



EXTERNAL VERIFICATION STATEMENT OF ACHIEVEMENT OF CARILLIONS 2007 CORPORATE SUSTAINABILITY TARGETS

Introduction

Bureau Veritas has been commissioned by Carillion plc to conduct an independent verification of Carillion's 2007 corporate sustainability targets.

The overall aim of this verification exercise is to independently assess Carillion plc's performance against its targets in order to provide assurance to Carillion plc's stakeholders that the information presented on target achievement and related performance data is accurate, reliable and objective.

Responsibility of the Verifier –Bureau Veritas

Bureau Veritas obligation in verifying the achievement of the sustainability targets is to Carillion stakeholders. Bureau Veritas' responsibility is to provide assurance over the reliability of the information provided in the 2007 sustainability report in relation to the achievement of the objectives and targets and the references within the report to data sets delivered by the targets.

BV recognises the need for a robust, transparent assurance process to ensure credibility and to act as a tool to drive Carillion's performance.

Methodology

Bureau Veritas has verified, through independent audit of information and data provided by Carillion plc, the 14 corporate sustainability targets. These targets are linked to Carillion's sustainability policy and its core business strategy.

The 14 plc targets are delivered by individual business group targets. Not all plc targets are applicable to each business group and some are measured and delivered at group level. In order to allocate a percentage achievement each target was audited in all applicable business groups and then the overall group score was determined.

During the audit evidence of target achievement was reviewed. This involved discussions with staff responsible for the delivery of targets from the business groups that the targets applied to; inspection of internal and external records; document review, and interrogation of in-house spreadsheets and data.

Based on the evidence reviewed Bureau Veritas allocated a percentage achievement score for each target.

Carillion has provided access to all records and data required to undertake a comprehensive verification process and the verifier is confident that material evidence or information has not been withheld.

The process we have used in this verification exercise is informed by current best practice guidance and standards, such as the Global Reporting Initiative (G3), ISAE3000 and the AA1000 Assurance Standard.

Target Performance

The table below details the independently allocated percentage achievement of the 2007 corporate sustainability targets.

Plc 2007 Targets	% Score	Comments
Sustainable Communities and Workforce		
AC ² E model score (internal Health and Safety Model) - achieve 54%	100	As a whole the group exceed its target, achieving 56%
Accident Frequency Rate - achieve 0.14	100	Business Group (BG) scores ranged from 0.3 to 0.6
Voluntary People turnover - limited to 22%	100	As a Group (excluding Mall Pall which has been sold) voluntary turnover was only 13%
People Satisfaction - achieve 57%	89	Well achieved considering the restructuring the Group has gone through
Community plans in place (includes feedback and "Percent Club") - 60% of the business covered with community plans	76	BG scores ranged from 0 to 100 demonstrating that performance in this area was quite varied
Natural resource Protection and Resource Enhancement		
% of waste diverted from landfill (40% for sites, and 70% for offices) - 60% of sites achieve targets	51	BG scores ranged from 0 to 100 demonstrating that performance in this area was quite varied
60% of the business covered with Biodiversity Risk Assessment and Associated plans	61	BG scores ranged from 0 to 100 demonstrating that performance in this area was quite varied
SPTF Flexible Framework level 1	85	This target was not complete at year end, although progress continues
60% of business covered with a "Resource Use Plan"	89	BG scores ranged from 0 to 100 demonstrating that performance in this area was quite varied
Climate Change and Energy		
CO ₂ reduction 10% CO ₂ reduction on 2006 vehicle fleet data	100	This target was marginally exceeded.
50% of applicable sites to achieve BREEAM or equivalent standards	52	BG scores ranged from 0 to 78
Sustainable Consumption and Production		
3.3% Margin improvement	91	
Achieve 78% Customer satisfaction	97	
Achieve 95% in BitC score for Plc	Tbc	Score relates to the 2006 BitC score. The 2007 score will be released in May 2008 and will be published on the Carillion website



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Opinion –Completeness, Materiality and Responsiveness of report

- Bureau Veritas is satisfied that Carillion has published a complete and accurate reflection of progress against its corporate sustainability target achievement. There are no significant omissions which could affect a stakeholder's ability to make informed decisions about performance against targets.
- Where the 2007 sustainability report makes reference to performance which is linked to the target data sets Bureau Veritas can confirm that this is done accurately.
- The scope of Carillion's sustainability targets covers issues of material importance to its operations. The targets encompass environmental, social and economic issues and are aligned with Carillion's core business values.
- In general Carillion has achieved highly in most areas. Achievement is generally higher in targets that are measured and delivered by the group (e.g. People Satisfaction) than those that are addressed at the business group level. This is partly attributed to the fact that the business group targets are addressing core sustainability issues which the company (and the industry) are finding difficult to address.

Highlights

Bureau Veritas was impressed by the following features of Carillion's sustainability programme:

- Carillion showed good performance in several areas where achievements exceeded target requirements. For example, management of health and safety, staff turnover and management of the fleet.
- The linkage of sustainability targets and the core business strategy demonstrates the embedding of sustainability into the core business activities of the group.
- The introduction of a structured approach to management of the sustainability issues associated with supply chain through the 'Flexible Framework' is a welcome addition to the strategy and its implementation will help the Group to understand and better manage its supply chain related issues.
- The achievement of the targets relating to staff retention and satisfaction are well achieved considering the level of change and disruption that the group has gone through in 2007.

Recommendations

Observation: Whilst recognising that the targets are of a corporate nature it is apparent that some business groups perform better than others. For example, National Building implemented waste management plans on all projects and collected waste and recycling data from all projects on a monthly basis. This is contrasted with some Business Groups being unable to collect project waste data. Therefore, demonstrating that there is still room for improvement and sharing of experience and knowledge.

Recommendation 1: It is recommended that those business groups that have achieved well in particular areas work with those that have under performed, to ensure that as a Group Carillion benefits from areas of excellence.

Observation: Not all targets have been fully achieved.

Recommendation 2: Where targets have not been achieved (both at Group and Business Group Level) it is recommended that the targets continue into 2008 and that action plans should be developed to ensure delivery.

Observation: Performance by individual Business Groups is varied and the presentation of performance as a Group does not permit an understanding of the performance of individual Businesses

Recommendation 3: It is recommended that future reporting should provide information on individual Business Group performance as well as Group performance. It is important that stakeholders understand the level to which the corporate targets penetrate the individual business groups and their projects.

Observation: The process of Business Group adoption of the Group targets is not documented and there appears to be a level of flexibility between Businesses.

Recommendation 4: The delivery mechanism for each plc target should be documented and approved for each Business Group. The mechanism for the allocation and adoption of targets should link to each individual business groups impacts and risks. This should be documented to permit transparency.

Observation: Some of the target wording was not SMART.

Recommendation 5: All targets should be reviewed to ensure that they are SMART and have defined deliverables. The clarity of target wording is also required for business group targets.

Observation: Although we were impressed that in general the targets encompass environmental, social and economic issues and are aligned with Carillion's core business they do not reflect all their significant impacts

Recommendation 6: Carillion should review its target setting process to ensure that all its significant impacts are being addressed. For example, energy use in offices and projects.

Observation: It is not clear how recommendations made as part of previous year's verification process have been progressed over 2007.

Recommendation 7: Carillion should develop a formalised process at the beginning of the reporting year to ensure that it captures all recommendations made in the verification statement.

Statement of Bureau Veritas independence and competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with almost 180 years history in providing independent assurance services, and an annual turnover in 2006 of €1.8 billion.

Bureau Veritas has implemented a code of ethics which is intended to ensure that all our staff maintain high standards in their business conduct and prevention of conflict of interest.

We believe our assurance assignment does not raise any conflict of interest.