



SUMMARY REPORT

Benchmarking the sustainability communications of the UK construction sector

For the second consecutive year, IMS Consulting has undertaken a comprehensive examination of how the UK's largest construction companies are communicating their progress on sustainability. It does not attempt or claim to benchmark the actual sustainability performance of construction companies, but rather to benchmark the nature of their sustainability reporting and communications.

Coming at a time when sustainability is rising rapidly up the agenda of the boardrooms of many UK construction companies, IMS Consulting believes this benchmarking study is a timely and important piece of research. By providing an overview of how UK construction companies are addressing the challenges of sustainability, or are embracing the opportunities they provide, the benchmarking results provide a valuable insight for companies and their stakeholders alike.

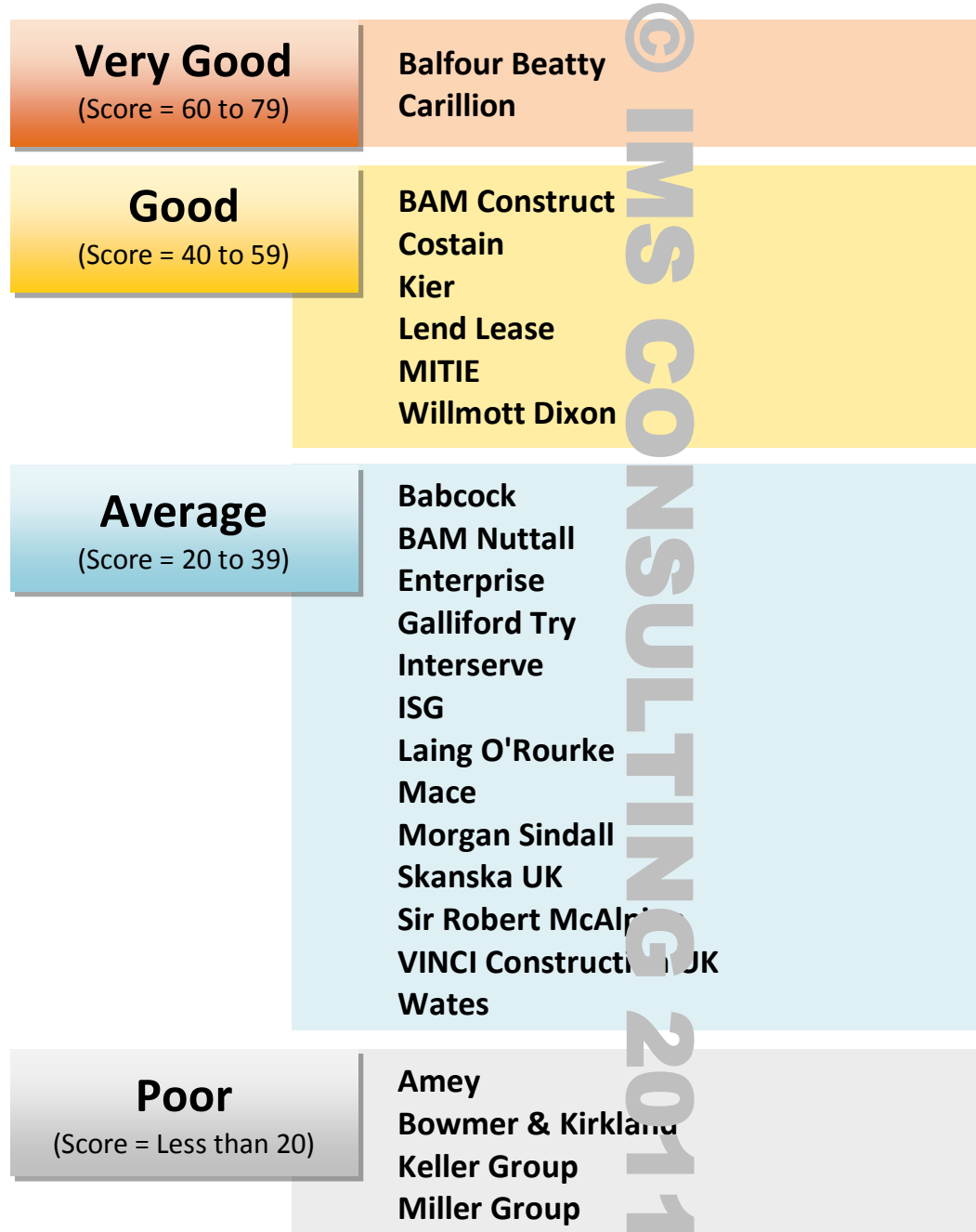
This report provides a summary of the results.

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2011 headlines

The UK's largest construction companies have been assigned into performance bands based on their total benchmarking score, out of 100.



Companies in the above graphic are listed in alphabetical order, within each performance band. The overall sector average score across all 25 construction companies was 36 out of 100.

The gap between top and bottom has widened

The top performers have generally got better, while the poorest performers have not improved at the same rate. This has created a larger gap between those companies who are communicating their approach and progress towards sustainability effectively and those who are not. It has become clearer that those construction companies who are leading the way understand how sustainability, and the way in which their approach is communicated, can provide them with competitive advantage.

Doing enough to get by?

The number of companies in the 'average' band has increased from 9 to 13. This suggests that, for many construction companies, compliance with industry standards, regulations and peers is the most important goal. They do not feel the need to be leading the way on communicating sustainability, but are simply doing enough not to be left behind. It also implies that companies who decide to do things differently should easily be able to stand out from the crowd.

Having a strategy improves communication

Although most construction companies can provide plenty of evidence of actions and activities, the best sustainability communications provide a convincing narrative to 'join-up' and provide context. This year's results reinforce this belief, with the companies that have shown the largest improvements being those who have launched a new sustainability strategy. This has not only given purpose, credibility and branding to their communications, but provides a framework for measuring and reporting progress. It doesn't mean they are necessarily 'doing' any more, but communicating what they are doing more effectively.

Little year-on-year continuity

Few construction companies clearly articulate progress during the last year, or provide any real sense of continuity from the previous year's communications. Sharing isolated examples of good practice, although an important ingredient of sustainability communications, says little about corporate progress as whole, or how the year compares to those that have gone before. Discussion of how representative these successes are of activities as a whole, how they contributed towards larger targets and where there is room for improvement are all important ingredients too.

Corporate responsibility or sustainability?

The number of construction companies that refer to the issues as 'sustainability' or 'sustainable development' (as opposed to 'corporate social responsibility' or 'corporate responsibility') has doubled from 6 to 12. These companies tend to adopt a wider and more balanced interpretation of the corporate sustainability agenda, including social, environmental and economic aspects. This perhaps explains why they score better in the benchmarking, with an average score of 45 compared to an average of 28 for companies that call it something else.

Selection and scoring

The research benchmarked the largest 25 construction companies in the UK, as featured in the Construction Index's Top 100 list (September 2011; Table 1). Reports from each company's most recent reporting cycle (the 12 months prior to September 2011) were assessed, as well as any additional information available from each company's website.

Table 1. The largest UK construction companies by turnover from the Construction Index Top 100 list (September 2011).

Rank by Turnover	Company name	Turnover (£)	Pre-tax profit (£)
1	Balfour Beatty	10,541	187
2	Carillion	5,139	168
3	Laing O'Rourke	3,320	26
4	Babcock	2,756	115
5	Morgan Sindall	2,102	41
6	Kier	2,099	58
7	Mitie	1,891	87
8	Interserve	1,872	64
9	Skanska	1,267	39
10	Galliford Try	1,222	26
11	Enterprise	1,087	-135
12	Keller	1,069	18
13	BAM Construct	1,037	25
14	Vinci	1,025	39
15	Costain	1,023	28
16	Amey UK	1,013	87
17	Willmott Dixon	990	27
18	Wates	985	43
19	ISG	972	9
20	Lend Lease	965	21
21	Miller	783	-72
22	Sir Robert McAlpine (Newarthill)	779	27
23	Mace	726	19
24	BAM Nuttall	695	16
25	Bowmer & Kirkland	669	33

The method developed and used last year has been repeated in 2011. Each company's sustainability communications were assessed using a bespoke 'sustainability reporting scorecard', developed by IMS Consulting but based on previous work by Ceres (e.g. Ceres, 2006¹; Ceres, 2009²). It consists of a set of criteria that IMS Consulting believes represent good practice in terms of how sustainability policies, activities, actions and progress are communicated. In essence, they form a set of expectations for 'good' sustainability communications. The set of 50 criteria give a potential maximum score of 100 for each company assessed.

The criteria cover three main themes:

(1) Governance and strategy, including disclosure about how sustainability processes are managed and assessment of the importance given to sustainability when communicating corporate performance, business strategy and risk assessments.

(2) Reporting framework, including communication of the processes by which sustainability reports and other communications are produced and disseminated, their accessibility, format, scope and content, and evidence that third party guidelines, standards or certification have been used.

(3) Disclosure of information relating to a company's operations, supply chain, products and services and employees, which would typically be expected to include aims and objectives, past performance, future targets, recent progress and evidence of initiatives.

This summary report provides an overview of the results, trends from last year, and some examples of good practice from within the construction sector. A white paper detailing the methodology used and the full report containing a more detailed commentary on the results are available from IMS Consulting (www.imsplc.com/benchmarking).

¹ Ceres (2006) 2006 Corporate Governance and Climate Change: Making the Connection. Available online at www.ceres.org//Document.Doc?id=90

² Ceres (2009) 21st Century Corporation: The Ceres Roadmap to Sustainability. Available online at www.ceres.org/ceresroadmap

Results and trends

It is apparent from the 2011 results that while the leading performers have generally got better, the poorest performers have not improved at the same rate. This has resulted in a larger gap between those construction companies who are communicating their approach and progress towards sustainability effectively and those who are not.

It is also clear that those construction companies who are leading the way understand how sustainability, and the way in which their approach is communicated, can provide them with competitive advantage. They don't view sustainability as a risk or a threat, but are pro-actively embracing the challenges it poses and are attempting to seize the opportunities it presents.

Balfour Beatty and Carillion were the top performers in the 2011 benchmarking study, both having improved their scores from last year. Both companies tell a convincing story, have plenty to say, and communicate a genuine belief that sustainability is good for business. They also both have well-established sustainability strategies in place – with long term objectives and shorter term targets – and use their reports to communicate progress towards them.

At the same time, the number of construction companies in the 'average' band has increased, from 9 in 2010 to 13 in 2011. This suggests that, for many construction companies, compliance with industry standards, regulations and peers remains the most important goal. These companies do not feel the need to be leading the way on communicating sustainability and are simply doing enough not to be left behind. It also implies that companies who decide to do things differently should easily be able to stand out from the crowd.

The two companies that have shown the largest improvements in their benchmarking score between 2010 and 2011 – MITIE and ISG – have both improved their sustainability communications on the back of new sustainability strategies. Their new approaches have not only given purpose, credibility and branding to their sustainability communications, but have also provided a framework for measuring and reporting progress. Having a strategy doesn't mean they are necessarily 'doing' any more, simply communicating what they are doing more effectively.

The 2011 results show some encouraging trends. Almost half of the top 25 construction companies now refer to "sustainability" or "sustainable development", compared to less than one quarter in 2010, suggesting that more companies are adopting a wider interpretation of the agenda. This perhaps explains why they score better in the benchmarking, with an average score of 45, compared to an average of 28 for companies that frame it as "corporate responsibility", "corporate social responsibility" or similar.

There has also been an increase in the number of construction companies that provide evidence that remuneration of their senior staff includes some non-financial criteria, implying an increasing recognition that success cannot be measured by short term financial performance alone.

The overall trend, though, has been for there to be less activity in terms of sustainability activities and communications. Fewer CEO statements mention sustainability, fewer companies name a senior manager responsible for sustainability and several companies have not produced a sustainability report over the previous 12 months. There was a reduction in the number of sustainability reports that were indexed against recognised frameworks or accredited by third parties and, as in 2010, formal stakeholder engagement and consideration of materiality (identifying what issues matter most) are still all too infrequently used to inform strategy or reporting.

Finally, relatively few construction companies clearly articulate their progress during the previous year, or provide any real sense of continuity from their previous year's sustainability communications. An annual sustainability report should provide a regular and consistent snapshot of progress through time. This means that it should be clear what has been achieved since the last report, what challenges still remain, and what targets have been set for the future.

Sharing isolated examples of good practice, although an important ingredient of sustainability communications, says little about corporate progress as whole, or how the year just gone compares to those that have gone before. Discussion of how representative these successes are is also important, to demonstrate the extent to which they reflect the companies' operations as a whole. Identifying where there is room for improvement, rather than just achievements and awards, is something that construction companies seem reluctant to do.

Theme 1: Governance and strategy

Why is this important?

Sustainability communications do not occur in a vacuum. Although most construction companies can provide plenty of evidence of actions and activities that contribute towards sustainability, relatively few provide a convincing narrative to 'join-up' these examples, show how they are managed or explain why they are important.

The most effective sustainability communications tend to be part of a clearly explained strategy or programme. Leading companies use stakeholder engagement to inform their strategy, for example by identifying what issues are of most importance to them or by validating the company's strategy and targets.

What were we looking for?

- ☑ *An explanation of how sustainability is governed*
- ☑ *A clearly communicated sustainability strategy*
- ☑ *Evidence of how stakeholder engagement has been used to inform the strategy*
- ☑ *A description of how the strategy is aligned with other business goals*
- ☑ *Evidence that remuneration of senior staff includes non-financial performance*

2011 results

The five top-scoring companies for 'governance and strategy' (in alphabetical order):

Governance and strategy	Balfour Beatty Carillion MITIE Costain Enterprise
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2011 sector snapshot

43% ↓ 11%

of CEO's statements
mention sustainability

44% ↓ 6%

name a senior manager
who is responsible for
sustainability

17% ↔

utilise a stakeholder
panel to guide strategy

28% ↑ 11%

provide evidence that
senior bonuses include
non-financial targets

Theme 2: Reporting framework

Why is this important?

The way in which construction companies communicate their approach to sustainability is critical. Perceptions are formed based on the story that is broadcast and way it is told. It is through sustainability communications – such as annual reports, web content and other communication channels – that external stakeholders develop a picture of how important sustainability is to a company and what they are doing about it. Regardless of how much activity is actually occurring, a lack of joined-up and credible communication will limit the messages from being heard, understood and trusted by the stakeholders that matter.

What were we looking for?

- ☑ *Regular communication of sustainability information using a range of channels and formats*
- ☑ *Explanation of the purpose and scope of reporting*
- ☑ *A balanced disclosure that covers successes, challenges, past performance and future targets*
- ☑ *Use of third party frameworks, guidelines, accreditations or benchmarks*
- ☑ *Evidence of how stakeholder engagement has been used to develop appropriate communications*

2011 results

The five top-scoring companies for 'reporting framework' (in alphabetical order):

Reporting framework	Balfour Beatty BAM Construct Carillion Interserve MITIE
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2011 sector snapshot

48%  **24%**

frame it as
'sustainability' or
'sustainable
development'

1 COMPANY

provides evidence of a
process for identifying
materiality

54%  **14%**

produce standalone
sustainability report

1 COMPANY

produces an integrated
report

16 PAGES

on average dedicated to
sustainability

20%  **12%**

of company websites
contain evidence of
regular updates

8%  **9%**

of reports are GRI -
indexed

13%  **12%**

of companies use some
form of third party
assurance

68% 

have a top-level link to
sustainability webpage

Theme 3: Disclosure

Actions speak louder than words, and the ultimate test of companies' commitment to, and progress towards, sustainable development is tangible evidence that they are making changes and improving their performance. To be credible, sustainability communications must be evidence-based and transparent about progress, and should not gloss over areas where progress has not been as good as hoped.

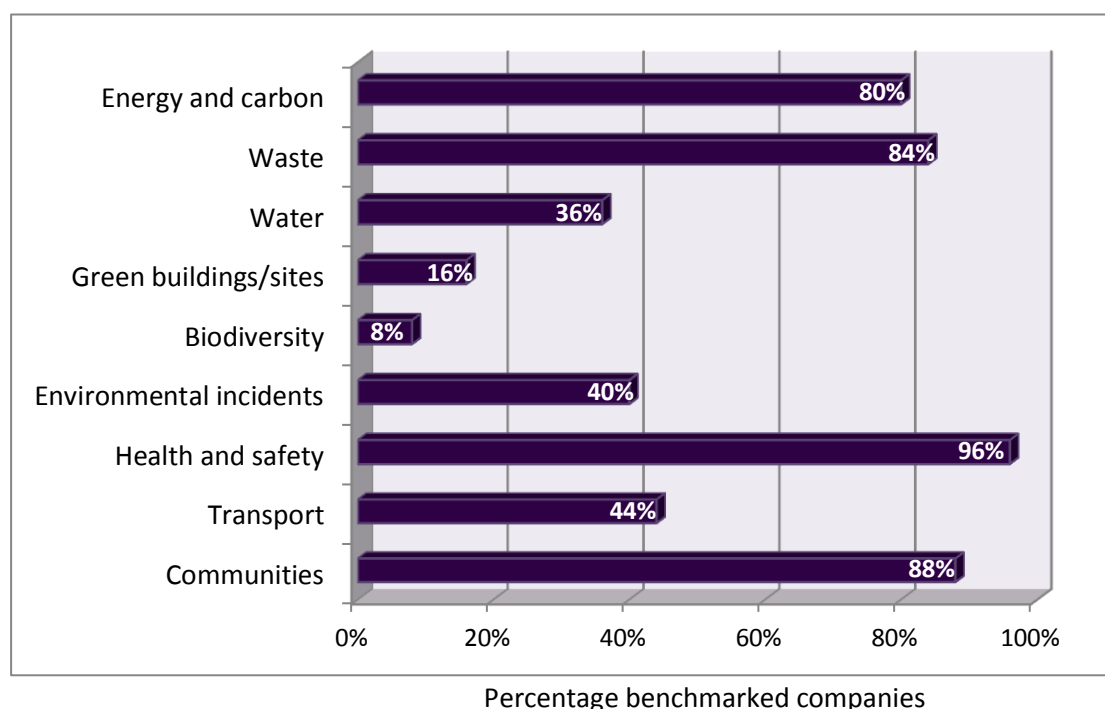
What were we looking for?

- ☑ *Transparency about the impact of the company's operations and confirmation that negative impacts are being reduced and positive impacts are being enhanced*
- ☑ *Evidence that suppliers are being required to meet the same environmental and social standards as the company has established for itself*
- ☑ *Design and delivery of products and services that are consistent with sustainability goals*
- ☑ *Details about how sustainability considerations are a core part of recruitment, compensation and training, and examples of how sustainable lifestyle choices are encouraged outside the workplace*

The five top-scoring companies for 'disclosure' (in alphabetical order):

Disclosure	Balfour Beatty BAM Construct Carillion MITIE Willmott Dixon
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Sector snapshot



There has been little change from 2010, with most construction companies now routinely disclosing information about energy and carbon, waste, health and safety and community engagement. Far fewer discuss water use, biodiversity or the environmental credentials of their own offices and sites.

46% ↓ 8%

provide a 'scorecard' to illustrate progress on sustainability

40% ↓ 14%

have set SMART sustainability targets

20% ↔

have set targets that extend beyond 2013

36%/24%

↑ 23% ↓ 9%

measure and disclose customer/employee satisfaction

IMS CONSULTING
WHO WE ARE, WHAT WE DO

IMS Consulting specialises in advising its clients on sustainability – how to develop sustainability strategies, how to communicate those strategies intelligently and how to effectively engage with their stakeholders.

We believe that the path to embedding sustainability within an organisation doesn't have a beginning or an end. It is a continuous cycle. Using our knowledge and expertise in sustainability and corporate responsibility, IMS Consulting helps organisations to understand what sustainability means to them and their stakeholders.

This process often involves the use of innovative online tools, developed specifically for the purpose by IMS Consulting. The next step is the development and communication of informed and effective strategies, based upon what has been learned from the organisation's stakeholders.

Whether you require help for all three elements of the process – Stakeholder Engagement, Strategy and Communication – or assistance with a particular subject or project, IMS Consulting provides expertise that is unrivalled in our specialist sectors.

With the help of IMS Consulting, many of our clients are shaping the future agenda of sustainability.

