

## MAKING TOMORROW A BETTER PLACE

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Committed to sustainable business...

## ...by leading the way with our customers and suppliers

Sustainable leadership is about bringing others along the journey. By involving customers and suppliers, we can fulfil our vision to be the provider of choice for delivering, managing, and servicing assets.



> Helping tenants take control with EcoPod

The Supply Chain Academy

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> Winning contracts through customer satisfaction

Towards 60% local spend

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### Viewpoints

*"It is definitely worth investing in face-to-face collaboration with the client. It fosters a sense of partnership and allows us to understand each other's priorities, goals, values and aspirations more fully."*

**Phil Murphy,**  
Compliance and Sustainability Manager,  
Carillion Facilities Management

> Read more



### Performance

**90%**

of projects measure and report sustainability performance through a Sustainability Leadership Plan

**£632,000**

invested in sustainability initiatives via the Sustainability Investment Committee

> Read more

### Challenges and opportunities

#### > The financial viability of our customers and suppliers

Ensuring we support our partners through the economic downturn

#### > Improving customer satisfaction scores

Listening and responding to customer feedback and delivering outstanding service

#### > Local procurement

Buying from local businesses to reduce costs and enhance flexibility

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### Committed to action: Piccadilly Estate leading the way

The UK's Piccadilly Estate contract is our flagship example of how we can achieve so much more when we involve our customers and suppliers in our sustainability efforts.



 [Watch video](#)

As part of their property management portfolio, Carillion Facilities Management services a number of buildings in central Manchester, including Piccadilly Place and One Piccadilly Gardens.

The Piccadilly Estate contract was the overall winner of the S Factor 2012, demonstrating that by applying our expertise to influence office tenants, retailers, landlords, building owners, and supply chains, alongside specialist sustainability organisations like Groundwork, Carillion can lead the way in our sector, and gain recognition along the way.

Because this project operates on a service charge contract, it offers a unique opportunity for a particularly direct relationship with the client, with whom the team meets formally at least weekly, and informally almost daily. But it is the engagement with the 'client's clients' that is proving the key to a sustainable project model. Daily interactions with tenants such as Pret a Manger, HSBC, BNY Mellon, Pizza Express and Allianz have fostered a network of beneficial connections as the businesses work side by side to meet their corporate responsibility goals.

For example, the biggest tenant in Three Piccadilly Place is NHS North West. By building a mutually beneficial relationship, Carillion's efforts were recognised in being awarded the 2012 North West Public Health Awards category for Sustainable Economies for Wellbeing for its approach to climate change adaptation.

*"Working alongside Carillion, we have established a working environment at Piccadilly Place which is highly regarded in the Manchester business world."*

**Ben Du Boulay**, director of The Carlyle Group which owns Piccadilly Place



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**Phil Murphy**, Compliance and Sustainability Manager, Carillion Facilities Management



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Carillion has applied its solid client relationships to ensure that supply chains are resilient for the long term. In close consultation with the client, local businesses were prioritised. For example, Carillion partnered with CityCo, Manchester city centre's non-profit management organisation, on its award-winning initiative to create a 'pocket park' for tenants and communities, with funding from the Carillion Charity Fund.

Thanks to Carillion's proactive approach to bringing clients and suppliers along the journey, the project is on track to achieve annual savings on two of the buildings of £700,000 and 6,000 tonnes of carbon, and 5.2 million litres of water by 2020, as a result of energy and water efficiency measures.

The team's vision was to create a highly sustainable Estate that is valued by local communities, and has measurable achievements in terms of ongoing reductions in carbon emissions and associated cost reductions. During 2012, their collaborative approach began to turn this vision into reality.

For an insight into the wider sustainability outcomes of the Piccadilly Estate contract, see [The S Factor](#).



### **S Factor overall winner and Leading the Way winner**

The Piccadilly Estate contract was the overall winner of the S Factor 2012

 [Watch video](#)

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Leading the way: our customers and suppliers > [Customer satisfaction and feedback](#)

## Customer satisfaction and feedback

By consistently meeting and exceeding expectations, we retain a loyal customer base and attract new opportunities.

We want our customers to have a great experience of Carillion every time. That comes from living our Values, listening closely to feedback and acting on it, anticipating needs and changing how we do things. It also comes from engaging in dialogue with them about our 2020 sustainability efforts. For example, in 2012 we outlined our 2020 sustainability strategy to customers at the first Oman Corporate Social Responsibility and Sustainability Conference.

### How our customers rate us

As well as our ongoing interaction and relationship-building with customers, there are formal feedback points built into the contract lifecycle at which we ask our customers to share their perspectives.

Our annual customer satisfaction survey is one important mechanism for capturing customer views of our performance. This is carried out by an independent company in order to encourage honest feedback. All feedback is communicated to the business and action plans are developed to improve any areas of non-conformance. The interview also includes a number of questions relating to sustainability, which help us to track our performance against our strategy.

In 2012, we received an overall average customer rating of 7.2 out of 10, compared to our 2011 rating of 7.5 and the industry average of 7.2. While this shows a slight decline, the rating exceeds the commercially acceptable level, with market-leading ratings for our civil engineering and building activities. This is not the direction we were targeting and we are continuing to drive for improvements year on year.

### Committed to...

...communicating the value of sustainability to our customers

> See our progress against targets

### Best



Contact Centre of the Year, Modern Housing Solutions team, Customer Service Awards

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## Canada

### Winning contracts through customer satisfaction

YVR international airport in Vancouver, Canada, welcomes over 17 million people annually and facilitates 296,000 aircraft take-offs and landings. Carillion was involved in the building and subsequent renovation of the airport, named 'Best Airport in North America' for the third year in a row, as part of the 2012 Skytrax World Airport Awards. It is also ranked in the top 10 airports worldwide.



Recognising Carillion's customer satisfaction credentials, the YVR Airport Authority has now awarded Carillion the contract to perform facility, air conditioning and lighting maintenance services. The contract represents a natural progression from construction to facilities management services.

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Leading the way: our customers and suppliers > [Sustainable solutions for our customers](#)

### Sustainable solutions for our customers

Carillion’s focus on sustainability helps to differentiate us from our competitors and enables us to respond to increased customer demand for social and environmental services.

Our customers look to Carillion to help them generate commercial and sustainability value. We do this by sharing expertise, driving innovation, and ultimately adding value by creating sustainable solutions that impact beyond our immediate operations.

Our approach brings benefits to customers, including improved efficiency and reduced costs. See [Sustainable design](#) for examples of how we work to make a positive difference to society and the environment.

In the UK, our most mature market for energy efficiency services, we have helped 2.3 million people at risk of fuel poverty tackle energy loss under the Government’s Warm Front schemes. We have also partnered with Belfry and Cambridge University to market, sell and install a new low-carbon heating product, EcoPod. This is one of the most technically advanced community heating solutions, which can bring down customers’ energy bills by over 40%. Under the Clean Energy Programme (CEP), we have installed ‘PV for free’ solar photovoltaic (PV) panels on social housing equating to over 6 megawatt (MW) capacity.

3.7 million 

tonnes of carbon savings for our customers

*“My quarterly bills were around £70, but they are now typically around £38 and I am over the moon. It has been the same for my neighbours who had the systems installed.”*

**Pauline Bray**, ‘PV for free’ recipient, Welwyn, UK

#### UK

#### Helping tenants take control with EcoPod

Residents of Engels House, a 10-storey block owned by City West Housing Trust in Salford, Manchester, have benefited from the installation of EcoPod, the latest solar, gas and thermal heating system on the market.



The EcoPod system houses cascade boilers and six 600-watt thermal solar collectors to recycle heat in the building. Tenants are charged a flat rate for their heating, and a building management system installed during the retrofit allows City West to monitor energy use and alert staff if a tenant’s credit is low, or their heating stops.

Dennis and Dorothy Parr, both in their seventies, were among the first in the UK to benefit. The couple are now able to adjust heating according to the weather. They commented that:

*“With EcoPod we can monitor our usage on a daily basis. You press a button and it tells you exactly how much you’ve used, so you’re in control.”*

#### The Sustainability Investment Committee

Investing in research, development and innovation is one of the ways in which Carillion can generate future growth.

In 2012, Carillion launched the Sustainability Investment Committee. This provides £120,000 of funding to invest in the research, development, and implementation of solutions that will support the delivery of one or more of our six positive outcomes as part of our 2020 sustainability strategy.

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### Leading the way: our customers and suppliers > Sustainable solutions for our customers

Business units are encouraged to submit proposals that could lead to the development of new products, services or improvements, or perhaps ideas of improvements that could be made to existing products or services that are used in our businesses.

In 2012, the committee granted funding for the following projects:

- Development of a Standard Model Solution to enable Carillion to download fuel consumption and performance information from telematic systems on a range of plant equipment. See [Meeting our carbon targets](#).
- Our subsidiaries Schal and TPS received research funding to gather and review energy and building data across two Carillion hospitals. The objectives of this research will seek to improve Carillion's understanding on what design elements generate the biggest energy and cost savings.
- Energy behaviour change – to run a pilot energy change through behaviour programme in Carillion in conjunction with a Futures Network team who will then roll out to the wider UK business.
- To install solar panels at our head office in Dubai.

We are continually searching for new possibilities and opportunities. For example, in the Middle East, we are working with our external partners on new product developments such as retrofitting of existing buildings and refurbishment of assets.

### UK

#### Solar panels at Nationwide



Carillion Energy Services in the UK was commissioned for a solar PV installation at the headquarters of Nationwide Building Society in Swindon. The project was commissioned so that the client would generate revenue based on government feed-in tariffs, with 100% of the electricity generated being used within the building. Due to the structural difficulties of the lightweight roof, we used a bespoke aerodynamic roof mount system, which was the first of its kind in the UK. We carried out the installation within 10 working days, including a monitor in the reception area to display the kWh generated and the carbon saved.

### UK

#### Community Energy Saving Programme

Business development teams from Carillion in the UK and our subsidiary Schal joined together to develop and secure the single largest Community Energy Saving Programme of works in England in 2012.



Working with the London Borough of Redbridge, the project is tackling fuel poverty for more than 530 homes within the Orchard Estate. As well as using EcoPod, the project is also providing educational services to the residents focused on sustainable living.

The scheme will save 177,000 tonnes of CO<sub>2</sub> – the equivalent of taking 1 million cars off the road for a day. This is an example of innovation that delivers benefits for people as well as providing a low-carbon solution.

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Leading the way: our customers and suppliers > [Bringing our suppliers along on the journey](#)

### Bringing our suppliers along on the journey

Globally, Carillion buys a wide variety of products and services, and has an annual procurement spend of more than £3 billion.

We therefore have a significant opportunity to extend our influence and Values beyond our immediate business. This begins by applying our risk management processes when selecting our suppliers, and then at every stage of a contract from prequalification to completion. See [Supply chain management](#).

As a minimum, we expect all suppliers to adopt the principles of the Sustainable Supplier Charter. In some instances, we also require them to develop inclusive Community Engagement Strategies that involve their employees working on our contracts and projects.

#### Sourcing from local and small businesses

We are committed to ensuring that 60% of our external expenditure is directed to local suppliers by 2015. Our intention is that this will help to develop local economies, with further community and employment benefits, as well as helping us to provide a flexible and responsive supply chain. Progress to date has been good, with 24% of our UK spend in 2012 going local.

Buying from local businesses also minimises unnecessary transportation, helping us to reduce our carbon footprint and the footprint of the services and products we provide to our customers.

In the UK, as a strategic supplier to the Government, we are also required to report against its stated aim of ensuring that 25% of Government contracts' expenditure is directed towards small and medium enterprises (SMEs). To date, we are reporting at around 35% on those areas of the business.

In 2013, we will be promoting the use of and measuring SME spend on all our UK contracts, not just those with the Government.

#### Committed to...

...focusing on our supply chain and improving standards

...maximising local spend and employment

> See our progress against targets

### 24%

local UK spend including SMEs

### Winner



Construction Week Sustainability Oman Award for our FSC certified joinery workshop in Oman

#### UK

#### Giving small businesses a chance

Before the Carillion Telent (CT) Joint Venture in the UK took over as network delivery partner for BT Openreach superfast broadband, delivery was through six large contractors. Following procurement activity by CT, 97.5% of spend on the contract is now through Small and Medium Enterprises (SMEs), that is, £234 million of the £240 million annual spend.



The strategy has some key benefits for SMEs, especially to support the growth of their businesses. For CT, partnering with SMEs has helped the Joint Venture to reach the required price points, and provides the flexibility to handle peaks and troughs of the contract.

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### Responsible timber procurement

As a major consumer of timber, and a member of the Forest Trade Network since 1997, we are committed to the responsible procurement of these products. We aim to source all forest products (including those sourced by subcontractors on our behalf) from well-managed forests, which have been certified to Forestry Stewardship Council (FSC) or equivalent standards. During 2011, we sourced 97% of timber from such sources<sup>1</sup>.

Carillion's joinery workshop in Oman, part of our Middle East and North Africa (MENA) business, is the only operator in the country to have FSC chain of custody certification, providing assurance on the responsible sourcing of our timber products. In 2012, this initiative won the *Construction Week Sustainability Oman Award*.

In 2012, we refreshed our Responsible Timber Procurement Policy in the UK and implemented the new policy in our overseas businesses as well. For example, it is rigorously applied to our product sourcing business in China, Carillion Direct Sourcing, which is FSC registered and able to maintain an unbroken chain of custody on numerous timber-related products.

From 2013, we will also measure FSC in our overseas businesses, with a stated objective of 100% of directly procured timber being FSC or equivalent. We will also be working to produce a more extensive list of approved suppliers for direct use by subcontractors.

1. 2011 data as 2012 data was unavailable at the time of publication.

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## UK

### Apprentices in the supply chain

Many of our key suppliers now take our apprentices on temporary or permanent placements. One such supplier is Knauf, our primary supplier of insulation and drylining materials in the UK. We are partnering with Knauf to champion our apprenticeship scheme.

This is a 16-week pilot scheme that provides 10 apprenticeships. After advertising in August 2012, 15 candidates were selected for interview, and the scheme will begin in early 2013.



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### Supply chain management

We manage our supply chain through an integrated team of supply chain professionals who are locally based in all operating regions, including on projects and contracts, and who follow a standard approach.

Our Sustainable Procurement Steering Group is a cross-business forum for sharing and developing ideas and best practice, and is the driving force behind sustainable procurement in Carillion, including the delivery of its 2020 Supply Chain Targets.

All supplier categories are assessed through a Sustainable Procurement Risk Tool, which identifies key risks for each of our managed categories and how we mitigate them.

We have adopted the UK Government's Flexible Framework as the methodology through which we will develop our approach to measuring and monitoring our progress on sustainable procurement. This was chosen because it is aligned with, and supports the delivery of, many of our clients' sustainability objectives. We have now successfully achieved Level 3 and are on course to achieve Level 4 in 2013; many of the requirements for Level 4 having already been met.

#### Leading the way with our suppliers

#### Committed to...

...ensuring 100% of our contracts report on sustainability

> See our progress against targets

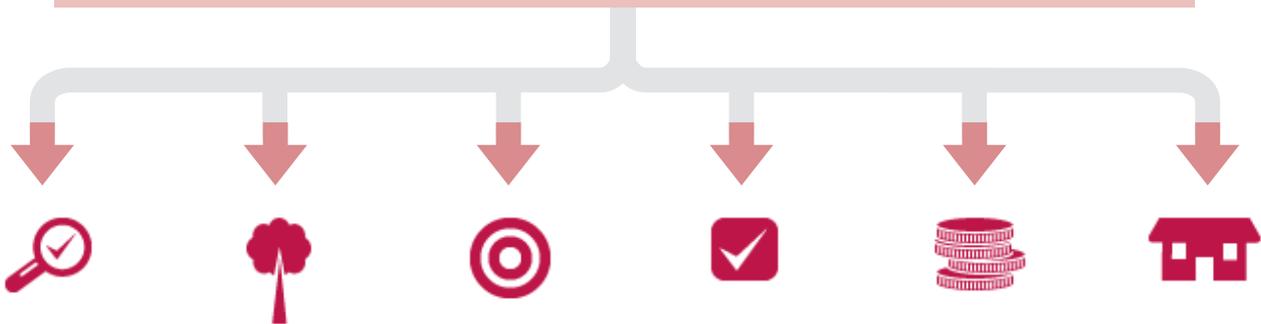
#### Almost 6,000

performance reviews of suppliers carried out to date

#### 62%

average supplier sustainability score

#### Our Leading the way strategy focuses on the following objectives:



Purchasing responsibly and ethically sourced products and materials

Ensuring all timber sourced meets Forest Stewardship Council or equivalent standards

Targeting our top suppliers to collaborate on developing enhanced sustainable products and services

Benchmarking suppliers through Carillion's accreditation process and providing guidance to those who meet only our basic requirements

Maximising local spend and employment, including spend with Small and Medium Enterprises

Promoting Business Action on Homelessness (BAOH) within our supply chain, with the objective of signing up suppliers as members

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### Leading the way: our customers and suppliers > **Bringing our suppliers along on the journey**

In 2012, we enhanced and improved the criteria by which we assess and accredit our suppliers by introducing a question set focused on sustainability. This is now measured along with health, safety and quality, and is formally approved through MyRegister, our supplier accreditation system. Suppliers are graded A–D against the question set, and we select those scoring highest.

As well as the new question set we have developed a comprehensive ‘Guidance Note’ for use by our suppliers scoring C–D. The intent is to ensure that they understand our standards and provide practical help to improve their approach.

We measure the performance of our suppliers on a regular basis using our Supplier Performance Improvement tool. The average supplier sustainability score from 6,000 reviews carried out in 2012 was 62%, which we have set as the baseline from which we will measure improvement in 2013.

### The Supply Chain Academy

The Supply Chain Academy (SCA) supports supply chain teams to develop their expertise and improve supply chain performance. It is managed by a committee consisting of subject matter experts from across the business units and within the category management function, who evaluate the creation of external and internal courses. In 2012 it delivered 299 training days.

In 2012, we added more sustainability elements to the Supply Chain Academy including two-hour Sustainability Webex sessions.

In 2013, we will be adding a one-day advanced sustainability course, which will be rolled out across all supply chain and key commercial staff to:

- support the achievement of Level 4 of the UK Government’s Flexible Framework
- raise further awareness of our 2020 strategy and the role they play in delivering it
- upskill our people in areas such as ethical sourcing.

We will also be supporting supply chain professionals more closely with a needs assessment process.

### Raising the bar

Going forward to 2013, supplier collaboration will be the theme. We will be extracting more information from the Sustainable Procurement Survey sent to our top 250 suppliers in order to find out more about their sustainability programmes, and exploring how we can work together to develop effective community programmes.

We will also be targeting those suppliers scoring C–D in our supplier accreditation system through developing supportive guidance notes outlining our standards, and practical assistance to meet them.

Finally, we will be introducing an embodied carbon measurement tool to allow us to focus on areas of our supply chain that have the greatest impact in terms of whole lifecycle carbon emissions, and to work with suppliers to reduce this impact.

Our suppliers are also invited to participate in our S-Factor sustainability competition. In 2012, Speedy Hire and Fatra were semi finalists and demonstrated how their service was contributing to our and our customers’ sustainability objectives.

### Global

### Supplier payment through e-invoicing



We have continued to roll out our e-invoicing paperless system. In 2012, around 250,000 invoices were processed through this route, a huge increase on 55,000 in 2011 and representing 64% of all our invoices. As well as ensuring a more efficient payment process, the paperless system helps us to improve our own sustainability performance, cutting costs on items such as stationery and postage, and reducing our carbon footprint.

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### UK

#### Working with Speedy Hire

We worked closely with Speedy Hire in the UK, our equipment and tools supplier for many years, to develop a Green Option (GO) product range. Speedy worked with their own supply chain to drive this, and we agreed a commercial model to help ensure that the initiative would deliver savings for our contracts.



Between 2011 and 2012, 27 products were added to the GO range (with 40 more planned), delivering savings of £120,000 and 270 tonnes of carbon. Our engagement with Speedy also contributed to a manless depot being developed. This uses Radio Frequency Identification technology to remove the need for daily deliveries to our contracts – so saving even more in fuel, carbon and costs.

### UK

#### Stepping up to the mark

Launched in 2010, Step Up is our UK initiative to standardise and streamline our procurement processes, including identifying whether suppliers meet our core sustainability criteria.



In 2012, one area we explored through Step Up was our provision of healthy hospital meals. We held extensive discussions and workshops with all the hospital trusts Carillion supplies as well as specialist consultants and dieticians. Following this engagement, we decided to appoint a single source supplier, and as a result we are now able to consistently offer a superb range of foods to our hospitals.