

Carillion plc

MINUTES OF A MEETING OF THE BOARD OF DIRECTORS

Held at Austin Court, Birmingham, B1 2NP
on
Wednesday 6 May 2015 at 8.40 am

Present: Mr. P.N. Green Chairman
Mr. R.J. Adam
Mr. A. Dougal
Mr. R.J. Howson
Mr. S. Mogford
Dr. C. Powell
Mrs. A. Horner

In attendance: Mr. R.F. Tapp Secretary
Mr. A.R. Green
Mr. J. Rowley Part only

Minute
No:

ACTION

1758 Minutes

The minutes of the meetings of 2 April and 23 April were approved subject to the amendment of the first sentence of the Political Instability paragraph on page 3 of the minutes of 2 April to read:

"Political Instability. There was political instability in territories adjacent to some of those in which the business operated in the Middle East. "

Matters arising – 2 April:

- a. **US Strategy.** The matter would be considered as part of the Power Transmission section of the strategy day in June.
- b. **Private Finance.** The strategy day would cover possible opportunities. Since the last meeting, opportunities in Turkey and Oman had crystallised and would be considered further at the meeting.
- c. **Canadian Tax Restructuring.** The matter would be considered later in the meeting.

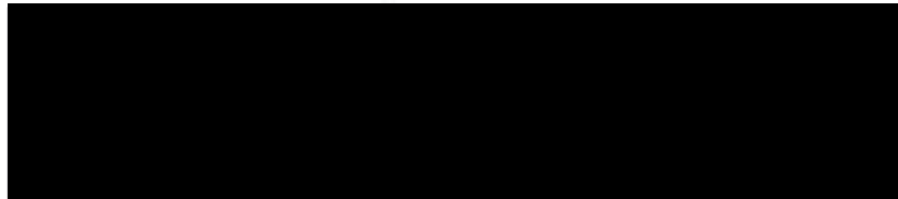
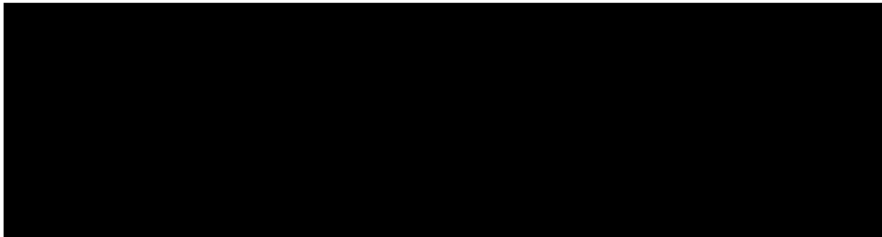
The Chairman noted that the June strategy day would consider further the issues of work winning and earnings growth, considering in particular the gap between the group's aspirations and the business plan.

Sustainability**Health and Safety**

Mr. Howson briefed the Board on health and safety performance in the month, noting that the trends in lost time and high risk incidents were matching those of 2014.

Major incident reports now covered fires, and two deliberate fires had been noted in Doha in the period.

Defibrillators had been successfully used twice in the period at Battersea, and Mr Howson reported that they were now installed on more than 150 of the Group's sites.



Dr Powell noted that the lost-time incident figures for the Middle East were significantly lower than in the UK. Mr Howson responded that that position had been the case for many years and had been investigated in the past. He would arrange for it to be reviewed again and would report to the next meeting.

RJH

The Chairman asked that Major Incident Announcements should in future be graded red, amber or green, and Mr Howson undertook to ask that Mr Rowley put this in place.

RJH

Sustainability

Mr. Adam Green noted the Sustainability Board Report, which had been circulated. The Group Sustainability Report had been published and would be launched formally on 4 June at Kings Cross.

He noted a number of successes in sustainability and employment awards, and that an application had been submitted for the BITC company of the year award, which had last been held by the group a decade ago.

Mr Adam Green had led a BITC "Seeing is believing" event in Liverpool earlier in the month, which had been very successful.

Responding to Dr Powell, Mr Howson noted that the use of the waste reduction target was a very common measure, and had been for many years as a result of the very high cost of waste to landfill. He would ascertain what benchmarking could be done of the target against others in the sector.

RJH

1760 Health and Safety Presentation

Mr. Rowley joined the meeting and took the Board through his paper which had been circulated, covering key risks in new sectors, performance against key performance indicators, and Health Like Safety performance.

In discussion, the following points were noted:

- Following the Stockley bridge slide incident, the group's procedures had been changed to introduce a formal independent review process on high-risk work, and the Major Projects Committee procedure amended to introduce a section in relation to Health and Safety.
- Temporary works were known to be an area of particular risk and the new procedures would pay particular attention to them.
- There was significant sharing of industry information on incidents, either directly or through client arrangements, for example through Network Rail.
- The high risk incident in Rokstad had been thoroughly investigated, as had a whistleblowing report on standards within the business. The response of the Rokstad management had been very pleasing.
- The Cedar acquisition was well-advanced, and the risks of remote working and the management of young people would be considered in the health and safety plan.
- The use of helicopter lifts was noted, and Dr Powell kindly offered to facilitate a discussion with Shell's Aviation Department for Mr Rowley. Mr Howson would report further on the position in relation to helicopter operations later in the year.
- It was agreed that Alistair McIntyre should join the Board visit to Alberta and Rokstad in July.
- Future annual health and safety report presentations would include comparative benchmarking from prior years, for as many years as were available.
- Mrs Horner asked if pressure on performance was considered as a factor in accidents. Mr Rowley confirmed that it was, although on investigation it had often been not found to be a cause on analysis of the root cause. Nonetheless we remained vigilant to the issue, and Mr Howson confirmed that there was an awareness that a desire to get the job done could be a contributory cause, particularly at supervisory level.

RJH/JR

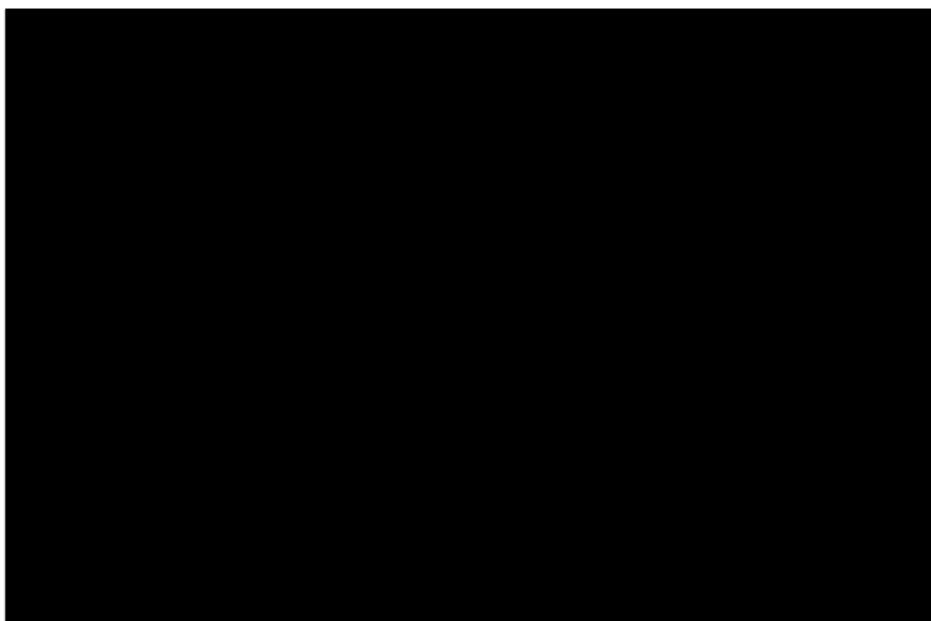
- As mentioned in the Chief Executive's health and safety report, defibrillators were now installed as our default position and had been established to be very successful. Each device cost around £1200.
- The recommendations of the work related road risk group were to be put to the health and safety committee in June. Dr Powell asked that journey management planning also be considered.

RJH/JR

The paper was noted and the Board's thanks were recorded to Mr. Rowley

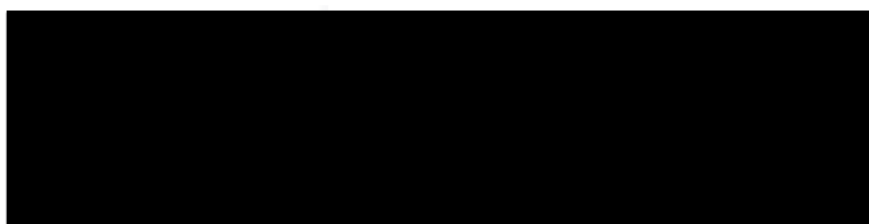
1761 Chief Executive's Report

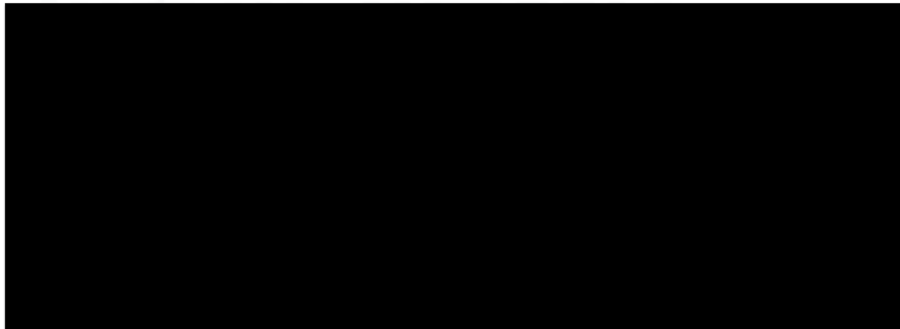
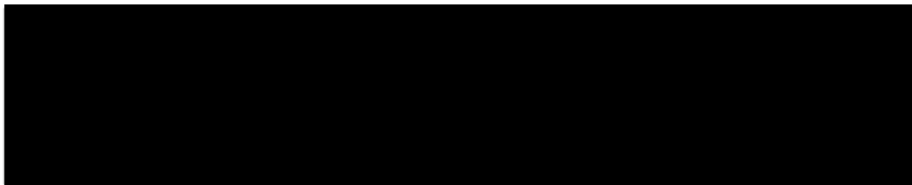
Mr. Howson presented his report which had been circulated.



UK General Election. It was not anticipated that the group's business would be affected significantly by the likely outcome of the General Election of 7 May. The only possible exceptions might be Aspire and Midland Metropolitan Hospital.

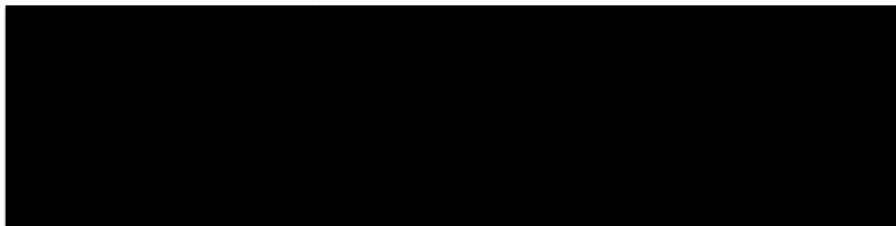
Oil price. The group was proactively addressing cost reductions for its oil and gas customers, for example in the Alberta oil sands and in relation to PDO in Oman.





1762 Construction Services Operational Report

Mr. Adam Green spoke to the report which had been circulated. He noted the change of the Highways Agency to Highways England, and that there was a possibility that they may insource some highway maintenance activities including those which the group was bidding currently.



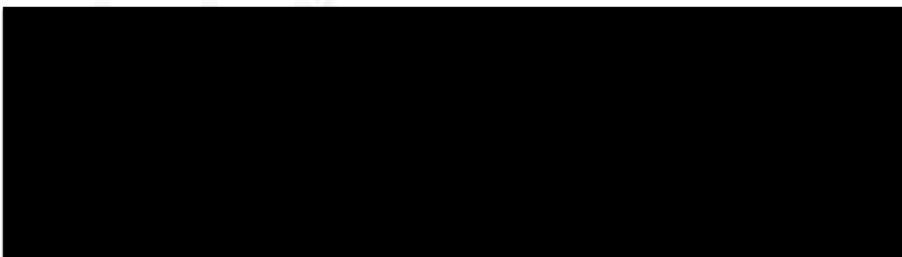
The report was noted and the Chairman thanked Mr. Green for his update.

1763 Finance Director's Report

Mr. Adam spoke to his report which had been circulated. He reported in detail Q1 performance, cash, the prospective PFI sales, the election outcome and the impact on key contracts.

He noted that the key transactions for the half-year including the prospective PFI sales, life cycle for NAP and the sale and leaseback of Oman accommodation projects.

He noted the outcome of the 2015 Budget, although it was likely that its contents would be superseded by the results of the General Election in any event.



Market consensus was unchanged at £177m and an eps of 34.2p. RF2 would be put to the Board in June.

A significant amount of the group's stock – up to 15% - was on loan, with substantial shorting of the stock. The bulk had followed the UBS note in March which criticised the group's level of debt, and was essentially a bet on the group having a profit warning or a rights issue. It was possible that that may start to unwind following the AGM statement which would again make clear that the group remained on course.

Notification had been received from Deutsche Bank that it held 9% of the group's stock.

The work-winning report, MPC approvals and management accounts pack were noted.

1764 Interim Management Statement

The Interim Management Statement as previously circulated was noted and approved for use in the Chairman's Statement at the forthcoming Annual General Meeting.

1765 Canadian Tax Planning

Mr. Adam noted the report which had been circulated.

After further discussion, the proposal was agreed.

1766 UK Tax Planning

Mr Adam tabled a report, which was discussed and agreed.

1767 Acquisitions and Disposals

The paper had been circulated and was noted.

1768 Acquisition of Outland Camps – Project Cedar

Mr. Howson reported in detail on progress in relation to the acquisition of the group of companies known as Outland Camps, which had been considered under the name of Project Cedar. A detailed paper had been prepared and circulated, and the MPC paper had also been circulated setting out the risks and opportunities of the transaction.

It was noted that the risk scoring process did not apply to acquisitions and disposals, as the matrix used to drive the scoring related to contracting projects.

After discussion, a committee of the board comprising the Chairman, Chief Executive, Finance Director and Company Secretary, of whom any two would form a quorum, was appointed to consider and approve the transaction and to set its terms.

1769 Pre-AGM Matters

The business to be transacted at the forthcoming AGM was considered, and the proxy reports received from ISS, IVIS, Manifest and PIRC were noted.

1770 Directors' Dealings

The awards made to Messrs. Howson and Adam under the LEAP and Deferred Bonus Plan were noted.

1771 Review

The coverage of issues was felt to be satisfactory.

1772 Next Meeting

The next meeting would take place at 10.00 am on Wednesday 10 June at Carillion House, Wolverhampton.

1773 Directorate: Mr Keith Cochrane

It was noted that the Nominations Committee had commended Mr Cochrane to the Board, subject to the completion of due diligence, with the intention that he would succeed Mr Mogford as Senior Independent Director later in the year.

After discussion, a committee of the board comprising the Chairman, Chief Executive, Finance Director and Company Secretary, of whom any two would form a quorum, was appointed to consider and, if thought fit, approve the appointment and set its terms.



CHAIRMAN