

# Continuing to embed sustainability

Sustainability is a core strategic business model capability (pages 24 and 25), making Carillion a better company to work for, to do business with and to invest in. Verified through independent external assessment, Carillion's commitment to create a better business, better communities and a better environment has made it an established, differentiated sustainability leader across all its geographies and sectors.



Read more in our Sustainability Report 2016: [www.carillionplc.com/sustainability2016](http://www.carillionplc.com/sustainability2016) (published in April 2017)

## Competitive business capability

**Carillion's sustainable, responsible business practices create competitive business capabilities and manage our key risks.**

Our Sustainability 2020 Strategy delivers six Positive Outcomes, measured through independently-verified key performance indicators of economic, environmental and social stakeholder value. The operational examples in this report of how we are creating a better business, better communities and a better environment show how we build trust, govern ethically, create lasting positive community legacies and build strong customer and supplier partnerships.

Sustainable, responsible business drives our corporate governance policies and processes, as well as underpinning external and internal engagement with our diverse range of stakeholders. Strong community partnerships and inspirational commitments from our people govern our decision-making and values, create significant reputational advantage and lead to long-term, profitable growth.

“Safety and investing in our people will always take precedence, but sustainable operations are business-critical for long-term, profitable growth. Creating and supporting an innovative, efficient built environment is a key competitive differentiator, demonstrating that we are a trusted partner capable of delivering our customers' needs and ambitions.”

**Richard Howson, Chief Executive, Carillion**

## Contributing to the global agenda

In 2015, the United Nations' (UN's) 194 member countries adopted a unified future development programme - the 2030 Sustainable Development Goals (SDGs) - and Carillion is uniquely positioned to help drive this common global agenda. Our stakeholders unanimously (98%) agreed in last year's materiality assessment that Carillion must align its sustainability objectives with the SDGs. Our leadership was key to presenting our sustainability business case at the UN's Geneva Headquarters in October 2016. We showed the UN's Conference on Trade and Development how we were publishing business-critical performance measures beyond financial metrics to support the SDGs and International Standards for Accounting Reporting.

“Ambitious plans like the UN's Sustainable Development Goals can be achieved only by working in close partnerships - in fact, the 17th goal of that overarching programme.”

**Ceri Powell, Chairman, Sustainability Committee, Carillion**



Read more about our United Nations presentation at: <https://carillionplc-uploads-shared.s3-eu-west-1.amazonaws.com/wp-content/uploads/2016/10/1101EF-unctad-case-study---isargeneva-october-2016-original.pdf>

## Our sustainability strategy and 2016 highlights

**Our Sustainability 2020 programme is a fundamental part of Carillion's corporate strategy and seeks to build a Better Business, create a Better Environment and support Better Communities - encapsulating our mission to 'Make Tomorrow a Better Place'.**

Our six Positive Outcomes explain the value we create through these 'Three Betters' and Bureau Veritas independently verifies our achievements.

### Better business



Building a successful business



Leading the way with our customers and suppliers

### Better communities



Better prospects for our people



Supporting sustainable communities

### Better environment



Enabling low carbon economies



Protecting the environment

Highlights from 2016's sustainability achievements include

- Climate Change leader for a third successive year (Carbon Disclosure Project)
- Re-accredited as a FTSE4Good company
- UN Global Compact Signatory
- Corporate Social Responsibility (CSR) winner at Arabia CSR Awards
- Dubai Chamber CSR Label for a third successive year
- Highly Commended in PwC's Building Public Trust Awards for Sustainability Reporting
- The Times Top 50 Employer for Women
- Family Support Award (Working Mums' and Dads' networks) - Top UK Employer Awards

**1,100th**  
Achieved our 1,100th Ready  
for Work placement and 500th  
job outcome

**57%**  
reduction in All Accident  
Frequency Rate (AAFR)  
(2015: 51%)

**£36.1 million**  
net profit contribution from  
sustainable behaviours and  
actions (2015: £33.8m)

**£1.7 million**  
donated to charities and  
community causes (cash and  
in kind) (2015: £1.9m)

**55%**  
external spend (£952m) with  
local suppliers (2015: 58%)

**37%**  
reduction in UK operational  
water use since 2012  
(2015: 24%)

**34%**  
reduction in our carbon  
footprint since 2011 (2015: 31%)

**94%**  
of waste diverted from landfill  
(2015: 94%)

**30%**  
of employees volunteered in  
communities (2015: 18%)

## Governance

Sustainability is a crucial Board-level commitment, and Ceri Powell, a former member of the UN Sustainable Energy for All Advisory Board, chairs our Board Sustainability Committee (read more on page 60). Each Carillion contract and project team delivers sustainability plans and the Chief Sustainability Officer (CSO) briefs the Board and the Executive Leadership Team monthly on targets and achievements. Our external advisers, Dame Julia Cleverdon DCVO, CBE (BITC Vice President) and Julie Hirigoyen (UK Green Building Council Chief Executive), provide independent advice and challenge.



Read more about governance through our Board Sustainability Committee on page 60

## Better business

**Sustainability makes us a better business and supports sustainable, profitable growth by reducing risk and engaging our people.**

Carillion is the only infrastructure services contractor to publish a verified contribution to operating profit from sustainable behaviours and activities, achieved through initiatives such as innovation, waste reduction, process improvement and minimising travel. We are the first company in our sector to achieve the Investing in Integrity charter mark across our international operations, we remain accredited in the FTSE4Good Index and committed to the UN Global Compact's Universal Principles for Human Rights in 2016.

## Customer service and innovation

Our sustainability strategy drives our service delivery and supports our customers' sustainability ambitions. We aim for Gold standard compliance with the Considerate Constructor scheme on every contract, with our audited projects in the top 10 per cent of all UK contracts and an industry-leading score of 40.3 points in 2016 (industry average 35.6).

Using new water-saving technology, enhanced maintenance procedures and usage monitoring, we helped Centrica to achieve a 10 per cent reduction in water consumption, making them one of only 24 companies on the Carbon Disclosure Project (CDP's) Water Management A-List. In Canada, our team helped the Royal Ottawa Healthcare Group to achieve 'Silver' standard and a Top 5 place on the Ontario Hospital Association's 'Green Hospital Scorecard'. We are also using technology and innovation to support sustainable, dynamic customer service, such as drones to help design and deliver construction projects, and smart building technology to monitor lighting, heating and waste management. Other trials now include our pilot Internet of Things (IOT), a project for Remote Legionella Monitoring, 3D spare part printing and our new Manchester Energy Operations Centre that reports on over 50,000 data and control points in real time.

## Safe work – with better health and wellbeing

Safety is our absolute priority and the Occupational Health and Safety Standard (OHSAS 18001) has been embedded across all our operations, together with campaigns for zero accidents or ill-health (Target Zero). We achieved a 15 per cent reduction in falls from height – one of our highest risk categories – and our proactive 'Health Like Safety' programmes included greater support to remove the stigma around mental health. Our snow-plough driving simulators in Canada and our Middle East Permit to Drive programme also helped us to achieve 70 per cent fewer road traffic collisions.



## Skills development and an inclusive, welcome workplace

Our programmes for diversity and inclusion improve employee engagement and retention, avoid discrimination and allow access to a wider talent pool. Our 'unconscious bias' training tackles diversity in recruitment, and our award-winning 'affinity networks' (all started by our employees) have generated new thinking, including the launch of 'Connect' – our Lesbian, Gay, Bisexual and Transgender network. We tackle industry-wide challenges of lower numbers of qualified and experienced female recruits through structured messaging, apprenticeships, our Gender Pathways programme and specific initiatives such as our corporate leadership of YourLife – promoting STEM (Science, Technology, Engineering and Mathematics) studies. Currently, 18 per cent of our leadership population are female (29 per cent on the Board), having made 50 female leadership appointments during 2016 and our female graduate numbers increased from 12 per cent to 36 per cent. Al Futtaim Carillion, our UAE joint venture business, was awarded 4 stars in the Taqdeer awards for labour relations. In Canada, we remain a Canadian Council for Aboriginal Business Bronze-certified company and include mandatory awareness sessions for our employees.

Developing our own people as our future talent is at the heart of making us a Better Business and we will extend our leadership development programmes further in 2017. Programmes like Emerging Leaders in Building, the Futures Network and Leadership Pathways help us find current and future leaders from among our people.

**“Increasing diversity and inclusion is one of our industry's key challenges, but we've made excellent progress through our people – unlocking potential, making people feel welcome and creating a workplace culture that allows everyone to give of their best. It's simply the right thing to do.”**

**Janet Dawson, Group HR Director**

# Continuing to embed sustainability continued

## Working with our supply chain partners

Despite the challenges of rising material and labour costs and of operating in competitive market sectors, ethical and sustainable procurement underpins the way we deliver our contracts and projects. We remain wholly committed to generating regional economic growth and development, with 55 per cent (2015: 58 per cent) of our external expenditure with local suppliers and Small or Medium-sized Enterprises (SMEs). We provide prompt and fair supplier payments through our Early Payment Facility, which 85 per cent of our suppliers would recommend to others. We continue to help fund and share best practice with the industry's Supply Chain Sustainability School, with over 1,000 of our suppliers as members. Having achieved the Sustainable Procurement Taskforce Flexible Framework Level 5, we are now assessing the adoption of the new ISO 20400 Sustainable Procurement Standard from 2017.

Modern slavery was a key stakeholder concern last year, reflecting an increasing focus on this issue after the introduction of the UK Modern Slavery Act. Our annual Slavery and Human Trafficking Statement, available through our corporate website, explains how we seek to ensure that our businesses and our supply chain partners comply with the Act. Our Modern Slavery Action Group develops integrated policy guidance, and we have also asked suppliers to commit to our ethical sourcing and labour standards charters.

## Better environment

**We tackle climate change, conserve resources and protect the environment.**

All of our contracts are certified to ISO 14001 Environmental Management Standards, delivered through pollution prevention, biodiversity development and waste and water reduction plans. We have also achieved internationally-recognised environmental standards across more than 200 infrastructure projects, such as the Building Research Establishment Environmental Assessment Method (BREEAM) and the Leadership in Energy and Environmental Design (LEED) Gold standards. Our Building Information Modelling (BIM) capabilities continue to meet government mandates and deliver environmentally-sound assets with optimal resource efficiency during construction and throughout their operational lifecycle.

## Acting on climate change

We reduced our carbon footprint by 34 per cent in 2016, continuing to be a Climate Change Leader in the Carbon Disclosure Project's (CDP) Global Index for a third successive year. Accredited under the Certified Emissions Measurement and Reduction Scheme (CEMARS) for a sixth successive year, the CEMARS governing body used Carillion as a 2016 best-practice case study for emissions reduction. We were the sole contractor sponsoring UK Green Building Council's (UKGBC) 2015 and 2016 Embodied Carbon cross-industry collaboration projects, and we also supported the Green Construction Board's PAS 2080 Carbon Standard (published in October 2016) for road and rail infrastructure low-carbon delivery. Focused on developing energy from renewable sources, we also worked with clients on projects that included photovoltaic panels on seven schools, a biomass boiler for a city council and the initial engineering phase for a combined wind turbine, battery storage and electric vehicle charging system.

Emissions from	2016 (CO <sub>2</sub> e tonnes)	2015 (CO <sub>2</sub> e tonnes)
Combustion of fuel and operation of facilities (Scope 1)	145,037	130,417
Electricity, heat, steam and cooling purchased for own use (Scope 2)	19,252	19,875
Transport, paper and others including electricity, gas (WTT) and electricity (WTT) (Scope 3)	16,594	15,936
Chosen intensity metric: Emissions (tonnes) per million (£) of revenue	34.7	36.2

## Conserving resources

Innovations across our contracts drive responsible consumption, cut waste to an irreducible minimum and optimise our use of recycled materials. A key challenge in diverting waste from landfill includes limitations in local recycling infrastructure, particularly in the Middle East, but we remain committed to achieving an effective 'zero waste to landfill' across our operations.

We maximise recycled content through our 'whole lifecycle approach' for five key materials in the UK and four in the Middle East, while Canada is also reviewing the replacement of palm oil in its food services contracts. We conserve water as a prime Middle East resource, with innovations like water recycling for dust suppression, waterless urinals and group water dispensers to eliminate individual water bottles.

# £32,000

**Scrap metal recycling in Oman is saving Carillion Alawi £32,000 a month**

## Protecting the environment

We have extended our 'Don't Walk By' safety focus to cover wider issues such as fuel spillages, waste and generator usage, driving environmental accountability on all our projects. Working extensively with UK Wildlife Trusts, we were also the UK Freshwater Habitats Trust's first corporate partner - protecting pond, lake and watercourse biodiversity. Our Morpeth Bypass road project team won the Construction Industry Research and Information Association (CIRIA) 2016 Big Biodiversity Challenge, using the work site as a classroom, with 230 hours of volunteer time. We also partnered with Natural England to introduce new night-working methodology to protect badgers and great-crested newts. The Al Leeming to Barton project team won the 2016 Green Apple Award for Environmental Best Practice and Green World Ambassador status. In Canada, our remote site accommodation business (Outland) has planted over 1.5 billion trees since 1985, including nearly 60 million last year alone.

## Better communities

**Carillion is a community company, engaging young people, community groups, charities and disadvantaged people to improve social mobility and to create lasting positive legacies.**

Our people construct, serve and support tens of thousands of buildings and infrastructure assets, used by millions of people, making our community engagement a fundamental business capability. Our independent research in 2015 showed unanimous agreement (75%) that positive community engagement made businesses more successful, with 91 per cent seeing benefits for volunteers on both sides of these partnerships. Our Chief Executive, Richard Howson, has chaired Business in the Community's (BITC) national Community Leadership Team since 2013, and our bespoke Community Needs Plans make deep, long-term commitments to the specific needs and priorities of local communities.



## Supporting young people

Engineering skills shortages pose a key risk to the future sustainability of our industry talent pipeline, so we proactively invest in school careers education and on-the-job career support for young people. Our strategic partnerships with the Institution of Civil Engineers Knowledge Hub and YourLife stimulate interest in our industry and its key skills. We are also committed to the National Literacy Pledge, and our employee volunteering reached over 49,000 students in 2016. Approaching graduate recruitment differently in 2016, we focused on behaviours instead of experience or qualifications, resulting in 70 applicants with the highest degree of gender and ethnic diversity to date.

We remain the sector leader in apprenticeships, with over 1,700 placements in 2016 - across a range of skill sets, including commercial, civil engineering and supply chain. We continue to work with the UK Government and other businesses on apprenticeship frameworks and standards, and we now have a cohort of 15 apprentices on a four-year course with Carillion Asset Maintenance (fabric, electrical engineering and plumbing) to invest further in the resilience and readiness of our mobile engineering business.

“Degree apprenticeships are ideal for people who perhaps didn’t go to university because that wasn’t right for them at the time, or who want another way into a strong professional role (without the student debt).”

Joe Guy, Head of Learning and Talent, Carillion



## Creating employment

We remove barriers to employment for potentially disadvantaged people, because this introduces talent into our business that might otherwise be overlooked. Our support for BITC’s Ready for Work programme entered its ninth year, with 120 work placements for ex-offenders, people at risk of homelessness and ex-military service personnel. Converting work placements into permanent employment is key, and 58 per cent of those completing their placements secured jobs in 2016, well above the national average and a key contribution to the milestone of providing over 500 jobs to date through Ready for Work. Working directly with institutions like prisons is also essential - having already employed two serving prisoners in 2015, Carillion Rail Resourcing ran a Careers Fair at HMP Springhill in 2016, and has now launched a pilot scheme to offer 10 offenders a route to employment in 2017. On the M6 Smart Motorways Programme, our Carillion Kier Joint Venture team have also been working closely with HAWK and Stoke Heath prison on a day-release programme.

# Nationwide Resettlement Award

for helping former military people into work

## Our future sustainability

**As we move towards 2020, amongst historic change and highly dynamic environments, we reviewed our future strategy and consulted with our key stakeholders.**

Our 2016 Materiality Review featured online surveys and extended client interviews with 1,100 external and internal stakeholders, including employees, customers, charities, sustainability organisations, regulators and investors. Feedback on 43 key sustainability issues and the UN Sustainable Development Goals showed that the issues mattering most to them included recruitment and retention, health, wellbeing and safety, customer satisfaction, eliminating bribery and corruption, investing in worker welfare, reducing waste and preventing pollution. There was universal agreement on the impact of Carillion’s ‘Three Betters’ approach and the need to align with the UN Sustainable Development Goals.

As many of our Sustainability 2020 targets have been, or are close to being, achieved, we will refocus our strategy to ensure we continue to meet fresh priorities in human rights, ethical sourcing, environmental protection and climate change. There is a significant opportunity to address new challenges, review fresh targets and to maintain the progress made in the past 17 years with sustainability.

## A better future and the Sustainable Development Goals

As we look to the future of responsible business, we will aim to demonstrate strong contributions to at least nine of the UN’s 17 Goals, making a clear case for customers, investors, governments and the public to expressly demand that more companies prove how they are making sustainability critical to their reporting cycles and to the future of their business.

We will focus on investing further in careers education and sustainable communities to drive regional economic growth. We will target even more responsible consumption of materials, setting a Science-Based carbon target and investing in net positive biodiversity improvement programmes. We will further develop our Health, Safety and Wellbeing programmes, improving diversity and continuing to lead the way in our industry as we create and maintain international infrastructure.

 Read more about the United Nations 17 Sustainable Development Goals at: <https://sustainabledevelopment.un.org/?menu=1300>

