

Social value reporting in our supply chain

Understanding the social impact created by our supply chain partners

Social value indicators generated by respondents:



Fundraising total
£325,000



Hours of volunteering
665



Pro-bono hours
200



Community awards
24



Total donations to charity
£35,100



Work opportunities for young people
250



Apprenticeships
74



Invested in training
£260,00

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This report is based on a sample population from 110 SME suppliers in Carillion's supply chain.

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Richard Howson
Chief Executive
Carillion

Larger businesses have a vital role to play in helping smaller businesses to become more sustainable

Carillion believes that the creation of lasting social value is fundamental to sustainable business, and key to making a net positive contribution to society.

Carillion is a leading integrated support services company delivering world-class projects and services at the heart of communities. For us, sustainability and profitability go hand in hand, which means understanding the impact we have on local communities and people.

Our projects help to transform communities and create employment. In particular we recognise the role we play in supporting skills and emerging talent. Youth unemployment and a lack of training continues to be a challenge for the UK and we are proud to be the largest employer of young apprentices in the construction sector, with almost 2,000 learners in training at any one time. In 2012 we delivered 1,000 NVQs and apprenticeships in construction, with over 74% of our apprentices subsequently moving into employment.

Our approach to responsible business extends beyond our own group. I was delighted to become Chairman of Business in the Community's (BITC's) Community Leadership team in 2013 - created to shape the way businesses contribute to UK communities. The team is pioneering new approaches to investing in the most vulnerable communities, helping companies to integrate community leadership into their business plans, and challenging the barriers affecting this type of investment.

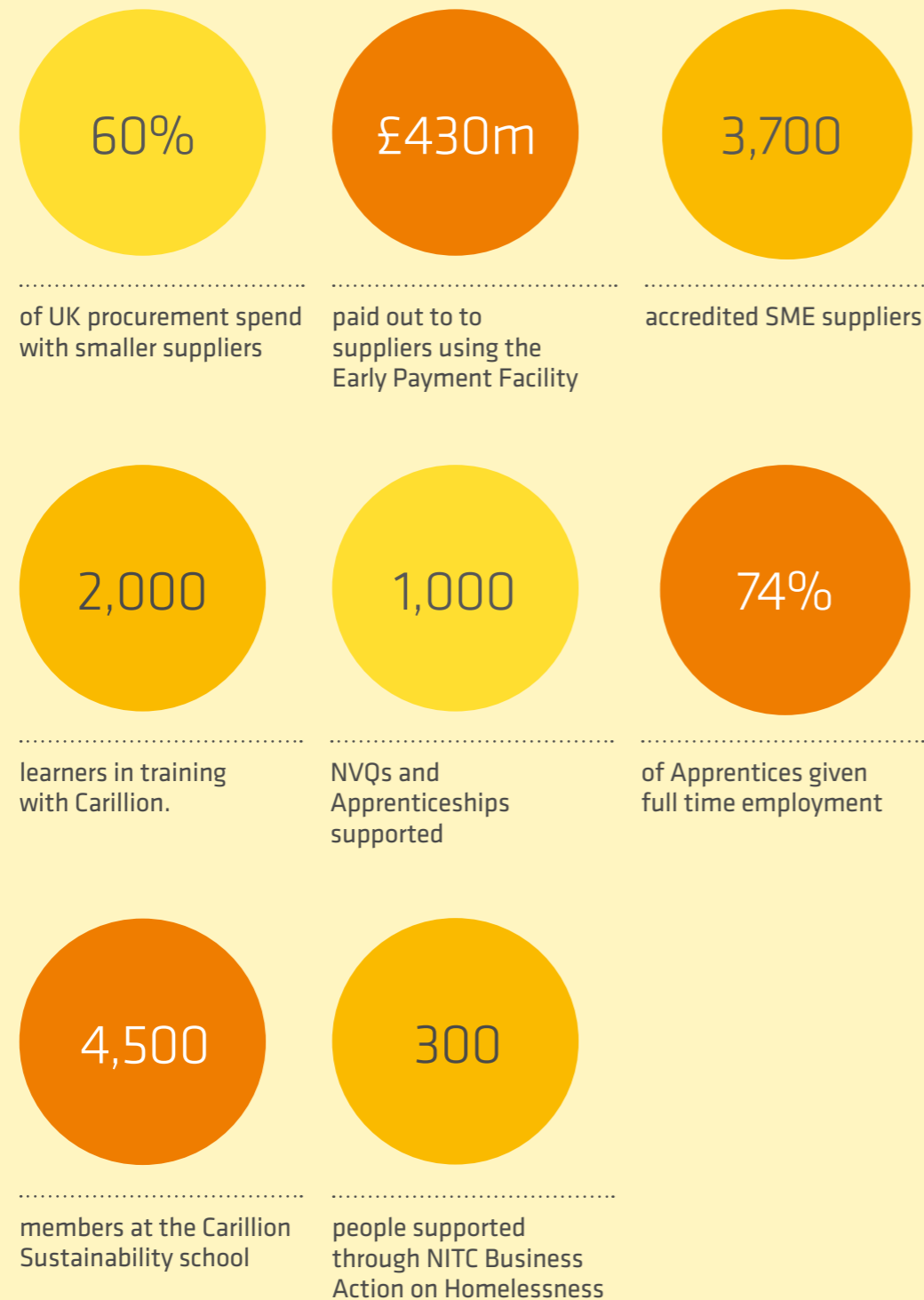
An example of this wider support is how Carillion have now helped more than 300 people find work through the Ready for Work scheme supported by BITC Business Action on Homelessness campaign.

We want to lead the way in developing sustainable, responsible business. If we are to make a real impact at a local level, then we must work closely with our accredited suppliers. We also know that small businesses are vital to healthier, stronger local communities, so we are working hard to adopt responsible procurement strategies and help our suppliers to be responsible businesses too.

To help us understand more about this value chain, we are working closely with Trading for Good – not only to support smaller business suppliers, but also to spark debate about the social value generated by our partners.

We want to focus UK businesses, the communities they engage with and their wider stakeholders to understand, start to measure and then further develop the social value that they can create. We hope to share best practice, to encourage learning and to demonstrate the importance of doing business responsibly. We believe that Trading for Good – as an expanding network and free digital support service – can help to generate better information on supply chain behaviour, encouraging more of the right approaches and reward businesses that are doing well by doing good.

Carillion can help create a chain reaction of good



Richard Adam
Chief Finance Officer
Carillion

Our suppliers play an important role in helping us to win work, improve our competitiveness and deliver on our client commitments

The Early Payment Facility is open to all suppliers, regardless of size, and Carillion has also signed the Government's Prompt Payment Code

We have a goal of directing 60% of our UK procurement spend to local businesses by the end of 2015, and are well on track to reach this target, with 42% of our 2013 UK spend going to local suppliers. This focused approach on smaller local businesses has generated employment, boosted local economies and helped us to engage with the communities we work in.

In wider terms, for small and medium enterprises, we have also exceeded the UK Government's goal of directing 25% of spend towards SMEs for government contracts, with our current SME spend standing at 27%.

This year will also see the launch of our Small Business Charter – spelling out our commitment to working with smaller businesses, supporting the wider UK economy and highlighting the key principles suppliers can expect when working with Carillion. Through collaborative work, we will continue to invest in and improve the processes that ensure our supply chain is effective, prosperous and sustainable.

As part of this commitment, Carillion introduced an Early Payment Facility (EPF) for suppliers in support of the Government's Supply Chain Finance Initiative, which the Prime Minister announced in October 2012. Carillion was one of a number of large companies that agreed to support this initiative, which is an innovative way for large companies to help their supply chains access credit and improve cash flow.

Carillion offers an EPF for suppliers as part of a package of measures, under which suppliers agree to standard payment terms of 120 days but can use the EPF to access earlier payments. The scheme benefits all participating suppliers, has no detrimental effects and the majority of suppliers can opt for payment earlier than under their existing terms at no cost. In addition, all suppliers gain the flexibility of being able to nominate when they receive payments for approved invoices.

With obtaining bank loans still proving challenging for small businesses, we expanded our EPF further in 2013. Over 200 Carillion suppliers are now using the system (140 of which are SMEs) and we have paid some £430 million to date through this mechanism. We continue to expand the system and plan to make £280 million of funding available by the end of 2014. Feedback has been very positive, with more suppliers joining each month as they recognise the benefits of the facility.

89% of Carillion suppliers reported that the Early Payment Facility had a positive effect on their ability to access payments promptly

"We are very happy with the way the system is working. It is easier for us to do more work with Carillion, and gives us the ability to draw down cash straight away if we need to." Dave Swallow, Managing Director and Owner of DJ Swallow Construction.

Carillion spends over £3 billion globally with suppliers every year, which presents a significant opportunity to share best practice and to create sustainable social value in the communities we engage and work within.



David Picton
Chief Sustainability
Officer, Carillion

Carillion asks all suppliers to adopt the principles of our Sustainable Supplier Charter, including collaborative Community Engagement Strategies where appropriate, so that their employees can create lasting legacies while working on our contracts and projects.

We are committed to sharing our learning and promoting best practice that helps support responsible business practice. We look to collaborate with organisations that can help have an impact in areas of most need. A key objective is to help our supply chain partners become more aware of their own impact on the triple bottom lines of economic, environmental and social responsibility.

We have a strong track record in recognising the potential our projects have to support healthy local communities. In gathering data in collaboration with Trading for Good we hope to learn where we can add further support in the supply chain in order to do more good. This helps us to lead the way and to live our values of being a responsible bigger business.

Measuring our own social impact:

- >> PwC Building Public Trust Award 2013 – FTSE 250 Sustainability Reporting
- >> BITC Platinum Big Tick status – 2013 and 2014
- >> Gold Leaf member of UK Green Building Council
- >> Carbon Disclosure Project (CDP) Leadership Indices (Disclosure and Performance) 2013
- >> Sustainability Talk and News (STN) – winner of Construction Marketing Award 2013

One such collaboration is the Supply Chain Sustainability School, the most successful sustainability education initiative in the history of the construction sector. Carillion are proud to be a funding partner of the school, together with other major organisations from the industry sector. A free virtual learning environment, the School is run by Action Sustainability (an independent third party) and exists to help suppliers and subcontractors develop their sustainability knowledge and competence through focused action plans and online resources.

The School has so far attracted more than 4500 members from 2300 supplier organisations, offering self-assessment tools and free, practical support to develop bespoke improvement plans. In 2013, the School was voted the best Corporate Responsibility initiative and Overall Winner of the Chartered Institute of Purchasing and Supply's Management Awards. This year, the School and its partners continue to roll out a programme of national supplier days throughout all regions of the UK.

Carillion – The bigger picture

>> 18,700	People directly employed in UK by Carillion
>> Over 100	Different geographic locations across UK
>> £4.1 billion	Annual revenue – 2013 Year End
>> £110.6 million	Profit before tax
>> 1012	UK Employees volunteered in 2013
>> 42%	Spend with Local UK firms and SMEs
>> 138	SME suppliers 'live' on Early Payment Facility
>> 2750	Cumulative total of apprentices taught during 2013
>> Over 10%	Percentage of total apprentice places provided across the sector
>> 148	Job placements for homeless through Business Action on Homelessness (BAOH) 2013
>> 97	Job coaches / buddies supporting BAOH
>> 3	UK Business Connectors seconded for next 3 years
>> 5	Strategic charity partners for 2013: Barnardo's; Business in the Community, CRASH, Wildlife Trust, Walking with the Wounded
>> 80	Employee nominated charities receiving £500 each in 2013
>> £1,619,811	Total UK charitable and community activity in 2013 – time and direct contributions

Supply chain impact

Collaborating with suppliers to develop responsible business practice



Spent across
6000 suppliers

Accredited SME
suppliers in UK

Accredited UK
suppliers

Bigger business must be responsible, fair and transparent in how they work with smaller businesses.



Philip Green
Chairman
Trading for Good

Trading for Good helps big business to measure and report on the social impact that good supply chain relations can have on the health of our society.

The Social Value Act means that businesses will have to change the way they tender for public services so that they can show explicitly how they have factored Social Value into their business model.

So what is social value?

“Social value” is a way of thinking about how scarce resources are allocated and used. It involves looking beyond the price of each individual contract and looking at what the collective benefit to a community is when a public body chooses to award a contract. Social value asks the question: ‘If £1 is spent on the delivery of services, can that same £1 be used, to also produce a wider benefit to the community?’

I became Chairman of Trading for Good in 2011 and I am also Chairman of Carillion. There couldn't be two more diverse companies and yet the role of each in championing growth for the UK economy is clear. Trading for Good is a micro not for profit business and Carillion is one of the UKs largest integrated support services companies. Both are keen to understand more about the hidden social value created by business.

A great supply chain with good partners helps bigger business to deliver massive projects that transform lives and communities. My role at Carillion allows me to see first hand the social value being created as a result of this collaboration between large and small business.

» £188 million over 5 years to deliver the worlds largest public library in Birmingham creating 308 jobs and

82 apprenticeships.

» Royal Liverpool University Hospital project will contribute £240M to the local economy, with 60% of the jobs going to local people and 100 apprenticeships created.

» More than 6,000 local people were recruited to redevelop Bristol's Southmead Hospital, and two-thirds of materials were sourced locally.

It is critical that big business understand the interdependency that smaller businesses have in their supply chain and the chain reaction for good that is created.

That's why I am Chairman of Trading for Good. By measuring the social value being created by Britain's smaller businesses we can start to appreciate that business is about so much more than profits. Business goes far beyond what is merely good for the P&L account and balance sheet. It's about understanding the social value that you cannot always see – but it is always there.

The challenge is how to make this social value more measurable and visible to customers who demand responsible ethical business behaviour. And that's what Trading for Good is starting to do.



Chris Attwood
Founding Partner
Trading for Good

Trading for Good

Trading for Good is a new digital platform that helps smaller businesses shout about the good that they do in their local communities.

By measuring the social impact that smaller businesses have on local communities we can demonstrate the often hidden value that is created and drives vibrancy and economic growth in society.

It's free and simple to sign up, and members benefit from:

- » Online profile to shout about the good that they do
- » Personalised info graphics communicating at a glance their social impact
- » Printable Social Impact report that can support tenders helping to win more business
- » Access to a unique media room that connects local business to local media
- » Showcase in our public facing directory.

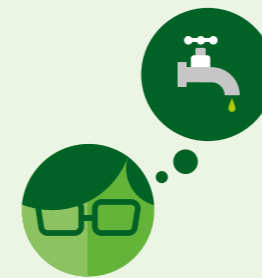
We want more consumers to find more great small businesses and spend their money with those local businesses that support the community.

We want big businesses to work well with smaller businesses and to really understand the potential for scaling up social impact.

We want to be the champion for all small business and showcase the amazing work that is achieved at a local level.

We want Britain to be able to see at a glance the social value being generated by over 4 million hard working local businesses.

It's good for customers



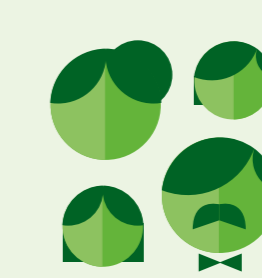
Customers' choices really make a difference. They can explore our company profiles to choose who they buy from or work with, according to their socially responsible activities.

It's good for SME's



Socially responsible trading is great for SMEs. We help them build their profile, improve their CSR practices, communicate their values and attract new customers.

It's good for society



Local communities benefit from the added value generated by a vibrant and ethical business community supporting and employing local people.

It's good for large business



As this report shows, working with a supply chain of ethical SMEs, and understanding and reporting the resulting social value is a key part of CSR strategy.

How it works

Step 1: Sign up



Any small business with less than 250 employees can sign up for free, simply by completing their name and email address and clicking 'join'.

Step 2: Register



New members receive email verification with a password protected login link. They log in and complete their basic registration profile.

Step 3: Build profile



They complete a simple online data trend questionnaire capturing specific information that is then used to complete their personal infographics showing their social value at a glance.

Step 4: Update regularly



Members can log in whenever they want, and add their good news stories in a simple blog timeline.

How does Trading for Good help large businesses sign up their supplier networks?

To make it simpler, we can provide large organisations with a communications toolkit to push out to their supplier networks, encouraging them to join in for free.

Alternatively we can receive data in a spreadsheet featuring basic information (name, email, address etc) which we import (in effect completing steps 1 and 2 above). We then contact the small businesses and ask them to complete their profile and add their good news stories.

We can also support registration with an outbound telephone exercise, encouraging the small business to complete their profile. We can do this for you or we can provide a script for your team. For example, Fujitsu used some of their apprentices to call their small suppliers.

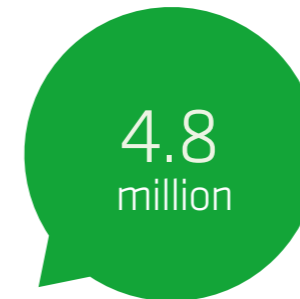
As these small businesses complete their questionnaires, it's possible to watch their data being compiled in real time.

Ultimately we can bring together information from the whole of your supplier network, and a full social value impact report like this one can be produced for a corporate membership fee.

Did you know how GREAT Britain's small business are?

Trading for Good defines a SME (small to medium sized enterprise) as an organisation that employees less than 250 people.

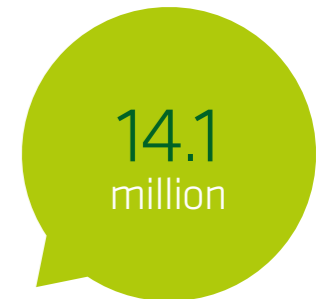
Small business, big numbers:



» There are an estimated 4.8 million small businesses in the UK



» SMEs have a combined turnover of £1,500 billion



» SMEs in the UK employ a total of 14.1 million people

» Small businesses alone accounted for 47% of private sector employment and 34.4% of turnover of all businesses, 62.7% (three million) were sole proprietorships, 28% (1.3 million) were companies and 9.3% (448,000) partnerships.

» There were 907,000 businesses operating in the construction sector - nearly a fifth of all businesses.

» In the financial and insurance sector, only 25.3% of employment was in SMEs. However, in the agriculture, forestry and fishing sector virtually all employment (95.4%) was in SMEs.

» With 806,000 private sector businesses, London had more firms than any other region in the UK. The South East had the second largest number of businesses, with 768,000. Together these regions accounted for almost a third of all firms.

» Figures obtained from the Department for Business Innovation and Skills.

Carillion's Social Impact Report

Section 01: Supporting charities and communities



Carillion's smaller supply chain partners are supporting charities and communities across Britain

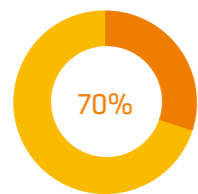
- » 18% of respondents reported that they supported charities with cash donations with many reporting a formal charity partner.
- » 14% of respondents said that they made in-kind contributions to local causes.
- » 38% of respondents said that employees were actively engaged in fundraising. The average amount raised was £2,930.00.
- » 14% of respondents said employees actively engaged in volunteering with local good causes.
- » 9% of respondents allow employee's time off for volunteering - the average number of volunteer hours per year per SME equated to 1 day.
- » 9% of respondents suggested that their giving was formalised in a tax efficient manner, using payroll-giving schemes or schemes such as just giving which allows gift aid to be claimed.

Section 02: Helping young people into work

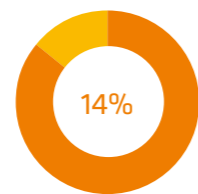


Carillion's SMEs are helping Britain's 16-25 year olds gain vital work experience

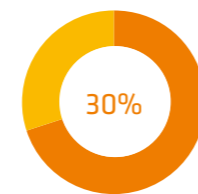
- » 14% of respondents offer apprenticeships
- » 60% respondents did offer structured training programmes
- » 50% respondents did offer to mentor young people
- » 70% of respondents actively engaged with a school to offer a work experience talk of some kind
- » 60% of respondents reported that they were involved in some kind of local community project to help young people find work.



70% of respondents engaged with schools to raise awareness of work



14% of respondents offered formal apprenticeships



30% of respondents reported no activity at all in supporting young people

Section 03: Improving impact on the environment



Suppliers have an impact on the environment and are working with Carillion to understand better, and reduce, their collected carbon footprint

- » 53% of respondents published their environmental policy
- » 10% of respondents reported using car-sharing schemes
- » 90% of respondents are actively trying to reduce their waste to landfill ratios
- » 45% of respondents actively recording their carbon foot print and are aware of their carbon emissions
- » 90% of respondents have introduced a recycling programme for the business
- » 20% of respondents encourage the use of video conferencing over travel where possible.

Practical Examples of responsible behaviour:

Bulk paint containers – Storing paint in 500 litre reusable containers cuts down on waste cans and deliveries.

Enviowash – Efficient brush and roller cleaning technology keeps paint out of the water system.

Eco friendly paints – Use paints that are less harmful to the environment, such as low VOC products.

Can recycling – Send empty plastic and metal paint cans to a number of different recycling schemes.

Paint solidifier – Used to keep paint out of the water system, this product converts water-based paints into inert waste.

Community repaint scheme – Instead of throwing away old paint, it is donated to local schools, colleges and community projects.

Carillion's Social Impact Report

Section 04: Making life better for employees



It's important that Carillion works with suppliers that respect equality and inclusion

- » 30% of respondents published their Equal Opportunities Policy
- » 8% of respondents offered employment or work experience to disabled people
- » 30% of respondents said that they have a dedicated programme for investing in staff training
- » 30% of respondents reported offering flexible working practices
- » 16% of respondents have received a recognition award for the work they do in their local community and for their employees

Section 05: Working better with suppliers



Supply chain experience

- » 60% of respondents supplied to several FTSE 250 companies
- » 50% of respondents also purchase goods from other smaller companies
- » 20% of respondents said they try to purchase locally
- » 100% of respondents had heard of the prompt payment code
- » 80% of respondents experience difficulties being paid on time



Section 06: Responsible Business

We asked ALL Trading for Good members about how important being a responsible business was to their own business success

- » We asked ALL Trading for Good members about how important being a responsible business was to their own business success
- » 80% of Trading for Good Members would be more responsible if customers demanded to see evidence of ethical behaviour
- » 80% of Trading for Good Members have marketed their business based on their social and environmental impacts and the good work they do
- » 33% Trading for Good Members believe they have raised the profile/reputation of their organisation through taking action on social and environmental issues

Accreditation

- » 23% of respondents said they were members of Construction-line
- » 60% of respondents were accredited to various construction and building associations.

Social Media

- » 25% of respondents were active on Social Media using Twitter, Facebook and LinkedIn

Some really good examples of how smaller businesses make a big difference

BCM Construction Ltd.

Colleagues worked as part of a team to create a new nature garden as part of Bristol re-signalling works. This project helped improve the image of the local area and contribute positively to wildlife biodiversity within the city, particularly birds, butterflies and bees. There was a total of 920 plants planted, all native species to create a diverse habitat for a wide variety of wildlife

Elliott Thomas Group

Forming the Elliott Thomas Foundation was an ambition of CEO John Self for some time. The Group and its staff have always been generous in respect of fundraising and felt that the formation of the Foundation would allow them to bring together all the various activities under one theme, with the key aims of generating money for those in need and reinforcing the Group's social network. The Foundation is run by a committee made up of representatives across the Group's businesses, which allows everyone to have a voice and be represented at quarterly meetings. They hope that by producing enjoyable and memorable events, they can raise life-changing funds for some inspiring charities.

In September 2013, a brave group of colleagues from across the Elliott Thomas Group embarked on a 50 mile cycle around Henley-on-Thames. The group was led by CEO John Self. The charity they chose to support was the Great Ormond Street Hospital, a specialist paediatric hospital providing care to the rarest and widest range of illnesses for children and their families.

The Elliott Thomas Group also hires apprentices throughout the business, by liaising with local colleges. They have also partnered with the Trussell Trust to provide non-perishable foods to food banks local to their offices. At Christmas they took part in 'Christmas Jumper Day' for Save the Children across all of our sites nationally and their most recent event was a Duck Race which at the date of this report, had raised £250 for the Elliott Thomas Foundation, with donations still due to arrive from sites and offices across the country. Forthcoming

challenges for employees include the CRASH Dragon Boat Challenge in June 2014 and the Yorkshire 3 Peaks for the Alzheimer's Society in July 2014.

The Elliott Thomas Group is dedicated to ensuring that the works they carry out today are 'for the good of the future as well as the present' and they have drawn up a 12 point commitment plan as a guide to what their clients can expect from their staff.

A & B Engineering (M.S.D) Ltd

In 2013, Managing Director Andy Stanley and friends completed the Marathon Des Sables (ranked by many as the toughest foot race on earth) as part of their year long fund raising events named "The Toughest Year Yet" and in the first six months of 2013, Andy raised almost £6,000.00 in aid of the Claire House Children's Hospice.

A & B Engineering are investing in their own and the industries future through their Apprenticeship Policy, which means they have over 40 apprentices (Technical and Craft) with the company at any one time. They are investing in their people through continuous training and development. They have spent over £100,000 in the last 3 years alone on H&S training, and this will continue to ensure their, and the company's future.

T & S Heating Ltd.

After the success of the London Olympics in 2012, T&S Heating took the opportunity to sponsor professional swimmer and Paralympic gold medalist Ollie Hynd. His achievements in his career to date have been phenomenal and with the help of their financial support, they hope to support even more success for Ollie in the near future.

Lakesmere Ltd.

In 2001 Lakesmere chose Winchester based Naomi House Hospice, which specialises in delivering palliative care for terminally ill children, as its nominated charity. Since that time the company has raised over £20,000 for this very worthy charity through various fundraising activities and social events.

Summary

Understanding the social impact created in a supply chain can help bigger business partners to create stronger, better relationships with their smaller suppliers.

Understanding the trends in a supply chain can help identify areas where bigger business can offer help and advice to do more good.

Smaller businesses in Carillion's supply chain place a high degree of importance on health & Safety with many publishing policies on their websites. There is obviously a high correlation with having good policies with being accredited to recognised industry standards and membership of Construction-line. This is to be expected from such a manual industry where H&S is paramount.

Many respondents are doing a great deal to reduce their impact on the environment with many recognising the growing significance of having environmental policies in order to tender for work.

There is less evidence of policies on Equal Opportunities especially in relation to employing disabled people. Carillion may want to consider including a module on equality in their Supply Chain Sustainability School.

Investment in people is incredibly important to this sector with a high instance of apprenticeships, youth training and outreach programmes. Indeed many quote examples of senior managers who started work as an apprentice. There is a strong recognition of the important role businesses play in training the next generation.

The amount of fundraising, pro-bono hours and volunteering is fantastic with many organisations using social media to share their stories. Several respondents name their long-term charities with others having spontaneous events. Activities range from extreme sports events to raise sponsorship to collecting Easter eggs for a local charity. There were examples of smaller businesses

joining in with events organised by bigger partners. Carillion may wish to consider extending its charity events to involve suppliers in a more coordinated way.

The evidence from the Carillion suppliers is that they add an enormous amount of 'unseen' social value to Britain's economy. They have added over £325,000 to the charity sector and supported over 300 young people into work. They ensure colleagues work in a safe way that supports health and wellbeing. They are working hard to minimise negative impacts on the environment. Carillion may want to consider recognising the efforts of its suppliers.

In demonstrating how Carillion can work smartly with smaller partners it is evident that prompt payment remains a key issue. Cash flow is vital to smaller businesses and Carillion must ensure payment processes are simple and timely.

Sharing knowledge is another key area where Carillion could help its smaller partners. Equal Opportunities would appear to be a specific area where Carillion could offer ideas and learning which would be very helpful to smaller businesses that perhaps don't have access to in-house expertise.

The smaller businesses that supply the construction industry clearly generate a vast amount of social value in addition to the economic value. Most industry awards relate to specific construction / building awards with the exception of Health and Safety recognition. The industry may wish to recognise the community activity and the commitment to employing young people.

Kay Allen
Founding Director
Trading for Good

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Would you like to know more about the impact your smaller business suppliers have on society?
.....

Contact the Trading for Good team to find out more how we can help:

enquires@tradingforgood.co.uk
020 3176 3633
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Find out more how we can help or visit:
tradingforgood.co.uk
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