



**External Verification Statement for;
Carillion
Sustainability Performance 2006**

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1. Introduction

Bureau Veritas was commissioned by Carillion Plc to conduct an independent external verification of the organisation's performance against its corporate sustainability targets for 2006.

The aim of the verification is to objectively assess performance against targets and to provide assurance to Carillion Plc's stakeholders that reporting of performance against its targets is robust and accurate. Bureau Veritas have not been involved in the preparation, development or delivery, of any material for sustainability targets, material included in Carillion's Sustainability Report or website, other than the contents of this statement.

2. Methodology

The 2006 Corporate Sustainability Target performance were verified through independent audit of evidence provided by Carillion Plc. The evidence provided included internal and external records, action plans, meeting minutes and data spreadsheets.

During the process there was limited scope for interviews with employees to scrutinise data.

Carillion Plc had performed an internal assessment of performance against targets and this report references that process and outputs.

Bureau Veritas has provided assessment of both full and partial achievement against targets.

Carillion fully supported the verification process and provided evidence whenever requested and Bureau Veritas is satisfied that no material evidence has been withheld to provide an accurate assessment of achievement.

The outcome of this process is this report, containing a Verification Statement which Bureau Veritas recommends is in the public domain.

3. Structure of Verification Statement Report

This report is structured in the following way;

- A Verification Statement – This provides the headline performance against targets and Bureau Veritas' opinion on performance. The statement is structured to be removed from this report as a single statement for publication, if desired.
- Detailed Target Assessment – a table (Table 2) detailing the scores awarded against each individual target with comment and also including comparison to Carillion's self assessment score.
- Recommendations – divided into recommendations for the verification process and recommendations regarding the performance against targets.
- A table (Table 3) detailing the scoring criteria applied



Verification Statement

Scope

The aim of the verification is to objectively assess sustainability performance against targets and to provide assurance to Carillion Plc's stakeholders that reporting of performance against its targets is robust and accurate.

Methodology

The methodology applied is detailed within the full report, of which this Verification Statement is a part, and is available from Carillion Plc.

Results

Overall Target Performance

In 2007 Carillion applied a weighting system to their internal assessment scoring process, based on turnover of individual business groups.

As a consequence Bureau Veritas have provided, see table 1 below, a verified score with the weighting criteria applied and an alternative score without weighting.

Table 1

Scoring Method	Verified performance score
With weighting	81.6%
Without weighting	73%

Verifier's Opinion and Highlights

Carillion's Sustainability Targets approach more than adequately reflects its business activities and operations in respect to a 'sustainable business'.

The verification project was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a sound basis for our conclusions.

Highlights

- Carillion were able to demonstrate performance against their targets with an overall average score of 81.6%. With the Building business in particular performing very well against the targets set.
- The Sustainability Target Model adopted for the communication of sustainability targets demonstrated a 'joined up' approach to sustainability throughout the businesses within the Plc
- The development of a Biodiversity Risk Assessment process is evidence of sustainability being integral to business activities.
- Carillion have demonstrated a approach to managing direct and indirect impacts associated with its activities. An example of this is the engagement of the Supply Chain to improve sustainable performance in this area.



Priority Areas for Improvement

- **Our People** - In respect to the 'Our People' target of 53% of employees responding that "Overall I feel valued at work" a return of 39% was some way short of the target. However, Bureau Veritas acknowledges that during the period a business acquisition was made and it would be reasonable to expect this to have an impact on employee's perception.
- **Target Setting** - In one particular target area, Climate Change and Energy – Atmospheric Impacts, from the evidence reviewed the Rail business had not set a target for this area. This would appear to demonstrate a breakdown in the target setting and reporting from individual businesses.
- **Target Wording** - Overall, the wording of targets could be improved to provide clarity for the performance improvement and performance assessment.

Verification Limitations

This Verification Statement relates only to the information contained in the scope and does not include reference to suitability of the target process itself to generate stated objectives and/or improvements. Whilst Bureau Veritas has examined Carillion's data, we have not systematically tested back to source for assurance on data suitability and validity.

Statement of Independence

No member of the verification team has a business relationship with Carillion Plc, its Directors or Managers, beyond that required of this project. This project did not raise any conflicts of interest. Bureau Veritas maintains a Code of Ethics across the business which is intended to ensure all employees maintain high standards in their day to day business activities.



Recommendations

The recommendations from the verification process are split into;

- Performance and Performance Assessment Process Recommendations - Specific recommendations related to performance against targets and/or the assessment process, and,
- Verification Process Recommendations - recommendations relating to the external aspect of the assessment process and the verification process generally.

Performance and Performance Assessment Process Recommendations

1. Target Wording

To enable a clear level of assurance of performance within the business it is essential that the target wording is clear, concise and unambiguous.

The wording of targets has a direct impact the performance against the target and on the evidence required to monitor and report on progress.

One method to assure the business internally of this would be for Plc to approve targets set at Business level.

2. Target Clarity

Where as the sustainability diagram containing the targets is impressive, a simple numbering system to identify the targets would aid the navigation of the Plc's Sustainability Targets.

3. Target Suitability

In target areas where Carillion has limited scope to instigate improvement in performance, such as Facility Management in the Health Business, it is recommended that targets correctly recognise this.

4. Demonstrable Progress

If a target has not been or is not likely to be met, it is recommended that Carillion develop or communicate a consistent model to demonstrate an Action Plan, or actions that would be expected to improve performance against a specific target. Action Plans do demonstrate the willingness and commitment to meet a target or put in place a recovery action. However, from the evidence reviewed it would appear that there is an internal disparity as to what an action plan constitutes.

Verification Process Recommendations

1. To obtain the best value from the independent verification process it is strongly recommended that Carillion seek the earliest possible involvement of the verifying body to agree the verification scope. By engaging the verifiers at, for instance, the target setting stage, then they can provide an indication of the type and detail of evidence that would be expected for the assessment. Additionally, by adopting early involvement of a verification body would allow external comment on the suitability of the targets to generate improvement could be sought.



2. Remove Financial Weighting from Scoring

Bureau Veritas do not consider financial weighting of performance against targets to be best practice for an assessment such as this because it increases the scope for confusion and misinterpretation.

Obviously, this is a business decision for Carillion and it is acknowledged that the adoption of a weighting process by Carillion was not taking lightly.

However, if the objective of weighting scores is to correctly reflect the influence of businesses in relation to their turnover and sustainable performance, then Bureau Veritas suggest that this could be achieved at the target setting stage as many of the targets are 'business specific'.

3. Interviews with employees

The scope of work for this project did not allow for interviews with employees. It is recommended that Carillion consider the scope of the process as a further level of investigation would be beneficial to the overall aim of assurance of performance. By way of example interviews could have demonstrated a level of performance not acknowledged through the available evidence. Additionally, interviews often identify opportunities for performance improvement.



4.0 Table 2 – Verified Scores against Individual Targets

Table Reference	Scope and Objective Detail	Business Group	Target Detail	Target Measure and Carillion Score ()	Verified Score	Comment
1	Primary Target	Plc	<i>Develop the 'Sustainability Excellence Model' and establish baseline'</i>	100% (100%)	100%	Evidence of each division developing Sustainability Excellence Model – Health, Building & Rail Note: Records international on internal client spreadsheet – unclear
2	Sustainable Communities - Health & Safety	Plc	<i>Deliver overall 14% improvement against AC²E Model'</i>	100% (90%)	50%	Performance against target was 5.7%. 25% awarded for Action Plan to remedy and 25% for evidence of Action Plan implemented.
3	Sustainable Communities – Our People	Plc	<i>'Achieve 53% in Great Debate question: "Overall I feel valued at work"</i>	100% (50%)	25%	Performance against target was 39% 25% awarded for evidence of Action Plan to remedy.
4	Sustainable Communities – Community	Health	<i>'Each contract to undertake a community engagement activity'</i>	100% (90%)	75%	Evidence of community engagement activities undertaken. No objective evidence of number of contracts applicable to target during period. 25% reduction in score as a consequence of being unable to confirm performance on all applicable contracts.
		Building	<i>'Develop and deliver a business Community Strategy/Action Plan developing areas to give a business return'</i>	100% (100%)	100%	Community action plans reviewed. Note: unclear how 'Business Return' aspect of target could be assessed
		Rail	<i>'60% of Contracts and Projects to achieve community engagement activities'</i>	100% (50%)	100%	Community engagement tracker viewed – confirms community engagement achieved on 5 of 8 contracts.



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Table Reference	Scope and Objective Detail	Business Group	Target Detail	Target Measure and Carillion Score	Verified Score	Comment
5	Natural Resource Protection and Environmental Enhancement – Environmental Impacts	Health	<i>Improve rates of recycling by 20% on 2005 baseline of 10% on FM (Facilities Management) contracts'</i>	100% (90%)	25%	Target recorded as 20% reduction and 12% reduction respectively in different locations. Performance recorded by client as 11.5% reduction, in Sustainability Action Plan. Impossible to verify. 25% awarded for internal process of reporting as demonstrated by Sustainability Action Plan.
		Building	<i>'Demonstrate improvement in environmental performance of our projects'</i>	100% (100%)	100%	Evidence reviewed confirms progress against target, e.g. Environmental Management Plans. Note: Actions not signed off or dated in plans.
		Rail	<i>'Implement waste framework agreement and demonstrate 30% waste diverted from landfill on measured waste streams'</i>	100% (100%)	100%	Workplace Waste Report shows 56.2% of waste recorded as diverted, target achieved. Note: No evidence of provider of Waste Framework agreement.
6	Natural Resource Protection and Environmental Enhancement – Biodiversity	Health	<i>'Introduce a Biodiversity Risk Assessment process for FM. BAP's in place on Projects'</i>	100% (75%)	25%	No evidence of Biodiversity Risk assessment process being implemented in Health for FM. Evidence of BAP's being introduced on some projects, but unclear target wording means it is impossible to ascertain scope.
		Building	<i>'Roll out Biodiversity Toolkit to projects and develop Biodiversity Action Plans on projects as appropriate'</i>	100% (100%)	100%	Biodiversity Toolkit reviewed. Several examples of BAP's reviewed.



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		Rail	<i>'Develop Project/Contracts Biodiversity Risk Assessment Process'</i>	100% (100%)	100%	Biodiversity Risk Assessment Process reviewed. Note: The document reviewed was generic and has no specific references to Rail business
7	Natural Resource Protection and Environmental Enhancement – Supply Chain	Health	<i>'Sustainable procurement position statement developed and implemented'</i>	100% (60%)	25%	No evidence of statement being approved or implemented 25% awarded for draft statement
		Building	<i>'Demonstrate improvement in sustainability performance of our suppliers'</i>	100% (100%)	100%	Evidence reviewed suggests improvements have been made. Additionally, evidence was reviewed of engagement with supply chain. Note: Target wording could be improved. The current wording is ambiguous and leads to a subjective approach to evidence of performance against the target.
		Rail	<i>Develop understanding or Sales Procurement Task Force Model (expected April 06) and determine application to transport'</i>	100% (100%)	50%	25% awarded for evidence of target action plan for rail, detailing progress against target and additional target for 2007. Additionally 25% for questionnaire reviewed which shows adoption of SPTF Model – but document contains no references to business, dates, ownership, etc
8	Natural Resource Protection and Environmental Enhancement – Resource Use	Plc	Develop resource use plan and Building to commence implementation	100% (100%)	100%	Resource Use plan and evidence of Building implementing reviewed.



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Table Reference	Scope and Objective Detail	Business Group	Target Detail	Target Measure and Carillion Score (%)	Verified Score	Comment
9	Climate Change and Energy – Atmospheric Impacts	Health	<i>'Each contract to achieve energy targets'</i>	100% (100%)	50%	No specific record of applicable contracts to specific targets. However, baseline established and uncontrolled document (table of steps provided in file) confirm performance.
		Building	<i>Develop energy profile, adopt energy protocol and implement action plan for reduction in energy use'</i>	100% (100%)	90%	Difficult to justify 100% with evidence reviewed. Energy profile established, reduction plan has been developed but extent of implementation is not clear.
		Rail	No published target for business group	100% (none provided)	0%	Unable to be scored or score verified as no target published
10	Climate Change and Energy – Design	Plc	<i>'Building to develop a plan to improve the sustainability performance of our design supply chain and work with TPS to adopt sustainability standards on joint projects'</i>	100% (100%)	100%	Procedure and guidance developed that meets requirements of target.
11	Sustainable Consumption and Production – Value and Risk	Plc	<i>'Raise our operating margin by 1% to 3.7% by 2008 (2.9% in 2006)'</i>	100% (50%)	100%	Target operates over three year period therefore not reviewed for verification project and assumed to be correct from client internal review
12	Sustainable Consumption and Production - Customer	Plc	No Plc target in 2006, Currently set our customer survey at every two years	100% (none provided)	100%	Target operates on a two year cycle, therefore, not reviewed for verification project



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	13	Sustainable Consumption and Production – Governance	Plc	<i>'Develop action plan to improve Business in the Community Survey Score'</i>	100% (100%)	75%	Evidence reviewed of numerous activities top meet this target of improving BITC score. However, Target wording states an Action Plan will be developed and no evidence of an Action Plan was available. 25% reduction in score. Note: The target is explicit and the score could have been reduced further for lack of evidence of an Action Plan, this was only prevented by additional evidence provided to show progress.

5.0 Scoring Methodology

Table 3

Table Ref	Criteria	Available score (%)
1	Objective evidence demonstrates complete meeting of target	100%
2	If target not met, but an action plan has been recorded, with any or all of; - the plan has no record of responsibilities - the plan has no deliverable times set - the plan has not been implemented	25%
3	If the target has not been met, but an action plan has been generated with deliverable times set and responsibilities identified	50%
4	If the target has not been met, but a full action plan has been developed, as per 3 above and evidence is provided of progress against identified actions.	75%
5	If the target has not been met, no action plan has been developed to meet the target but there is limited objective evidence to suggest progress against the target, e.g. emails statement of progress	10%
6	If the target has not been met, there is no action plan in place, but objective evidence of actions taken to address, e.g. of draft documents	25%
7	If the target has not been met, there is no action plan in place, but there are multiple examples of evidence of actions taken. E.g. a number of draft documents, meeting minutes detailing progress, etc.	50%
8	In some instances there may be a Plc Target and a different Business Target attached to the same criteria. In this instance performance against the Plc target is assessed	As per criteria above
9	A final score is to be provided for overall performance as one percentage. This is generated using a simple calculation to provide an average of individual target scores	Up to 100%



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6.0 Disclaimer

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