

Sustainability – making us a better business

At Carillion we continue to lead the way in sustainability. It is an integral part of our business model (pages 16 and 17), it is embedded in all our decision-making and it is fundamental to how we create value for all stakeholders. Our sustainable approach gives us a competitive advantage through innovation, efficiency, responsiveness and building strong partnerships.

Delivering our 2020 Sustainability Strategy

Building a sustainable business that creates value for all our stakeholders is at the heart of the Group's strategy and business model. Our 2020 Sustainability Strategy is structured around business, society and the environment, with specific, measurable targets to achieve six positive outcomes, all of which are independently verified.

Better business

 Building a successful business

 Leading the way with our customers and suppliers

Better society

 Providing better prospects for our people

 Supporting sustainable communities

Better environment

 Enabling low carbon economies

 Protecting the environment

Since embarking on our 2020 Sustainability Strategy in 2010, we have made good progress towards achieving these outcomes. Our approach is overseen on behalf of the Board by our Sustainability Committee, which is chaired by Dr Ceri Powell, one of our Non-Executive Directors.

The Committee regularly reviews the issues that our stakeholders consider to be the most material to our strategy, including:

- developing and attracting excellent people
- creating a diverse and flexible workforce
- the safety, health and wellbeing of our people and all who are involved with, or affected by our operations
- financial performance
- managing strong supplier relationships and upskilling suppliers
- local community engagement, including offering training and apprenticeship opportunities
- human rights
- strong corporate governance and management of sustainability
- carbon emissions and energy efficiency
- efficient use of materials and waste minimisation and
- minimising the use of water.

 A report on the work of our Sustainability Committee can be found on page 52

2015 Highlights

- Won the PwC Building Public Trust Award for the third consecutive year
- Shortlisted for BITC's Responsible Business of the Year
- Achieved 4-star rating (97%) in BITC's Corporate Responsibility Index
- Re-accredited as a FTSE4Good company
- Achieved our 1,000th Ready for Work placement, and our 400th person supported into employment
- Awarded highest score possible (WWF 3-tree grading) for timber sourcing
- BITC Opportunity Now Diversity Champion 2015 and Times Top 50 Employer for Women

22%

reduction in Lost Time Incident Frequency Rate (LTIFR)

£33.8m

net operating profit contribution through sustainability strategy

+36

Net Promoter Score measuring customer satisfaction

98A

near-perfect score for climate change action (Carbon Disclosure Project)

1%

of pre-tax profit donated to community activities

58%

of external UK supplier spend with local businesses

98%

of sourced timber meets FSC or equivalent standards

31%

reduction in our carbon footprint since 2011 (normalised)

94%

of waste diverted from landfill

68%

employee engagement score

“Sustainability makes a fundamental difference to the success of our business. It is not all about the bottom line, as the health, safety and welfare of our people and those touched by our operations always come first. Creating shared value and a profitable business is key to delivering a balanced sustainability strategy and long-term positive legacies where we work and live.”

Richard Howson,
Chief Executive, Carillion

i Read more about our strategy and performance in our Sustainability Report 2015: www.carillionplc.com/sustainability2015 which will be published in April 2016

Better business

We are supporting sustainable economic growth across the geographies in which we operate, through providing jobs, training and maximising local procurement, as well as directly through the infrastructure we build and maintain. Our expertise in cost-efficient, reliable and creative operational delivery has come to distinguish us from others, backed up by our commitment to responsible business. Our vision is to continue helping to lead our customers and suppliers on that journey too.

2015 Highlights

- £33.8m contribution to underlying operating profit
- +36 Net Promoter Score measuring customer satisfaction
- 58% of UK supplier spend with local businesses
- Level 5 of the Government's Flexible Framework for Procurement

Building a successful business

In 2015, we estimate that our sustainability initiatives made a net contribution to operating profit of £33.8 million (2014: £27.2 million), which is very strong progress towards our 2020 target of £40 million. How did we do this? We continued to reduce waste, improve efficiency, develop our talented, flexible and diverse workforce, build strong relationships with customers and suppliers and work with them to create innovative, cost-effective services.

Leading the way with our customers and suppliers

We have been accredited to BS11000, the British Standard for collaborative business relationships since 2013 and we are now working with our customers to help them attain this standard. In 2015, our external expenditure with suppliers was £3.4 billion, through which we help our suppliers become more sustainable. Nearly 7,200 suppliers have been accredited to sustainability standards, with 8 per cent performing at the highest A-grade level, and we are a Board-level Funding Partner of the Supply Chain Sustainability School.

We remain focused on supporting small and medium enterprises (SMEs) and in 2015, 31 per cent of our suppliers were SMEs, exceeding the UK Government's target for its strategic suppliers, which includes Carillion, of 25 per cent. Over 4,000 accredited SME suppliers are supported by our Small Business Charter. Our Early Payment Facility was extended in 2015 to cover 60 per cent of our UK external spend with suppliers, with over 400 suppliers now using this service.

Finalist in Responsible Business of the Year Award



We were selected as one of five finalists in the Business in the Community (BITC) Responsible Business of the Year Award 2015. The award recognises UK businesses that integrate sustainability issues most effectively across their strategy and operations, are influencing others to collaborate and create the conditions for long-term sustainable change.

Chartered Institute of Procurement & Supply (CIPS) Corporate Certification Standard



“Carillion is constructively and consistently responsive to the Thameslink programme's sustainability agenda. They are active participants in our forums, our activities and our initiatives. Overall, they give us this ‘can do’ approach that really instils confidence in their ability to achieve our sustainability agenda.”

Annamarie Compton, Environment Manager, Network Rail

Better society

We aim to make a net positive contribution to society, by providing inclusive, inspiring employment and training opportunities and we seek to build a loyal, motivated workforce that adds value to our business. In our ambition to share value and create a legacy of vibrant communities, we seek to stimulate dynamic local economies, which is an increasingly important differentiator for our business.

2015 Highlights

- 22% reduction in Lost Time Incident Frequency Rate
- 17% of our leadership population are women
- Achieved “Silver Banding” in the BITC Gender Benchmark
- 400th person supported into employment via the Ready for Work programme

Providing better prospects for our people

Investing in developing the skills of our people and their wellbeing makes us an attractive employer in a competitive employment market. It also helps us create positive legacies for the communities in which we work and live.

Sustainability – making us a better business

continued

A safe workplace

In 2015, we made further progress towards our goal of zero accidents on our work sites and we stepped up our focus on road safety with a new campaign, ONE Road to Safety. When we asked our people how they rated the statement in our Group-wide survey, Your Say, “I am encouraged to get involved in creating a safe working environment”, 85% responded positively. But we know one accident is one too many, so we remain totally focused on our target of zero accidents.

A diverse workforce

The benefits of a diverse workforce are rooted in our belief that it inspires our people, improves our performance and increases profitability. Improving the gender diversity of those in leadership positions in particular is helping us to attract and inspire the next generation of leaders. 18 per cent of our leadership population are female and we continue to target 30 per cent by 2020. Furthermore we have seen a substantial increase in women returning to work after maternity leave to over 95 per cent.

We also continue to support diversity networks, such as Women in Leadership, and promote our own Working Mums’ Network. This 200-strong network has so far given 990 hours of voluntary support, equivalent to an investment of approximately £23,400 by Carillion. Two female employees, Kat Fidler (Sky Blue) and Nicole Bouchier (Bouchier) both received awards for championing diversity, and we were listed for the first time in The Times’ Top 50 Employers for Women, linked to the national Diversity and Inclusion ‘Opportunity Now’ Awards. We are also a national sponsor of the UK’s YourLife programme, which promotes and supports Science, Technology, Engineering and Maths (STEM) studies among 14 to 16 year olds.

18%

of our leadership population are female compared with our target of 30% by 2020

29%

of Board membership is female

Through our volunteering programmes, Carillion people work with disadvantaged groups who may face barriers to employment or simply need a little extra help to demonstrate the contribution they can make.

“My mum used to sign this to me when I was young – ‘If there is a single lesson in life that a young deaf person must learn, it’s that wishing for something does not work, but education and hard work does’. Skyblue saw something in me, took a chance and now I am a productive member of staff.”

Jordan (a Carillion employee)

Our business in Canada won the Progressive Aboriginal Relations Bronze award.

A fair workplace

We pay close attention to human rights across all our businesses and we continue to focus on our operations in Qatar, where we have audited over 120 suppliers to assess the living standards of their employees who work on our sites. Where living conditions do not come up to the standards we expect, we offer to work with suppliers to help them improve the living conditions of their people. If suppliers continue to fail to achieve the standards we expect, we cease to work with them. As regards health and safety, we apply the same standards across all our work sites, regardless of location or geography.

Supporting sustainable communities

Adding value to society starts on our doorstep. Our pledge is to leave a long-lasting, positive legacy in the communities where we work. This means focusing on local jobs for local people, training and community engagement.

In schools, 283 Carillion employees volunteered more than 1,800 hours between 2013 and 2015 to support Business Class, BITC’s programme for school children at risk of becoming marginalised.

With over 1,500 places for apprentices in 2015, we continue to be the largest trainer and employer of construction apprentices in the UK, helping to tackle the country’s skills shortage and build a talented resource for our own business.

In partnership with BITC, we supported our 400th Ready for Work participant into employment in 2015 and offered our 1,000th work placement since we began supporting this programme eight years ago. Through these placements, we are enabling some of society’s most vulnerable people to get back into employment, and we introduced specific support in 2015 for women seeking work placements.

We also work with policy makers, local and national authorities to improve the ways in which such programmes can create social value. For example, we are helping customers respond to the UK Government’s Public Services (Social Value) Act, which requires them to take into account wider social, environmental and economic benefits when procuring public services.



Carillion holds career fairs in schools and also provides opportunities for students to have ‘mock’ interviews to help them move on to further education or into employment.

“Signing the EngTechNow Charter demonstrated our commitment to engineers of the future. It also sets out our promise to strengthen the professional status of engineering technicians and apprentices entering the profession through proven and practical measures.”

Euan Burns, Chief Engineer, Carillion Services, commenting on the Charter at the Parliamentary launch of a report on solutions to fill the engineering skills gap

18%

of employees use Carillion’s special leave policy for voluntary work

over 400

schools engaged with in 2015

In 2015, we completed the construction of section three of the project to upgrade the A465 to dual carriageway, in South Wales. In line with our objective of using local businesses in our supply chain, 84 per cent of the cost of delivering this project was spent with Welsh companies. This equates to an estimated economic benefit of £180 million. The project team liaised extensively with the local community throughout the project. An on-site Job Shop was created in partnership with Blaenau Gwent Council and 99 per cent of those employed through this scheme came from Wales. It was the first project in Wales to receive National Skills Academy for Construction status.

Supporting charities

Our Non-Executive Chairman, Philip Green is Chairman of the Board of Trustees for Sentebale. This charity helps vulnerable children, the forgotten victims of poverty and Lesotho's HIV/AIDS epidemic. In 2015, ten Carillion volunteers helped to complete building work on the Mamohato Children's Centre, which is a flagship centre for Sentebale's work.

In 2015, we completed the second year of our strategic charity partnership with Barnardo's. People across the business were involved in raising over £155,000 during this partnership, delivering over 1,800 hours of volunteering time and making contributions to five major national projects to support 727 children leaving care.

Our strategic charity partner for the next two years is Hospice UK, which was selected by our employees who were invited to vote for our new partner. Hospice UK champions and supports the work of more than 200 hospices across the country and aims to deliver the highest quality of care to people with terminal or life-limiting conditions and to support their families. They are the national 'voice' of hospice care, and our new partnership will focus on fundraising and volunteering opportunities in 2016 and 2017.

Better environment

We believe in the potential for a stable climate and the need to preserve resources for future generations. Working with our customers and suppliers to cut carbon emissions, rethink waste and be smart about resources makes us a more sustainable business.

2015 Highlights

- One of only two UK industrial sector companies with Climate A-grade in Carbon Disclosure Project index
- Sponsored Day 11 of the ECO Action Games for the Paris Climate Summit social media campaign
- Highest score (3-Tree grading) from WWF for purchasing timber and related products
- 60 contracts targeted BREEAM (or equivalent) Excellent standard
- 47% per cent absolute reduction in waste against 2014 baseline

Enabling low-carbon economies

Low-carbon cities of the future will be built using intelligent engineering. We are already at an advanced stage in trialling new approaches, using Building Information Modelling and embodied carbon measurement, alongside other thought leaders, such as the UK Green Building Council (GBC). We were a key sponsor of the GBC's first ever Cities strategic planning event and we also sponsored its Embodied Carbon Conference, which focused on customer requirements and supplier collaboration across the built environment.

In 2015, 60 of our contracts targeted BREEAM (Building Research Establishment Environmental Assessment Methodology) Excellent standard for environmental design, or a similar rating using an equivalent methodology, such as DREAM (Defence Related Environmental Assessment Methodology). Our Middle East and North Africa business achieved a number of awards for design and integration, particularly for pioneering new approaches to minimising water use and maximising energy efficiency.

We reduced our carbon emissions by a further 31 per cent in 2015 and were highly rated in the CDP's Climate A List for the second year running, achieving a score of 98A (one of only two UK companies to be awarded an A grade in the industrials sector). Initiatives like the introduction of electric vehicles, smart PC technology and our continuing focus on reducing fuel consumption and travel have all contributed to this success.



Gold Leaf Member of the UK Green Building Council

99%

of our contracts have Carbon Reduction Plans (CRP) in place (2014: 96%)

In the table below, we report our Greenhouse Gas emissions (GHG) in tonnes of carbon dioxide equivalent (CO₂e) from the sources required under the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013). We have used the Greenhouse Gas (GHG) reporting protocol to calculate our GHG emissions for 2015, based on data gathered to fulfil our requirements under the CRC Energy Efficiency scheme and on emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2015. We have quoted figures for all sources whose costs are included in our consolidated financial statements. We do not record 'fugitive emissions' as these are not part of our core operations.

The figures reported in the table below have been reviewed by independent external assurance provider, Bureau Veritas. For details of the scope of work and opinion on the accuracy of our stated performance, please see the full assurance statement in our 2015 Annual Sustainability Report, which will be published on our corporate website in April 2016.

Emissions from	2015 (CO ₂ e tonnes)	2014 (CO ₂ e tonnes)
Combustion of fuel and operation of facilities (Scope 1)	130,417	134,656
Electricity, heat, steam and cooling purchased for own use (Scope 2)	19,875	25,116
Transport, paper and others including electricity, gas (WTT) and electricity (WTT) (Scope 3)	15,936	15,936
Chosen intensity metric: Emissions (tonnes) per million (£) of revenue	36.2	43.2

Protecting the environment

Moving towards a 'circular economy' in our sector means drastically reducing, or even eliminating, waste, which our stakeholders reiterate is a material issue. We continue to work towards our target of sending zero non-hazardous waste to landfill.

We remain focused on minimising the use of natural resources and recycling waste - from diverting drywall material from landfill in Canada, to converting excavated rock into roof gravel in Oman. Water consumption across our estate reduced by 24 per cent compared with our 2012 baseline consumption.

We conduct biodiversity risk assessments for all of our contracts, working in partnership with conservation specialists like the UK Wildlife Trusts and the UK Freshwater Habitats Trust. Working with schools and local communities through wildlife volunteering projects continues to be an important feature of our strategy, helping to build relationships between our people and the communities in which we work and live.



Our partnership with the UK Freshwater Habitats Trust helps to protect biodiversity. In 2015, Carillion volunteers worked with the Trust to test water quality.