided detailed rationale behind this decision but in essence this increase was agreed to set the Group Chief Executive's salary at a level which was comparable with the market and most importantly which reflected his development in role since his appointment. Our major shareholders were supportive when we consulted with them and we subsequently received a 99% vote in favour of our Annual Report on Remuneration at the 2015 AGM. The first of these salary increases took effect from 1 January 2015. The second increase was subject to the Committee assessing the ongoing performance of the Group Chief Executive and his contribution to the business and also to the continued satisfactory performance of the business. Following assessment at the end of the financial year of corporate performance against plan, the Group Chief Executive's progress against personal development objectives and consideration of future plans for Carillion, the Committee confirmed that the second increase should be awarded and this took effect from 1 January 2016, taking the Group Chief Executive's salary to £660,000.

The Group Finance Director was awarded a two per cent pay increase during the year which was in line with the wider workforce. This took effect from 1 April 2015 and his salary is therefore currently £460,000.

As part of its ongoing review of the remuneration structure, the Committee considered the design of the annual bonus and particularly the performance metrics. No change to quantum is proposed and the deferral structure will be maintained. However, the 2016 bonus will include an additional metric of underlying cash from operating activities. This means that the balance of measures will be 30 per cent EPS, 20 per cent cash conversion, 25 per cent strategic objectives and 25 per cent personal objectives. At the heart of the design of the bonus plan is affordability and our challenging EPS targets are set such that no EPS or cash element pays out unless the EPS target is met. Cash conversion has been introduced because the Committee felt that together with the other objectives this created a more 'balanced scorecard' representing the key short and long-term business drivers for Carillion. The emphasis on driving cash through our operating activities will fund ongoing investment for growth and returns to shareholders.

The LEAP structure for 2016 is unchanged. Two-thirds of the LEAP award (up to 100 per cent of salary for Executive Directors) will continue to be subject to EPS and cash flow conversion performance targets, as set out on page 62 and one-third (up to 50 per cent of salary for Executive Directors) is subject to strategic performance metrics that are aligned to Carillion's long-term strategy. For 2016, the strategic targets will be based on delivering measurable cost-savings and efficiencies through our sustainability agenda and strategic growth measured through the achievement of new, profitable secured and probable orders.

Planning for the future

Looking forward, we will be reviewing our Policy in 2016 in preparation for the next vote on Policy which will be required at the 2017 AGM.

We remain committed to a responsible approach in respect of executive pay. The Remuneration Committee will continue to engage with and seek to incorporate the views of shareholders in any major changes to the Directors' Remuneration Policy.

Alison Horner

Alison Horner
Chairman of the Remuneration Committee
3 March 2016

Annual Report on Remuneration

Remuneration philosophy and linking executive remuneration with strategy
Carillion's Remuneration Policy is to provide the Executive Directors with appropriate incentives to encourage enhanced performance in a manner consistent with the Group's strategy and to reward them in a fair and responsible manner for their individual contributions to the success of the Group.

The remuneration package has been based on the following key principles:

Key focus	Remuneration Policy and link to strategy
To invest in our people and capabilities	Our Remuneration Policy is designed to reward all employees fairly according to their role, experience and performance and with due regard to actual and expected market conditions and the financial performance of the Group.
Alignment with interests of shareholders	A substantial proportion of the package for the Executive Directors is paid in the Company's shares to ensure that the interests of Executives are aligned with shareholders. This is further supported by shareholding guidelines. To create alignment with shareholders by ensuring that a meaningful portion of each Executive Director's personal wealth is linked to share price performance, each Executive Director is required to hold the net number of shares acquired through the LEAP and the deferred bonus plan until the value of their total shareholding is equal to their annual salary.
Pay for performance and delivery of our business vision	Our strategic focus is to deliver sustainable, profitable growth. A substantial proportion of Executive Director remuneration is variable and linked to the Group's performance, in particular, to the delivery of our business vision and our strategy (see the Strategic report on pages 8 to 11) and to the performance of the individual. To encourage behaviours which facilitate profitable growth and the future development of the business, our short-term performance is assessed against both earnings per share performance and the delivery of specific individual strategic, financial and non-financial objectives. Our long-term performance is measured by assessing the growth in earnings per share, cash flow conversion and key strategic objectives. Together, these metrics are a key measure of success in delivering shareholder value.
Be a recognised leader in Health & Safety and sustainability	To ensure that remuneration arrangements support our sustainability agenda, the quality of the Group's performance in terms of business results and leadership is considered, including achieving high standards in respect of Carillion's Health & Safety, environmental and social performance targets. This is further supported by the inclusion of strategic objectives in the LEAP since 2014, which include specific and quantifiable sustainability metrics.

Single figure of remuneration for each Director
The remuneration of the Directors of Carillion plc for the year ended 31 December 2015 and the previous year is set out in the tables below. This information has been audited.

Director	Salary/fees[a]	Benefits[b]	Bonus[c]	Long-term incentives[d]	Pension[e]	Total remuneration
Year ended 31 December 2015, £'000						
Executive						
Richard Howson	**610**	**20**	**293**	**146**	**214**	**1,283**
Richard Adam	**457**	**20**	**215**	**117**	**162**	**971**
Total for Executive Directors	**1,067**	**40**	**508**	**263**	**376**	**2,254**
Non-Executive						
Philip Green	**193**	**–**	**–**	**–**	**–**	**193**
Andrew Dougal	**60**	**–**	**–**	**–**	**–**	**60**
Steve Mogford	**60**	**–**	**–**	**–**	**–**	**60**
Alison Horner	**60**	**–**	**–**	**–**	**–**	**60**
Ceri Powell	**60**	**–**	**–**	**–**	**–**	**60**
Keith Cochrane	**28**	**–**	**–**	**–**	**–**	**28**
Total for Non-Executive Directors	**461**	**–**	**–**	**–**	**–**	**461**
Total	**1,528**	**40**	**508**	**263**	**376**	**2,715**

Director	Salary/fees[a]	Benefits[b]	Bonus[c]	Long-term incentives[d]	Pension[e]	Total remuneration
Year ended 31 December 2014, £'000						
Executive						
Richard Howson	560	20	246	–	198	1,024
Richard Adam	450	21	203	–	144	818
Total for Executive Directors	1,010	41	449	–	342	1,842
Non-Executive						
Philip Rogerson	68	–	–	–	–	68
Philip Green	147	–	–	–	–	147
Andrew Dougal	60	–	–	–	–	60
Steve Mogford	57	–	–	–	–	57
Vanda Murray	21	–	–	–	–	21
Alison Horner	61	–	–	–	–	61
Ceri Powell	37	–	–	–	–	37
Total for Non-Executive Directors	451	–	–	–	–	451
Total	1,461	41	449	–	342	2,293

The information in the single-figure table on page 58 is derived from the following:

(a) Salary and fees	The amount of salary/fees received in the year. For Philip Rogerson, Vanda Murray and Ceri Powell the amounts for 2014 are pro-rata. The amount shown for Alison Horner in 2014 includes payment in respect of December 2013. For Philip Green the amount shown in 2014 reflects an increase from May 2014 to reflect his appointment as Chairman. Keith Cochrane joined the Board in July 2015 and therefore his fees are shown pro-rata.
(b) Benefits	This is the taxable value of benefits received in the year. This includes a car/car allowance, fuel benefit and private medical care.
(c) Bonus	Bonus is the cash value of the bonus earned in respect of the year including the value of deferred shares, which must be held for a minimum three-year period. A description of performance against objectives, which applied for the financial year, is provided on page 60.
(d) Long-term incentives	Long-term incentives represent the value of performance-related incentives vesting in respect of the performance period ended 31 December 2015. The LEAP award granted to Executive Directors in 2013 was based on growth in earnings per share and average annual cash flow conversion performance as discussed on page 61.
(e) Pension	The pension figure represents the cash value of pension contributions received by the Executive Directors. This includes the Company's contributions to the defined contribution pension plan and any salary supplement in lieu of a Company pension contribution and the allowance paid for salary in excess of the internal cap on pensionable salary.

Individual elements of remuneration

2015 Base salary

Base salaries for individual Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. This information has been audited.

In line with best practice, the Directors' Remuneration Policy, approved by shareholders at the 2014 AGM, is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group with the exception of the specific circumstances listed in the binding policy. The exceptions include situations where an Executive Director has been promoted and the increase takes account of the individual's development or performance in role (e.g. the salary of a newly appointed Executive Director is increased to align it with the market competitive range over time).

In recognition of this policy and as explained in detail in the Chairman's letter in the 2014 Remuneration Report, the Remuneration Committee increased Richard Howson's base salary by 9 per cent to £610,400 with effect from 1 January 2015 to reflect his contribution to the business and his experience in his current role.

Richard Adam received an increase of 2 per cent effective from 1 April 2015, which is in line with the range of increases awarded to other employees in the Group.

2016 Base salary

A phased approach to proposed increases for Richard Howson was put in place. The second increase, which was not guaranteed, was scheduled for 1 January 2016. Implementation of the 1 January 2016 increase was contingent on a continued improvement in corporate performance and of Richard Howson's personal performance. The Remuneration Committee has reviewed the following factors in reaching its decision:

- The financial performance of the business against budgets for the 2015 financial year
- The meeting of personal objectives
- The outcome of the Chief Executive's personal development review by the Chairman
- An assessment of any impending risk factors which might impact the business in the coming year.

Following the review, it was agreed to move the Chief Executive's base salary to £660,000 with effect from 1 January 2016.

Following review in February 2016, Richard Adam's salary will not change in 2016.

The base salaries for 2015 and 2016 are as set out below:

	2015 base salary	**2016 base salary**	Increase
Richard Adam	£460,000	**£460,000**	n/a
Richard Howson	£610,400	**£660,000**	8%

Richard Adam retained the fees of £33,750 and £55,000 paid in 2015 relating his role as a Non-Executive Director of Countryside Properties Plc and Countrywide PLC respectively.

2015 Fees

The Remuneration Policy for Non-Executive Directors, other than the Chairman, is determined by the Board. Fees reflect the responsibilities and duties placed upon Non-Executive Directors, whilst also having regard to market practice. The Non-Executive Directors do not participate in any of the Group's share incentive plans, nor do they receive any benefits or pension contributions.

Non-Executive Director fees	2015	**2016**
Basic fee	£50,000	**£51,000**
Additional fee for:		
– Chairmanship of the Remuneration Committee	£10,200	**£10,500**
– Chairmanship of the Audit Committee	£10,200	**£10,500**
– Chairmanship of the Sustainability Committee	£10,200	**£10,500**
– Senior Independent Non-Executive Director	£10,200	**£10,500**

The Chairman does not receive any additional fee for committee memberships.

2015 Annual bonus

To encourage behaviours that facilitate profitable growth and the future development of the business, for 2015, the annual bonus was based on the following performance targets. This information has been audited.

Executive Director	Financial performance	Personal performance
Richard Howson and Richard Adam	50 per cent of salary based on achievement and outperformance of EPS target	25 per cent of salary based on personal objectives 25 per cent of salary based on individual 'stretch' targets The personal objectives and individual 'stretch' targets of the Executive Directors were agreed by the Remuneration Committee at the start of the 2015 financial year and assessed in February 2016 to establish the extent to which they had been met.

Performance against targets

Financial performance (up to 50 per cent of salary)	The Group achieved an underlying EPS of 35.0 pence in 2015 which exceeded the threshold level of 34.7 pence and resulted in a bonus award of 4.3 per cent of salary for financial performance.

Personal objectives (up to 25 per cent of salary)

Richard Howson's personal objectives for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

Key area of focus for the business	Translated into measures including:	Maximum allocated %	Progress	Percentage achieved
Safety and sustainability	Drive progress on attainment of the Group's target for sustainability based savings including improvement in the Group's Health & Safety performance	6.25	Exceeded	6.25
People	Improve employee engagement score	6.25	Exceeded	6.25
Customers and growth	Focus on work winning and ensure the Group ends 2015 with a healthy position on revenue visibility Improve the Group's NPS score	6.25	Met	5.00
Financials	Ensure the Group's profits continue to be cash-backed	6.25	Met	5.00
		25.00		22.50

Richard Adam's personal objectives for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

Key area of focus for the business	Translated into measures including:	Maximum allocated %	Progress	Percentage achieved
Safety and sustainability	Continue to focus on initiatives aimed at improving the Group's position in relation to cyber security	6.25	Exceeded	6.25
People	Work closely with the Group's operational management to deliver 2015 profit targets	6.25	Met	5.00
Customers and growth	Ensure the Group's initiatives aimed at improving efficiency are successfully delivered	6.25	Met	5.00
Financials	Lead the Group's Investor Relations programme and ensure that the Group's performance and other developments are effectively communicated to its debt and equity investors	6.25	Met	5.00
		25.00		21.25

Individual 'stretch' targets (up to 25 per cent of salary)

Richard Howson's individual 'stretch' targets for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

		Maximum allocated %	Progress	Percentage achieved
Leadership	Continue to develop and strengthen the Chief Executive's Leadership Team to ensure it remains well placed to deliver the Group's strategic targets.	8.33	Exceeded	8.33
Risk	Analyse, develop and mobilise, in line with the agreed plan, enhancements to Carillion's 'Cyber Security' processes and systems	8.33	Met	6.46
Personal development	Continue to focus on personal development in key management areas which will drive strategic planning	8.34	Met	6.46
		25.00		21.25

Richard Adam's individual 'stretch' targets for 2015, percentage of salary allocated and the progress achieved against each of these is summarised in the table below:

		Maximum allocated %	Progress	Percentage achieved
Financial	Lead the delivery of the Group's working capital targets for 2015	8.33	Met	6.46
Financial	Continue to drive the Group's cost reduction plans to support the Group's profit and margin targets	8.33	Exceeded	8.33
Business Improvement	Secure the successful transition of the Group's Business Process Outsourcing arrangements in the first full year of operation	8.34	Met	6.46
		25.00		21.25

Annual bonus payments to Executive Directors also have the following additional restrictions applied.

- 50 per cent of any bonus earned is deferred into shares in the Company for a period of three years under the deferred bonus plan.
- Dividend equivalents will be earned on deferred shares during the deferral period.
- A clawback provision is operated that gives the Remuneration Committee the right to recover all elements of bonus.
- A malus provision is operated that gives the Remuneration Committee the right to reduce any deferred bonus awards which have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before malus is operated.
- Each Executive Director is required to hold the net number of shares acquired through the deferred bonus plan and LEAP until the value of their total shareholding is equal to their annual salary.

For 2015, the values of each Executive Directors' annual bonus paid in cash and deferred into shares were as follows:

	Cash payment	Deferred into shares	Total annual bonus shown in column (c) of total remuneration table on page 58 in respect of 2015
Richard Adam	107,608	107,608	215,215
Richard Howson	146,605	146,605	293,210

Summary of 2016 bonus operation

Following consideration of the performance metrics being applied for the annual bonus, the Committee has introduced a cash-based metric for the 2016 bonus. This will constitute 20% of the bonus opportunity with the EPS element being reduced to 30% and the weightings for the other metrics being maintained. The cash measure is defined as underlying cash flow from operations as a percentage of underlying profit from operations and represents the delivery of cash from the day-to-day operations of the business. It is considered to be a key performance metric of the business as detailed in the Strategic report and combined with EPS provides a balance between profitability of the business as a whole and cash generation from its operating activities over the financial year. The maximum annual bonus opportunity remains at 100 per cent of base salary. The Remuneration Committee considers that the actual annual bonus targets are commercially sensitive as they provide our competitors with insight into our business plans, expectations and our strategic actions and should therefore remain confidential to the Company. However, the Remuneration Committee will continue to disclose how bonuses paid relate to performance against targets on a retrospective basis.

Value earned from long-term incentive awards

The Leadership Equity Award Plan (LEAP)

For the LEAP awards granted to Executive Directors in 2013, 100 per cent of salary was based on growth in earnings per share and 50 per cent of salary was based on average annual cash flow conversion targets as shown below. This information has been audited.

	Vesting (% of maximum for Executive Directors)	100% of salary based on EPS growth	50% of salary based on annual average cash flow conversion
Threshold	17%	6% pa	95%
Target	50%	9% pa	100%
Maximum	100%	12% pa	110%

Growth in EPS is measured based on underlying basic earnings per share as disclosed in the Annual Report and Accounts. This is calculated before intangible amortisation arising from business combinations, non-recurring operating items, non-operating items, and fair value movements in derivative financial instruments (and post any impairment of goodwill or intangibles).

The average annual cash flow conversion is calculated as the underlying cash flow from operations divided by the underlying profit from operations as reported in the Annual Report and Accounts. Annual cash flow conversion over the three-year performance period is averaged to provide a focus on the sustainable delivery of cash-backed profits.

Performance against targets

	Performance achieved in three-year performance period to 31 December 2015	% of 2013 award due to vest in April 2016
EPS growth	-4.7%	nil% of salary
Annual average cash flow conversion	99.6%	23.7% of salary
Total vesting		23.7% of salary

Long-term incentives awarded during the financial year

The design of the LEAP approved at the AGM in 2014 includes financial and quantifiable stretching strategic objectives.

The table below outlines awards made under the LEAP to Executive Directors in 2015. This information has been audited.

		Award basis	Number of shares	Face value of the award*	Vesting at threshold	Performance period
9 April 2015	Richard Adam	150% of base salary	209,726	£689,999	25% of base salary	1 January 2015 to 31 December 2017
9 April 2015	Richard Howson	150% of base salary	278,298	£915,600	25% of base salary	1 January 2015 to 31 December 2017

* The face value is based on the issue price at the date of grant of £3.29.

Governance

The performance conditions for these LEAP awards are as follows:

Two-thirds of the 2015 LEAP award (equating to 100% of salary) is subject to EPS and cash flow conversion targets, as set out in the table below:

	Vesting (% of maximum for Executive Directors)	50% of salary based on EPS growth	50% of salary based on annual average cash flow conversion
Threshold	17%	6% pa	95%
Target	50%	9% pa	100%
Maximum	100%	12% pa	110%

One-third of the 2015 LEAP award is subject to strategic performance metrics that are aligned to the Company's sustainability agenda and drive shareholder value. For 2015, this is based on two quantifiable and stretching strategic measures that apply equally:

- delivery of sustainability through measurable cost-savings and efficiencies that will provide contributions to the Company's profit of £96 million over the performance period; and
- strategic growth measured through the achievement of secured and probable, profitable new orders over the performance period with a book-to-bill ratio of more than one.

Vesting under each strategic element will be based on an audited assessment of performance that will be provided to the Remuneration Committee.

In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of Carillion and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. It is often not possible to assess this formulaically and any adjustment will depend on the nature, timing and materiality of any contributory factors.

In order to maintain transparency, the Remuneration Committee will disclose how the Company has performed against each of the strategic metrics at the end of the performance period and will disclose any adjustments made to ensure that vesting appropriately reflects the underlying performance of the business.

A malus provision is operated that gives the Remuneration Committee the right to reduce any LEAP awards that have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before malus is operated.

Each Executive Director is required to hold the net number of shares acquired through the deferred bonus plan and LEAP until the value of their total shareholding is equal to their annual salary.

Executive Directors are required to hold onto their vested shares for a further two-year period after the end of the three-year performance period.

Long-term incentive awards for 2016
No changes are proposed to the maximum LEAP opportunity for 2016 and this will therefore remain at 150 per cent of salary annually and the proportion of the award vesting for threshold performance remains at 25 per cent of salary.

Two-thirds of the LEAP award (up to 100 per cent of salary for Executive Directors) will continue to be subject to EPS and cash flow conversion performance targets, as set out above, and one-third (up to 50 per cent of salary for Executive Directors) will be based on two quantifiable and stretching strategic measures that will apply equally:

- delivery of sustainability through measurable cost-saving and efficiencies that will provide contributions to the Company's profit of £108 million over the performance period; and
- strategic growth measured through the achievement of secured and probable, profitable new orders over the performance period with a book-to-bill ratio of more than one.

Dividend equivalents will be earned on the LEAP vested shares over the course of the performance period and holding period and will also be earned on the 2014 and 2015 LEAP awards.

Total pension entitlements (including defined benefit schemes)
Pensionable salary is limited by an internal cap. The Carillion cap commenced at the level of £110,000 for the tax year 2006-07 and rose in line with the published increases in HMRC's Life Time Allowance to the current level of £132,700 which has applied since 2010-11. Future increases are at the discretion of the Remuneration Committee. Salary supplements are paid in respect of salary over the internal cap.

Executive Directors receive pension contributions and supplements up to 40 per cent of salary. Executive Directors who participate in the Company's defined contribution plan are required to pay 9 per cent of the earnings cap.

The defined benefit scheme was closed to future accrual in April 2009 and Executive Directors who were members of this scheme became deferred pensioners. Their deferred benefits are based on pensionable salary and service at the date of closure. Richard Howson was a deferred member of this scheme during the year and details of the pension accrued to him are included below.

	Accrued pension at 31 December 2015/(2014)	Change in accrued pension over 2015/(2014) net of inflation	Normal retirement date
Richard Howson	£27,612 (£27,557)	Nil (Nil)	3 August 2033

(1) The pension data set out above is based on CPI (rather than RPI) to revalue deferred benefits from 1 January 2011 in line with advice received by the Trustee of the Scheme.
(2) The accrued pension allows for inflation from the member's date of leaving to the current date, consistent with the approach taken in prior years, which differs from statutory revaluation.
(3) Richard Howson transferred his benefits out of the Carillion Staff Scheme during the year and therefore the member no longer has any entitlement to benefits from the Scheme. The figures provided at 31 December 2015 are therefore illustrative only and are not available for payment from the scheme.
(4) Figures are calculated in line with the requirements effective from 1 October 2013.
(5) Prior year equivalent figures are shown in brackets.

Death-in-service benefits are provided as part of membership of the defined contribution plan.

Payments to past Directors
There were no payments made to past Directors during the period in respect to services provided to the Company as a Director.

Payments for loss of office
There were no payments for loss of office during the period.

Shareholding guidelines and total shareholdings of Directors
To provide alignment with shareholders' interests and to promote share ownership, each Executive Director is required to hold the net number of shares acquired through the LEAP and, with effect from 1 January 2014, the deferred bonus plan until the value of their total shareholding is equal to their annual salary. The extent to which each Executive Director has met the shareholding guideline is shown in the table below. This information has been audited.

	Shareholding guidelines	Current shareholdings (% of salary)	Type	Owned outright	Unvested: Subject to performance conditions	Unvested: Not subject to performance conditions	Total as at 31 December 2015
Executive Directors							
Richard Adam	100 per cent of salary	120,444	Shares	120,444	N/A	N/A	120,444
		73%*	LEAP award	N/A	639,847	N/A	639,847
			DBP shares	N/A	N/A	55,979	55,979
Richard Howson	100 per cent of salary	128,490	Shares	128,490	N/A	N/A	128,490
		59%*	LEAP award	N/A	813,559	N/A	813,559
			DBP shares	N/A	N/A	64,198	64,198
Non-Executive Directors							
Philip Green	N/A	N/A	Shares	10,000	N/A	N/A	10,000
Keith Cochrane	N/A	N/A	Shares	Nil	N/A	N/A	Nil
Andrew Dougal	N/A	N/A	Shares	5,000	N/A	N/A	5,000
Alison Horner	N/A	N/A	Shares	3,000	N/A	N/A	3,000
Ceri Powell	N/A	N/A	Shares	Nil	N/A	N/A	Nil

* The current shareholdings as a percentage of salary are calculated using the closing Carillion plc share price on 2 March 2016 of 279.3 pence and 2015 base salaries as set out on page 59.

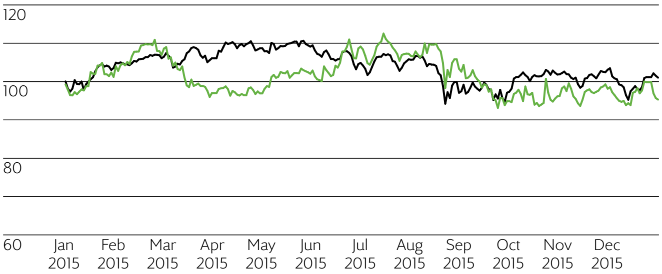
Outstanding Directors' share awards
The awards held by Executive Directors of the Company under LEAP as at 31 December 2015 are shown below.

	As at 1 January 2015 Number	LEAP awards granted during the year Number	Awards vesting during the year Number	Awards/options lapsing during the year Number	As at 31 December 2015 Number	Date of award	Mid-market share price on date of award Pence
Richard Adam							
LEAP 2012 (maximum)	234,864	–	–	234,864	–	05.04.12	287.4
LEAP 2013 (maximum)	244,477	–	–	–	244,477	04.04.13	270.1
LEAP 2014 (maximum)	185,644	–	–	–	185,644	07.05.14	363.6
LEAP 2015 (maximum)	–	209,726	–	–	209,726	09.04.15	329.0
Richard Howson							
LEAP 2012 (maximum)	292,276	–	–	292,276	–	05.04.12	287.4
LEAP 2013 (maximum)	304,238	–	–	–	304,238	04.04.13	270.1
LEAP 2014 (maximum)	231,023	–	–	–	231,023	07.05.14	363.6
LEAP 2015 (maximum)	–	278,298	–	–	278,298	09.04.15	329.0

Remuneration report
continued

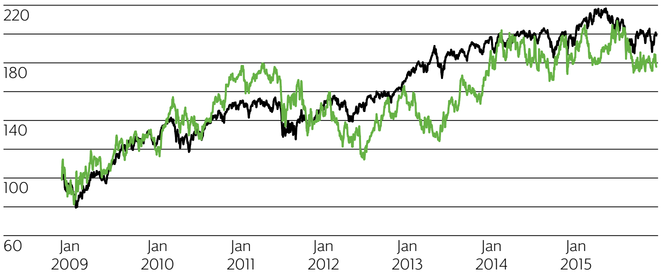
Performance graph and table
The following graph shows the Total Shareholder Return (TSR) of Carillion plc compared with the TSR of the FTSE 350 Index. The FTSE 350 was chosen as the comparator group in order to illustrate the Company's TSR performance against a broad equity market index of the UK's leading companies. TSR is not used as a performance measure for any benefits provided to Executive Directors.

TSR performance 1 January 2015 to 31 December 2015 (rebased to 100)



Source: Datastream

TSR performance 1 January 2009 to 31 December 2015 (rebased to 100)



Source: Datastream

Table of historic Chief Executive data

Year	Chief Executive	Chief Executive single figure of remuneration (£'000)	Annual bonus payout against maximum opportunity (%)	LEAP vesting rates against maximum opportunity (%)
2015	Richard Howson	1,283	48%	16%
2014	Richard Howson	1,024	44%	Nil
2013	Richard Howson	1,034	36%	Nil
2012	Richard Howson	791	Nil	Nil
2011	John McDonough	1,719	100%	21%
2010	John McDonough	1,512	24%	53%
2009	John McDonough	1,666	54%	85%

Percentage change in remuneration of Director undertaking the role of Chief Executive
The table below sets out in relation to salary, taxable benefits and annual bonus the increase in pay for Richard Howson compared to all UK employees between 2014 and 2015. The latter population provides a comparison that is based on a consistent set of employees and is a fair representation of our worldwide employee base who are eligible to earn an annual bonus and receive benefits that are broadly consistent with those provided to the Chief Executive.

	Chief Executive percentage change	UK employees percentage change
Salary and fees	8.9%	3.1%
Taxable benefits	-4.8%	-
Bonus	19.1%	40.7%

Relative importance of spend on pay
The following table sets out the percentage change in dividends and expenditure on pay for the whole of Carillion.

	2014 £m	**2015 £m**	Change
Dividends	76.4*	**78.5****	3%
Overall expenditure on pay	777.7	**922.7**	19%

Note
* Dividends payable in respect of the year ended 31 December 2014.
** Dividends payable in respect of the year ended 31 December 2015.

Remuneration Committee meetings, members and advisers
The Remuneration Committee is responsible for:

- setting the framework and policy for remuneration of the Executive Directors;
- determining the remuneration packages for the Executive Directors and the Chairman;
- monitoring the level and structure of remuneration for senior management and approving bonus payments; and
- noting any major changes in employee benefit structures throughout the Group and ensuring that Executive Director remuneration practice is consistent with any such changes.

The Remuneration Committee consists exclusively of independent Non-Executive Directors Alison Horner, Steve Mogford, Ceri Powell, Andrew Dougal and Keith Cochrane. Its terms of reference can be found on the Company's website, www.carillionplc.com. The Remuneration Committee determines the policy for remuneration of key members of the senior management team. Details of the Committee's meetings and attendance by Committee members during 2015 are set out in the table below.

		Meeting attendance 2015		Meeting attendance 2014	
Member	Appointed/(retired)	Attended	Eligible to attend	Attended	Eligible to attend
Alison Horner	01.12.13	5	5	4	4
Keith Cochrane	02.07.15	4	4	N/A	N/A
Andrew Dougal	03.10.11	5	5	4	4
Steve Mogford	(31.12.15)	4	5	4	4
Ceri Powell	02.04.14	5	5	2	2

The changes to the Committee's composition summarised above resulted from the appointment of Keith Cochrane on 2 July 2015. The Remuneration Committee is assisted in its work by Janet Dawson, Group HR Director, Philip Green, Chairman, and Richard Howson, Group Chief Executive. The Group Chief Executive is consulted on the remuneration of those who report directly to him and also of other senior executives. No Executive Director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration.

Additionally, the Remuneration Committee uses Deloitte LLP to provide salary survey and benchmarking information and external and internal contextual information and analysis as required. The Remuneration Committee took into account the Remuneration Consultants Group's Code of Conduct when reviewing the ongoing appointment of Deloitte as adviser to the Remuneration Committee. Deloitte's fees for providing such advice are charged on a time basis and amounted to £44,950 for the year ended 31 December 2015 (2014: £29,520). The Remuneration Committee assesses from time to time whether this appointment remains appropriate or should be put out to tender. The Remuneration Committee undertook such an assessment during the year and remains satisfied with Deloitte's appointment as advisers to the Remuneration Committee. Deloitte, which was appointed by the Remuneration Committee in 2005, also provides certain specialist consultancy services and internal audit resource, but otherwise has no other connections with the Group. The Remuneration Committee is satisfied that the remuneration advice provided by Deloitte is objective and independent.

The Remuneration Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the Listing Rules of the Financial Conduct Authority and Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013). It met five times during the year.

Statement of voting at 2015 Annual General Meeting

Resolution text	Votes for	% for	Votes against	% against	Votes discretionary	% discretionary	Total votes cast	Votes withheld* (abstentions)
Approval of Remuneration report	232,001,399	99%	2,295,032	1%	241,990	-	234,538,421	4,598,362

* A vote withheld is not a vote in law and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

Remuneration report
continued

Directors' Remuneration Policy

This part of the report sets out the Company's Directors' Remuneration Policy which was approved by shareholders at the 2014 Annual General Meeting and which took binding effect from the date of that meeting.

Element	Purpose and link to strategy	Operation
Base salary	Core element of fixed remuneration that provides the basis to recruit and retain the talent necessary to deliver the business strategy. Reflects individual skills, experience and the scope of the executive's responsibility. Takes into account an individual's performance.	Usually reviewed annually (but may be reviewed more frequently) with any changes typically effective from 1 April. The decision is influenced by a range of factors including, but not limited to: - role, experience and performance; - average change in broader workforce salary; - total organisational salary budgets; and - Group profitability and prevailing market conditions. External benchmark data against companies of a similar size and complexity are also considered.
Benefits	To provide market-competitive benefits at a level needed to attract and retain the talent necessary to deliver the business strategy.	Base salary is supplemented with a range of benefits based on the role and individual's circumstances. These benefits include, but are not limited to, company car or car allowance, fuel benefit and healthcare arrangements. Other benefits may be provided based on individual circumstances, such as, but not limited to: housing or relocation allowances, travel allowance or other expatriate benefits.
Retirement benefits	To provide market-competitive retirement benefits at a level needed to attract and retain the talent necessary to deliver the business strategy.	The Company may make payments into an occupational pension scheme (up to the limit of pensionable pay) and/or pay a salary supplement. The Company operates a defined contribution plan for this purpose. For salary in excess of pensionable pay, an allowance (set as a percentage of excess pensionable pay) may be paid. Where contributions exceed HMRC limits for a tax-free pension accrual, Executive Directors have the choice of receiving excess contributions as a salary supplement (subject to tax and National Insurance contributions). In circumstances where there are historical contractual commitments, benefits in part may be provided through membership of the defined benefit pension schemes operated by the Group but now closed. Deferred benefits from these schemes are based on pensionable salary and service at the date of closure. Death-in-service benefits are provided as part of membership of the defined contribution plans based on contractual entitlement and on a life-cover-only basis of membership if applicable. Bonus and other benefits received by Executive Directors do not count towards pensionable pay.

Opportunity	Performance metrics
To avoid setting expectations of Executive Directors and other employees, no maximum base salary has been set under the Remuneration Policy. Increases in salary will not normally exceed the range of increases awarded to other employees in the Group. However, larger increases may be awarded in certain circumstances including, but not limited to: – increases in scope or responsibility; or – a new Executive Director's salary is adjusted to align it with the market competitive range; or – where an Executive Director has fallen below market positioning; or – other exceptional circumstances. Such increases may be implemented over a time period deemed appropriate by the Remuneration Committee.	N/A
Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits Executive Directors may receive, the value of benefits is set at a level which the Remuneration Committee considers to be appropriately positioned taking into account relevant market levels based on the nature and location of the role and individual circumstances.	N/A
Pensionable pay is limited by an internal cap. The Carillion cap commenced at the level of £110,000 for the tax year 2006-07 and rose in line with the published increases in HMRC's Life Time Allowance to the current level of £132,700 which has applied since 2010-11. Future increases are at the discretion of the Remuneration Committee. Executive Directors receive a contribution of up to 40 per cent of basic salary paid as a contribution to a pension plan or a taxable allowance, as appropriate, to their individual circumstances.	N/A

Element	Purpose and link to strategy	Operation
Annual performance bonus and deferred bonus plan	Drive and reward the achievement of annual financial and/or strategic business targets and/or delivery of personal objectives relevant to Carillion's long-term strategic objectives. Provide alignment with shareholders' interests. Compulsory deferral of a proportion of bonus earned, paid in the Company's shares, supports the creation of long-term sustainable value, promotes share ownership and also provides a retention element.	Awards based on annual performance against key financial and/or strategic targets and/or the delivery of personal objectives. Payments are determined by the Remuneration Committee after the year end, based on performance against targets set annually. The Remuneration Committee may adjust the bonus pay-out either up or down should the formulaic outcome be considered not to reflect underlying business performance. The circumstances where such a change might be made are set out under the explanation of chosen targets and how performance is measured below. 50 per cent of any bonus earned is paid in cash and 50 per cent is awarded in shares, which vest after three years (subject to a de-minimis threshold of £10,000). Deferred share awards may be released early on a change of control (or other relevant event) or in 'good leaver' circumstances (as shown on page 71). The Remuneration Committee has the right to reduce any deferred bonus awards that have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before reduction is operated (ie a malus provision). The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest, or make a cash payment equal to the value of those additional shares ('Dividend Equivalents').
Long Term Incentive – Carillion plc Leadership Equity Award Plan (LEAP)	Drive and reward the achievement of longer-term objectives aligned closely to shareholders' interests. Retain key executives over a long-term measurement period. Provide alignment with shareholders' interests. Supports retention and promotes share ownership.	The Remuneration Committee intends to make future long-term incentive awards under the LEAP. Annual awards of conditional shares, restricted stock or nil cost options (or similar cash equivalent) under the LEAP can be made with vesting dependent on the achievement of performance conditions, normally over a three-year performance period. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. The Remuneration Committee has the right to reduce any LEAP awards that have not yet vested in relation to circumstances of corporate failure, which may have occurred at any time before the reduction is operated (ie a malus provision). Awards under the LEAP may vest early on a change of control (or other relevant event) subject to satisfaction of the performance conditions and pro-rating for time, although the Remuneration Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting. As described on page 71, LEAP awards may also vest early in 'good leaver' circumstances. The Remuneration Committee may make a dividend equivalent payment ('Dividend Equivalents') to reflect dividends that would have been paid over the period to vesting on shares that vest. This payment may be in the form of additional shares or a cash payment equal to the value of those additional shares.

Opportunity	Performance metrics
Up to 100 per cent of base salary.	Targets are set annually reflecting the Group's strategy and are aligned with key financial, strategic and/or individual objectives. Targets, whilst stretching, do not encourage inappropriate business risks to be taken. At least 50 per cent of the bonus is assessed against key financial performance metrics of the business and the balance may be based on non-financial strategic measures and/or individual performance. **Financial metrics** There is no minimum payment at threshold performance, 50 per cent of the maximum potential for this element of the bonus will vest for on-target performance and all of the maximum potential will vest for maximum performance. **Non-financial or individual metrics** Vesting of the non-financial or individual metrics will apply on a sliding scale between 0 per cent and 100 per cent based on the Remuneration Committee's assessment of the extent to which a non-financial or individual performance metric has been met.
Under the LEAP rules the overall maximum opportunity is 200 per cent of salary in respect of a financial year. Normal maximum award: 150 per cent of salary in respect of a financial year.	Awards will vest subject to the achievement of performance assessed over more than one financial year, normally three years against key metrics aligned to the business strategy. Performance measures for the LEAP will be a combination of financial measures, and/or strategic performance metrics, including (but not exclusively): - earnings per share growth; - cash flow conversion; and - key strategic objectives. Weightings will be as follows: - at least two-thirds will be based on financial metrics; and - no more than one-third will be based on strategic performance metrics. **Financial metrics** For the achievement of the threshold level of performance (the minimum level of performance for vesting to occur) up to one-sixth of maximum opportunity will vest under each performance measure. For the achievement of the target level of performance up to 50 per cent of the maximum opportunity will vest under each performance measure. For the achievement of the maximum level of performance (the highest level of performance that results in any vesting) 100 per cent of the maximum opportunity will vest. Straight-line vesting will usually apply between these levels of performance. **Strategic metrics** Vesting under the strategic element will apply on a sliding scale between 0 per cent and 100 per cent for each measure to avoid 'cliff edge' vesting. The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Company and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance delivered. The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with Carillion's business strategy.

Remuneration report
continued

Remuneration Policy for the Chairman and Non-Executive Directors

Element	Approach of the Company
Chairman fees	The remuneration of the Chairman of the Board is set by the Remuneration Committee. Fees are set at a level that reflects the skills, knowledge and experience of the individual, whilst taking into account appropriate market data. The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares.
Non-Executive Director fees	The Board as a whole is responsible for deciding Non-Executive Directors' fees. Fees are set taking into account several factors including the size and complexity of the business, fees paid to Non-Executive Directors of UK-listed companies of a similar size and complexity and the expected time commitment and contribution for the role. Fees are structured as a basic fee with additional fees payable for chairmanship or membership of a Committee or other additional responsibilities. The fee is set as a fixed annual fee and may be paid wholly or partly in cash or Company shares. Overall fees paid to Directors will remain within the limit set out in the Company's Articles of Association of £500,000 per annum.

Explanation of chosen performance measures and how targets are set
The annual bonus is assessed against both financial and individual targets determined by the Remuneration Committee. This incentivises Executives to focus on delivering the key financial goals of the Company as well as specific strategic objectives for each Director that are aligned to delivering the overall business strategy, and encourages behaviours that facilitate profitable growth and the future development of the business.

Long-term performance measures are chosen by the Remuneration Committee to provide a robust and transparent basis on which to measure Carillion's performance over the longer term. They are aligned with the interests of shareholders and drive business performance in line with the Group's strategy, whilst not encouraging excessive risk taking.

The Remuneration Committee considers carefully the target ranges to be attached to bonus and long-term incentive awards, taking into account a number of factors, which could include future growth expectations, the market environment and the requirement to set stretching but achievable targets.

The Committee retains the ability to adjust/or set different performance measures if events occur (such as a change in strategy, a material acquisition and/or a divestment of a Group business or a change in prevailing market conditions), which cause the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

Awards may be adjusted in the event of a variation of capital in accordance with the scheme rules.

Pay policy for other employees
The Remuneration Policy applied to the Chief Executive's Leadership Team and the most senior executives in the Group is similar to the policy for the Executive Directors in that a significant element of remuneration is dependent on Company and individual performance. The key principles of the remuneration philosophy are applied consistently across the Group below this level, taking account of seniority and local market practice.

Remuneration Policy for new appointments
In the cases of hiring/appointing a new Executive Director, the Remuneration Committee will typically align the remuneration package with the above Remuneration Policy. However, the Remuneration Committee retains the discretion to make payments or awards which are outside the Policy to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy, subject to the principles and limits set out below. The individual will move over time onto a remuneration package that is consistent with the Policy set out in the adjacent table.

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure that arrangements are in the best interests of both Carillion and its shareholders. This may, for example, include (but is not limited to) the following circumstances:

- an interim appointment is made to fill an Executive Director role on a short-term basis;
- exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis;
- an Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or long-term incentive award for that year as there would not be sufficient time to assess performance; subject to the limit on variable remuneration set out below, the quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
- the Executive received benefits at his previous employer that the Committee considers it appropriate to offer.

The Committee may also alter the performance measures, performance period and vesting period of the annual bonus or long-term incentive, subject to the rules of the scheme, if the Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained.

The Remuneration Committee may make an award in respect of hiring to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so the Remuneration Committee will take account of relevant factors regarding the forfeited arrangements, which may include any performance conditions attached to awards forfeited (and the likelihood of meeting those conditions), the time over which they would have vested and the form of the awards (eg cash or shares). It will generally seek to structure buy-out awards on a comparable basis to remuneration arrangements forfeited. These payments or awards are excluded from the maximum level of variable remuneration referred to below. However, the Remuneration Committee's intention is that the value awarded would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buy-out awards will be subject to forfeiture or clawback on early departure.

Where necessary, the Company will pay appropriate relocation costs. The Remuneration Committee will seek to ensure that no more is paid than is necessary.

The maximum level of variable remuneration (excluding buy-out awards) which may be awarded to a new Executive Director is 300 per cent of base salary. Subject to this overall maximum, variable remuneration incentive awards may be granted within the first 12 months of appointment above the normal maximum annual award opportunities. The Remuneration Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Any share awards referred to in this section will be granted as far as possible under the Company's existing share plans. If necessary, and subject to the limits referred to above, in order to facilitate the awards mentioned above, the Committee may rely on exemption 9.4.2. of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director.

Where a position is fulfilled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue according to the original terms.

Fees payable to a newly-appointed Chairman or Non-Executive Director will be in line with the fee policy in place at the time of appointment. Thereafter, fees will be reviewed annually.

Service contracts
The Board's policy for current and new Executive Directors is that service contracts are on a one-year rolling basis and have a notice period that should not exceed one year.

	Date of contract	Date of appointment	Notice from the Company	Notice from the Director
Richard Howson	8 Dec 2009	8 Dec 2009	12 months	6 months
Richard Adam	11 Dec 2006	2 Apr 2007	12 months	6 months

Non-Executive Directors are not employed under contracts of service, but are generally appointed for fixed terms of three years renewable for further terms of one to three years, if both parties agree.

	Date of appointment	Unexpired term of contract at 31 December 2015
Philip Green	1 June 2011	16 months
Andrew Dougal	3 Oct 2011	21 months
Alison Horner	1 Dec 2013	11 months
Keith Cochrane	2 Jul 2015	30 months
Ceri Powell	2 April 2014	15 months

Philip Green was appointed as Chairman on 7 May 2014 for 36 months.

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service contracts for the Executive Directors and letters of appointment for the Non-Executive Directors are available for inspection at the registered office address of the Company.

Richard Adam's service agreement provides that in the period of 12 weeks following a change of control of the Company if there has been a change in his duties, responsibilities, status or reporting line that is materially less favourable to him, he may confirm that such a change has taken place or is proposed. Following any such confirmation by Mr Adam, his employment will terminate and he will receive a payment in lieu of notice consisting of 12 months' basic salary, car allowance (or taxable value of the company car), pension contributions and taxable value of participation in the Company's private health insurance scheme.

Richard Howson's service agreement contains a similar provision in the event of a change of control of the Company, except that his payment in lieu of notice is subject to an obligation to mitigate.

Under the terms of their engagement, the notice period to be given by the Non-Executive Directors to the Company is six months and the Company is obliged to give 12 months. Discretion is retained to terminate with or without due notice or paying any payment in lieu of notice dependent on what is considered to be in the best interests of the Company in the particular circumstances. The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

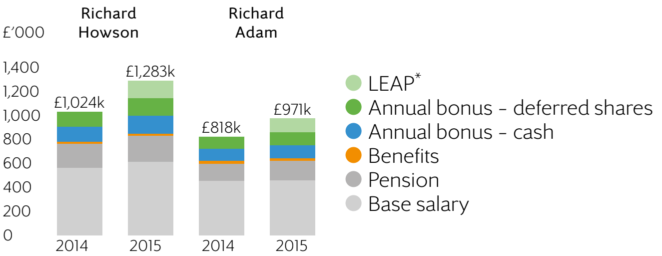
Payments for loss of office
The policy set out below provides the framework for contracts for Executive Directors:

Element	Policy
Notice period on termination by employing company	12 months.
Termination payment	Severance payments in relation to the service contract are limited to no more than one year's salary plus benefits in kind (including company car or car allowance and private health insurance) and pension contributions (which may include salary supplements). Benefits provided in connection with termination of employment may also include, but are not limited to, outplacement and legal fees.
Vesting of incentives for leavers	The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an Executive Director leaves. Typically for 'good leavers', bonus amounts (as estimated by the Remuneration Committee) will be pro-rated for time in service to termination and will be, subject to performance, paid at the usual time. 'Good leavers' typically include leavers due to death, illness, injury, disability, redundancy, retirement with the consent of the Company or any other reason as determined by the Remuneration Committee. – The vesting of share-based awards is governed by the rules of the relevant incentive plan, as approved by shareholders. – Under the LEAP, the provisions for 'good leavers' provide that awards will vest at the end of the normal vesting period but the Remuneration Committee has the discretion to accelerate vesting to the date of cessation of employment. If accelerated to the date of cessation of employment vesting will take account of performance over the period to the date of cessation of employment and will be subject to pro-rating for time (although the Remuneration Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting). – Under the deferred bonus plan, the provisions for 'good leavers' provide that deferred share awards will be released in full at the date of cessation of employment. – In circumstances other than good leavers, awards will lapse. Were a buy-out award to be made under Listing Rule 9.4.2 then the leaver provisions would be determined at the time of the award.

Remuneration report
continued

Actual remuneration for 2014 and 2015

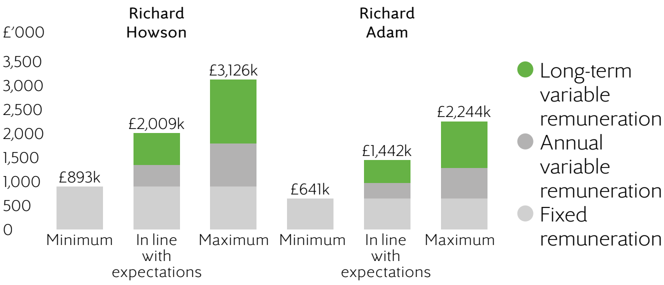
The graph below shows the actual remuneration received by Executive Directors in 2014 and 2015:



Note
* Value of LEAP is based on three-month average share price to 31 December 2015.

Illustration of Remuneration Policy for 2016

This chart provides an illustration of the range of remuneration that may be received by Executive Directors in 2016 based on the assumptions noted below.



Assumptions	
Minimum performance	Fixed elements of remuneration only – base salary, benefits and pension only.
Performance in line with expectations	Total fixed pay as above, plus: Assumes 50 per cent of maximum pay-out under the annual bonus (ie 50 per cent of salary) Assumes 50 per cent of maximum pay-out under the LEAP (ie 75 per cent of salary).
Maximum performance	Total fixed pay as above, plus: Assumes maximum pay-out under the annual bonus (ie 100 per cent of salary) Assumes maximum pay-out under the LEAP (ie 150 per cent of salary).

(1) As required by the regulations, the scenarios do not include any share price growth assumptions or take into account any dividends that may be paid.
(2) Base salary and the value of pension reflects the latest known information (ie the salary effective from 1 January 2016 for Richard Howson and 1 April 2015 for Richard Adam) and benefits have been assumed to be equivalent to those included in the single-figure of remuneration table on page 58.

Wider workforce remuneration

When determining the remuneration arrangements for Executive Directors, the Remuneration Committee takes into consideration, as a matter of course, the pay and conditions of employees throughout the Group. In particular, the Remuneration Committee is kept informed on:

- salary increase for the general employee population;
- overall spend on annual bonus; and
- participation levels in the annual bonus and share plans.

Although no consultation with employees takes place in relation to determining the Remuneration Policy for Directors, the Group has various ways of engaging with employees collectively, as teams, and on a one-to-one basis. A number of methods are common across the Group (Employee Forums, Leadership conference calls, Team Talks, Performance Development Reviews, Job Chats, Your Say and Chief Executive's Leadership Team Lunches) and a number are business or area specific (newsletters, consultation groups and socials). The Board receives updates and feedback on employee engagement.

Existing contractual arrangements

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out on page 71, where the terms of the payment were agreed:

(i) before 27 June 2012 or
(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes 'payments' include the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted. For the avoidance of doubt, the Remuneration Committee's discretion includes discretion to determine, in accordance with the rules of the current LEAP, the extent to which awards under that plan may vest in the event of a change of control or in a 'good leaver' circumstance.

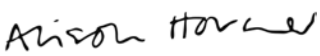
Shareholder engagement

The Remuneration Committee engages in regular dialogue with shareholders to discuss and take feedback on its Remuneration Policy and governance matters. In particular, the Remuneration Committee discusses any significant changes to the policy or the measures used to assess performance.

No amendments requiring shareholder consultation or a shareholder vote were made to the Remuneration Policy for 2016.

The Remuneration Committee will continue to engage with and seek to incorporate the views of shareholders in any major changes to the Executive Director Remuneration Policy.

Approved by order of the Board



Alison Horner
Chairman of the Remuneration Committee
3 March 2016

Report of the Directors

Background
The Directors of the Company are required to produce a Directors' report on an annual basis under the Companies Act. The Directors are also required under the Companies Act to publish a Strategic report for the Group and the Company. The Directors' Strategic report must (i) contain a fair review of the Company's business and a description of the principal risks and uncertainties facing the business and (ii) be a balanced and comprehensive analysis of the development and performance of Company's business during the financial year and the position of the Company's business at the end of that year, consistent with the size and complexity of its business.

This section of the Annual Report sets out the information required to be disclosed by the Company and the Group in the Directors' report. Certain matters that would otherwise be disclosed in this Directors' report have been reported elsewhere in this Annual Report and consequently this Directors' report should be read in conjunction with the Strategic report on pages 1 to 40 (which includes our 2015 Sustainability review on pages 18 to 21) and the Corporate Governance report for 2015 on pages 41 to 49, which are incorporated by reference into this Directors' report.

The Strategic report and this Directors' report together with other sections of this Annual Report incorporated by reference, when taken as a whole, form the Management report as required for the purposes of Disclosure and Transparency Rule 4.1.5R. The Management report for 2015 has been prepared and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with this report shall be subject to the limitations and restrictions provided under such law.

Overview of the information required
A summary of the information required to be disclosed in the Directors' report together with the relevant report and page reference is set out in the table below:

Disclosure	Reported in	Page reference
Acquisitions and disposals	Directors' report	73
Amendment of Articles of Association	Directors' report	75
Annual General Meeting	Directors' report	75
Appointment of Directors	Directors' report	73
Disclosure of information to Auditors	Directors' report	75
Authority to allot shares	Directors' report	74
Change of control	Directors' report	75
Community and charitable giving	Strategic report	20
Conflicts of interest	Directors' report	74
Directors	Corporate Governance report	42,43
Directors' indemnity	Directors' report	74
Directors' responsibilities	Responsibility statement	76
Employee involvement	Strategic report	20
Employees with disabilities	Strategic report	20
Going concern	Performance and financial review	40
Greenhouse gas emissions	Strategic report	21
Political donations	Directors' report	75
Post balance sheet events	Directors' report	73
Purchase of own shares	Directors' report	74
Powers of the Directors	Directors' report	74
Restrictions on transfer of shares	Directors' report	75
Results and dividends	Directors' report	73
Rights and obligations attaching to shares	Directors' report	74
Risk management	Strategic report	26-31
Share capital	Directors' report	74
Substantial share interests	Directors' report	75
Voting and restrictions on voting	Directors' report	74

Results and dividends
The consolidated income statement is set out on page 80. Profit before tax was £155.1 million (2014: £142.6 million).

A 2015 interim dividend of 5.7 pence per ordinary share (2014: 5.6 pence) was paid in November 2015. It is proposed to pay a final dividend of 12.55 pence per ordinary share (2014: 12.15 pence) on 10 June 2016 to shareholders on the register at the close of business on 13 May 2016. The payment of these 2015 interim and final dividends amounts to £78.5 million (2014: £76.4 million).

A dividend reinvestment plan (DRIP) will also be offered allowing shareholders a convenient means of reinvesting their dividends in the Company by buying further shares. If required, a DRIP application form is available from the share registrar, Equiniti (see page 130 for contact details).

The Company may by ordinary resolution from time to time declare dividends in accordance with the rights of the members, but no dividend shall exceed the amount recommended by the Board.

Carillion has a progressive dividend policy that aims to increase its dividend broadly in line with the growth in underlying earnings per share, subject to the investment needs of the business. Further details in relation to our dividend policy are provided on page 37.

Acquisitions and disposals
In May 2015, Carillion plc acquired 100 per cent of the share capital of the Outland Group, a leading Canadian provider of remote site accommodation and associated services operating across a wide range of growth sectors including mining, utilities, forestry, gas and oil. Further details of this acquisition can be found on page 33.

In 2015, we sold equity investments in three projects for cash proceeds of approximately £54 million, which represented an average discount rate of some seven per cent and generated a pre-tax profit of £37.7 million.

Post balance sheet events
There have been no material events since the balance sheet date of 31 December 2015 and the date of this report.

Appointment of Directors
There are currently seven Directors on the Board of Carillion plc. Unless otherwise determined by ordinary resolution of the Company, the Directors shall not be less than four nor more than 16 in number.

Shareholders may by ordinary resolution elect any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. The Company may also by special resolution remove any Director before the expiration of his or her period of office and may by ordinary resolution appoint another person who is willing to act to be a Director in his or her place.

The Board may appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed shall retire at the next Annual General Meeting and shall then be eligible for reappointment.

In accordance with the requirements of the UK Corporate Governance Code, all Directors will offer themselves for re-election at the Annual General Meeting on 4 May 2016.

The Company's Articles of Association do not have a shareholding qualification for Directors. However, the Company's Remuneration Policy requires, to provide alignment with shareholders' interests and to promote ownership, that each of the Executive Directors hold the net number of shares acquired through the Leadership Equity Award Plan and the Deferred Bonus Plan until the value of their total shareholding is equal to annual salary.

Report of the Directors
continued

Directors
Details of the Directors of the Company are set out on pages 42 to 43 and changes in the membership of the Board are summarised on page 46 of the Corporate Governance report. Details of Directors' remuneration are provided in the Remuneration report on pages 57 to 72. The interests of the Directors and their families in the share capital of the Company are shown on page 63 of the Remuneration report which also includes information on the Company's contracts of service with its Directors on page 71.

Powers of the Directors
Subject to the Company's Articles and any directions given by the Company in general meeting by special resolution, the business of the Company is managed by the Board which may exercise all the powers of the Company, whether relating to the management of the business of the Company or not.

Directors' responsibilities
The Directors' responsibilities for the financial statements included within this Annual Report and the Directors' confirmations required under the FCA Disclosure and Transparency Rules are set out on page 76.

Conflicts of interest
The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. The Board has in place procedures to deal with Directors' conflicts of interest arising under Section 175 of Companies Act 2006 and these procedures are considered to be effective.

Directors' indemnity
Under the Company's Articles of Association, to the extent permitted by the Companies Acts, the Company indemnifies any Director, Secretary or other officer of the Company against any liability and may purchase and maintain insurance against any such liability. The Board understands that the provision of such indemnification is in keeping with current market practice and believes that it is in the best interests of the Group to provide such indemnities in order to attract and retain high-calibre Directors and officers. The Company purchased and maintained Directors' and Officers' liability insurance throughout 2015.

Share capital
The Company has only one class of share with one vote for every share. As at 3 March 2016, the issued share capital of the Company comprised of £215,127,314 divided into 430,254,629 ordinary shares of 50 pence each. The ISIN number of the shares is GB0007365546.

On 12 December 2014, Carillion Finance (Jersey) Limited, a wholly-owned subsidiary of the Company incorporated in Jersey, issued £170 million of convertible bonds, which are guaranteed by the Company. The bonds are a senior and unsecured obligation of Carillion Finance (Jersey) Limited and the Company and are subject to a negative pledge. These bonds carry a coupon of 2.50 per cent per annum payable semi-annually and based on the conversion price of £3.9856 will convert into 42,653,553 ordinary shares of the Company. Upon conversion of the bonds, the Company may elect to settle its obligations by way of delivery of ordinary shares, payment of a cash alternative amount or a combination of the two. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at par on or around 19 December 2019.

Details of shares issued during the year and outstanding options are given in notes 23 and 25 on pages 106 and 107 to the consolidated financial statements which form part of this report. Details of the share incentives in place are provided on pages 61 to 63 of the Remuneration report.

Rights and obligations attaching to shares
The Company's shares when issued are credited as fully paid and free from all liens, equities, charges, encumbrances and rights. All shares benefit from the same rights in relation to voting, dividends and any return of capital and are subject to the same restrictions as set out in the Company's Articles. Except in relation to dividends which have been declared and rights in relation to the liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable, however, the Company may repurchase any of the shares on or off market, subject to compliance with the Companies Act and requirements of the Listings Rules. No shareholder holds any shares that carry any special rights in relation to the control of the Company.

Authority to allot shares
As at 31 December 2015, the Company had the following authority to allot shares and to grant rights to subscribe for or convert any security into shares in the Company:

(a) up to a nominal amount of £71,709,104 (such amount to be reduced by the nominal amount allotted or granted under paragraph (b) below in excess of an equivalent sum); and
(b) comprising equity securities up to a nominal amount of £143,418,209 (such amount to be reduced by any allotments or grants made under paragraph (a) above) in connection with an offer by way of a rights issue.

Purchase of own shares
As at 31 December 2015, the Company had authority from shareholders for the purchase of 43,025,462 of its own shares. Such authority will also be sought from shareholders at the Company's Annual General Meeting on 4 May 2016. To date, this authority has never been used.

Voting and restrictions on voting
On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy and entitled to vote shall have one vote and, on a poll, every holder of ordinary shares present in person or by proxy and entitled to vote, shall have one vote for every ordinary share held.

The notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be put to the Annual General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced and published on the Company's website after the meeting.

No member shall, unless the Board otherwise decides, be entitled in respect of any share held by him or her to attend or vote (either personally or by proxy) at any general meeting of the Company or upon a poll or to exercise any other right conferred by membership in relation to general meetings or polls unless all calls or other sums presently payable by him or her in respect of that share have been paid.

The Company is not aware of any agreement between the holders of its shares which may result in restrictions on voting rights.

Restrictions on transfer of shares
There are no restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). In addition, pursuant to the Listing Rules of the Financial Conduct Authority, Directors and certain officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company.

The Company is not aware of any agreements between shareholders that restrict the transfer of its shares.

Substantial share interests
As at 3 March 2016, the Company had received formal notification of the following holdings in its shares under the Disclosure and Transparency Rules of the Financial Conduct Authority. It should be noted that these holdings may have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

	Number of shares	% of issued share capital held
Standard Life Investments (Holdings) Ltd	42,466,075	9.87
BlackRock, Inc.	30,894,690	7.2
Templeton Global Advisors Limited	24,031,003	5.6
Kiltearn Partners LLP	21,542,444	5.0
Brewin Dolphin Limited	21,541,472	5.0
Letko, Brosseau and Associates Inc.	17,289,003	4.02

Change of control
A number of agreements take effect, alter or terminate upon a change of control of the Company following a takeover bid, such as loan agreements and share incentive plans.

Carillion's main credit facilities, including the £790 million Syndicated Multicurrency Revolving Credit Facility, contain a provision such that in the event of a change of control any lender may, within a 30-day consultation period and if it so requires, notify the Company that it wishes to cancel its commitment. Any such cancellation of commitment and the repayment of any outstanding borrowings will occur on the date falling three days after the expiry of the consultation period.

Following the occurrence of a change of control, the Company must make an offer to the holders of its private placement notes to prepay the amounts outstanding together with accrued interest. The holders of the Group's £170 million of convertible bonds have the right to require the Group to redeem each bond at its principal amount, together with accrued and unpaid interest.

Political donations
The Company and its subsidiaries made no political donations during the period under review (2014: £nil).

Amendment of Articles of Association
The Articles of Association may be amended by special resolution of the shareholders.

Disclosure of information to auditors
The Directors of Carillion plc confirm that at the date of this Report of the Directors and as far as they are individually aware, there is no relevant audit information of which the auditors are unaware and each Director has taken all reasonable steps to ascertain any relevant audit information and to establish that the Company's auditors are aware of this information.

Annual General Meeting
The Annual General Meeting will be held at 12 noon on 4 May 2016 at Austin Court, 80 Cambridge Street, Birmingham B1 2NP. The notice of the Annual General Meeting accompanies this Annual Report and Accounts.

Included in the AGM business is the proposal to renew the authority for the Company to purchase its own shares. As at 31 December 2015, the Company had authority from shareholders for the purchase of 43,025,462 of its own shares.

Global Greenhouse Gas (GHG) emissions data
The disclosures in respect of CO_2 emissions, as required to be reported under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013), can be found in the Sustainability section of the Strategic report on page 21.

Approved by order of the Board.

Richard Tapp

Richard Tapp
Secretary
3 March 2016

Statement of Directors' responsibilities in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report, the Strategic report, the Directors' report, the Directors' Remuneration Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with the UK Financial Reporting Standard 101, Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report and financial statements
Each of the Directors of Carillion plc, whose names and functions are set out on pages 42 and 43, confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards and contained in this 2015 Annual Report and Accounts, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report and the Directors' report, included in this 2015 Annual Report and Accounts, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the 2015 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy.

Approved by order of the Board

Richard Adam FCA
Group Finance Director
3 March 2016

Independent auditor's report to the members of Carillion plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the Group financial statements of Carillion plc for the year ended 31 December 2015 which comprise the Group consolidated income statement, the Group consolidated and Parent Company balance sheets, the Group consolidated statement of comprehensive income, the Group consolidated and Parent Company statement of changes in equity, the Group consolidated cash flow statement and the related notes. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK Accounting Standards, including FRS101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows (unchanged from 2014):

Recognition of contract revenue, margin, and related receivables and liabilities (total revenue £4,586.9 million)

Refer to page 54 (Report of the Audit Committee), page 86 (note 1. Significant accounting policies – Revenue recognition) and page 118 (note 32. Accounting estimates and judgements – Revenue recognition).

The risk – The Group recognises revenue based on the stage of completion of construction contracts by taking the proportion of costs incurred to the balance sheet date compared to the estimated final costs of the contract at completion and therefore relies on estimates in relation to the final out-turn of costs on each contract. Changes to these estimates could give rise to material variances in the amount of revenue and margin recognised. Cost contingencies may also be included in these estimates to take account of specific risks, or claims against the Group, arising within each contract. These contingencies are reviewed by the Group on a regular basis throughout the contract life and adjusted where appropriate. Finally, variations and claims are recognised on a contract-by-contract basis, both on service and construction contracts, where the Group believes the rights and obligations exist given the progress of negotiations. There is therefore a high degree of judgement in: assessing the level of the cost contingencies to recognise; appropriately recognising variations and claims; and estimating the revenue recognised by the Group based on the projected final out-turn on contracts.

Our response – We evaluated the controls designed and implemented by the Group to monitor amounts owed on service and construction contracts, and in particular, the claims and variation elements across the Group. We attended and inspected minutes from certain meetings, which form a key part of the Group's risk process to fully challenge at a lower executive level both new tenders and contract bids, and ongoing performance on existing contracts. We then selected a sample of contracts using a variety of quantitative and qualitative factors in order to assess and challenge the most significant and more complex contract positions. In this area our audit procedures included:

- considering the financial performance of the selected contracts against budget and historical trends to assess the historical accuracy of judgement in the recognition of claims and variations as well as the final out-turn on contracts;
- inspecting the contracts for key clauses, identifying relevant contractual mechanisms such as 'pain/gain' shares, liquidated damages and success fees and considered their impact on the completeness and existence of the amounts recognised in the financial statements;
- obtaining detailed position papers from the Group to support estimates made, challenging these estimates with senior operational, commercial and financial management and assessing whether or not these estimates showed any evidence of management bias;
- completing a number of site visits across the UK, Middle East and Canada, meeting local management and overseas auditors, physically inspecting the stage of completion of individual projects and identifying areas of complexity through observation and discussion with site personnel;
- challenging the Group's judgement in respect of forecast contract out-turn, quantum and allocation of contingencies, settlements and the recoverability of contract balances with reference to our own assessments, historical outcomes and industry norms;
- assessing the profile of aged work in progress on service contracts and challenging aged amounts for recoverability with a focus on claims and variations recognised on individual contracts;
- analysing correspondence and meeting minutes with customers around variations and claims, obtaining assessments of these from the Group's legal or technical experts, if applicable; and
- we also considered the adequacy of the Group's disclosures in respect of these judgements.

Carrying value of goodwill (£1,544.0 million)

Refer to page 54 (Report of the Audit Committee), page 85 (note 1. Significant accounting policies – Goodwill and other intangible assets) and pages 98 to 99 (note 11. Intangible assets).

The risk – The Group's balance sheet includes goodwill, principally arising from historical acquisitions in the UK. The risk is that the goodwill allocated to cash generating units ('CGU') is not recoverable and should be impaired. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas for our audit.

The Group annually carries out an impairment assessment of goodwill using a value-in-use model which is based on the net present value of the forecast earnings of the cash-generating unit ('value-in-use'). This is calculated using certain assumptions around discount rates, growth rates and cash flow forecasts.

Given the relative size of the goodwill in the Group balance sheet, particularly in the UK Services CGU, relatively small changes in these assumptions could give rise to material changes in the assessment of the carrying value of goodwill.

Our response – Our procedures included critically assessing the key assumptions applied by the Group in determining the recoverable amounts of each CGU. In particular, we:

- considered the consistency and appropriateness of the allocation of businesses and related goodwill balances into CGUs;
- considered the underlying assumptions in determining the cash flows and growth assumptions applied with reference to historical forecasting accuracy and wider macro environment conditions;
- challenged the assumptions used in the calculation of the discount rates used by the Group, including comparisons with external data sources and consideration of the potential risk of management bias;
- performed our own sensitivity analysis, including a reasonably possible reduction in assumed growth rates and cash flows to identify areas to focus our procedures on and we also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the valuation of goodwill.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £8.0 million (2014: £9.0 million), determined with reference to a benchmark of Group profit before tax, normalised to exclude the acquisition costs set out in note 4, of which it represents 5.1 per cent (2014: 5.9 per cent).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.4 million (2014: £0.45 million) in addition to other identified misstatements that warranted reporting on qualitative grounds.

Independent auditor's report to the members of Carillion plc only

continued

Of the Group's 10 reporting components, we subjected five to audits for Group reporting purposes and three to specified risk-focused audit procedures (scoping unchanged from 2014). The latter were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed.

The components, subjected to audits for Group reporting purposes covered 92 per cent of Group revenue, 86 per cent of Group profit before tax and 80 per cent of Group total assets. The components subjected to specified risk-focused audit procedures covered 3 per cent of Group revenue, 13 per cent of Group profit before tax and 15 per cent of Group total net assets.

For the remaining components, we performed analysis at a Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £6.0 million to £6.5 million (2014: £7.0 million to £7.5 million), having regard to the mix of size and risk profile of the Group across the components. The work on three of the five audited components was performed by component auditors with the remaining two, as well as all three not individually financially significant components, by the Group audit team.

The Group audit team visited five component locations in the United Kingdom, Canada, the United Arab Emirates, Qatar and Oman. Video and telephone conference meetings were also held with these component auditors and the majority of the others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement on page 27, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 2018; or
- the disclosures in note 1. Significant accounting policies – basis of preparation of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Report of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statements, in relation to going concern (page 40) and longer-term viability (page 27); and
- the part of the Corporate Governance statement on pages 45 to 49 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 76, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Peter Meehan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

3 March 2016