

Corporate Responsibility and Sustainability 2009

Corporate Responsibility is about how a business aligns its values and behaviours with the expectations and needs of its stakeholders

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

For Barhale, stakeholders include clients, employees, suppliers and the local communities where we undertake our activities.

It is also about Barhale's contribution towards achieving a sustainable society.

Sustainability means us being commercially successful by winning work, delivering it on time and to budget and to a satisfied client.

Therefore for Barhale, Corporate Responsibility and Sustainability is the framework we will use to develop and deliver our products and services in a sustainable and responsible manner. This can be summarised as follows:

- Providing a safe and healthy environment for our team, clients and the neighbourhoods in which we work
- Ensuring environmental protection, conserving natural resources, minimising waste and reducing our carbon footprint
- Promoting the equal rights of all our employees and respecting their diversity
- Caring for our clients, suppliers and subcontractors by treating them with integrity in a fair and just manner
- Participating with and supporting local communities in whose areas we work
- Delivering services of the highest quality and value with pride.

WHAT CORPORATE RESPONSIBILITY AND SUSTAINABILITY MEANS TO BARHALE CONSTRUCTION PLC

It means working to our Vision, Mission and Values:

OUR VISION

To be recognised as the best by our customers, our people, our suppliers and the community in which we operate.

OUR MISSION

Our Mission is to deliver best in class performance against our Three Pillar objectives for Profit, Safety and Environment.

To achieve this we:

- Understand and deliver our customers' needs
- Continuously seek ways to improve
- Believe that each of us can make a difference

We share our success with our customers, our people and our environment.



At Barhale we are a customer facing company with Safety and Environment at the very forefront of our business.

OUR VALUES

- We put **safety** at the top of every agenda
 - Good **communication** is important in everything we do
 - We are focused on providing a high **quality** service
 - We enjoy an excellent *teamspirit*
 - We adopt a **caring** approach towards people and our environment
 - We take **pride** in what we do
 - Our relationships are based on **trust** and **integrity**
- Our Vision, Mission and Values are complemented by the **Barhale Sustainability Model**.

OUR THREE PILLAR PHILOSOPHY

During the past three years, we have increasingly focussed our approach to business sustainability through the key areas of Profit, Safety and Environment. All are critical to the success of the Company.

We have developed our Performance Management Key Indicators around this approach and we have named them our "Three Pillars – underpinned by our People".

All encompass the essential components of a successful business and were developed in consultation with key clients to meet our customers' business objectives of receiving a high quality, sustainable product through safe and efficient working based on driving up performance.

These Pillars are used as our benchmark for Key Performance Indicators across our business to measure the success and identify areas for improvement.

Our Three Pillar sustainability strategy brings together the synergy of an integrated management system where our achievement of ISO9001, ISO14001 and OHSAS 18001 provides common systems and business benefits. This has now been recognised by the award of PAS 99.



Barhale Sustainability Model

We have also recognized that to move to best in class we need to ensure that everyone clearly understands our business processes to deliver What Good Looks Like. We have therefore developed a business model to help guide all within Barhale of what we are trying to achieve and how our processes interact. This model is communicated to

all of our employees and presents a clear picture not only related to Corporate Responsibility and Sustainability but how we develop and deliver our products and services in a sustainable and responsible manner. This is the Barhale Sustainability Model and is reproduced below:



CHAIRMAN'S STATEMENT

This year has been a particularly challenging year for Barhale. The recession has had a significant impact on the Construction Industry and in addition to this many of our Utility clients have gone through the process of renewing their 5 year Asset Management Plan Frameworks for a start in April 2010. This has impacted upon the Company, and resulted in a tail off of work in the latter half of 2009. This has resulted in a need to reduce our workforce.

We are now coming through this period of uncertainty, and have secured a number of existing and new frameworks within the water sector. However, the challenges of 2009 have made us look even harder at how we conduct our business and we are even more focused on utilising the Barhale Sustainability Model to drive performance.

Our Three Pillar strategy continues to be at the centre of our performance management culture and I am very pleased with the major improvements we have made, particularly in our Health and Safety performance as well as meeting most of our stretch targets for Environment. In fact 2009 has been the best ever Safety performance since the company was started over thirty years ago.

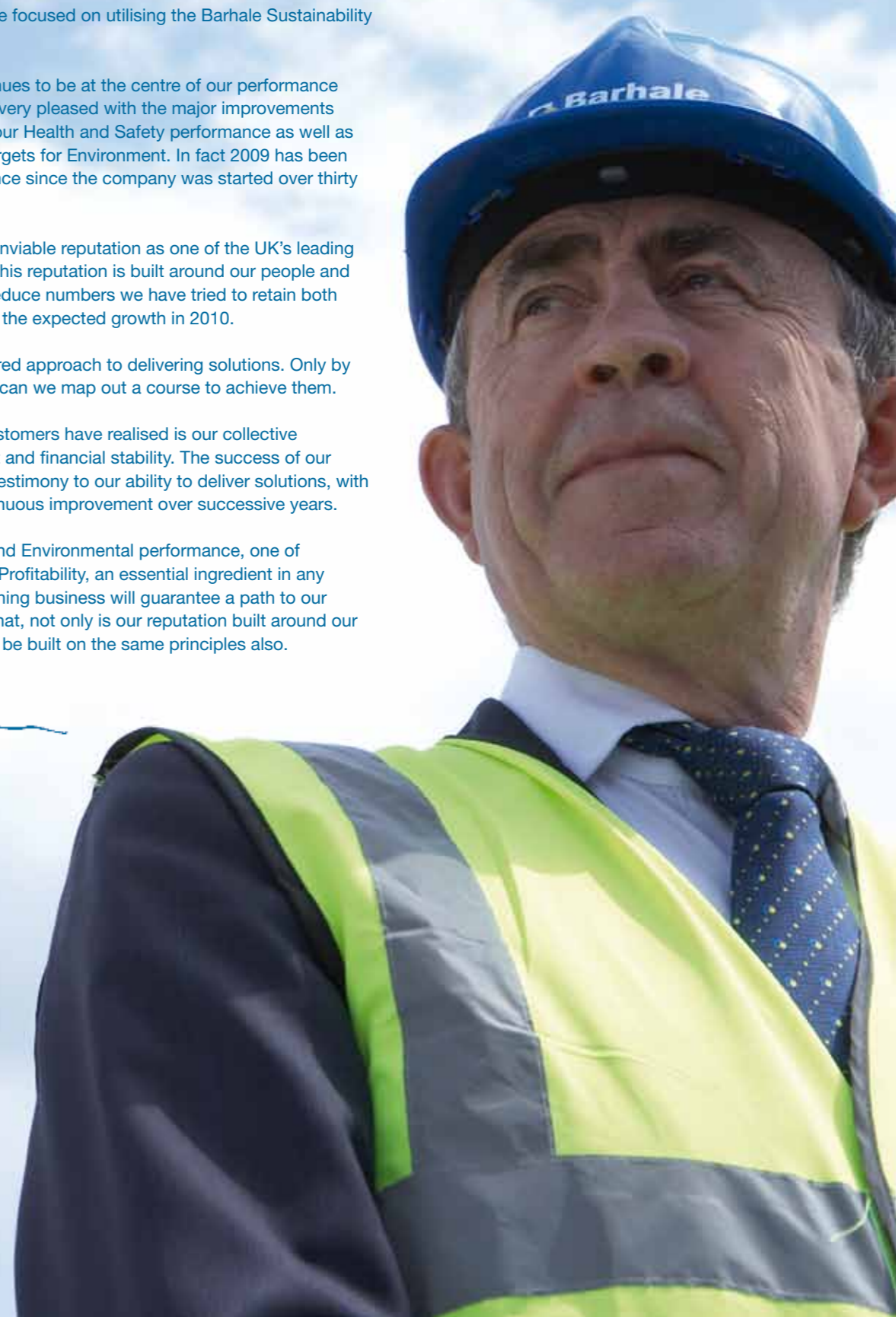
We wish to continue with our enviable reputation as one of the UK's leading civil engineering contractors. This reputation is built around our people and even though we have had to reduce numbers we have tried to retain both skills and experience ready for the expected growth in 2010.

Sharing success follows a shared approach to delivering solutions. Only by recognising each others goals can we map out a course to achieve them.

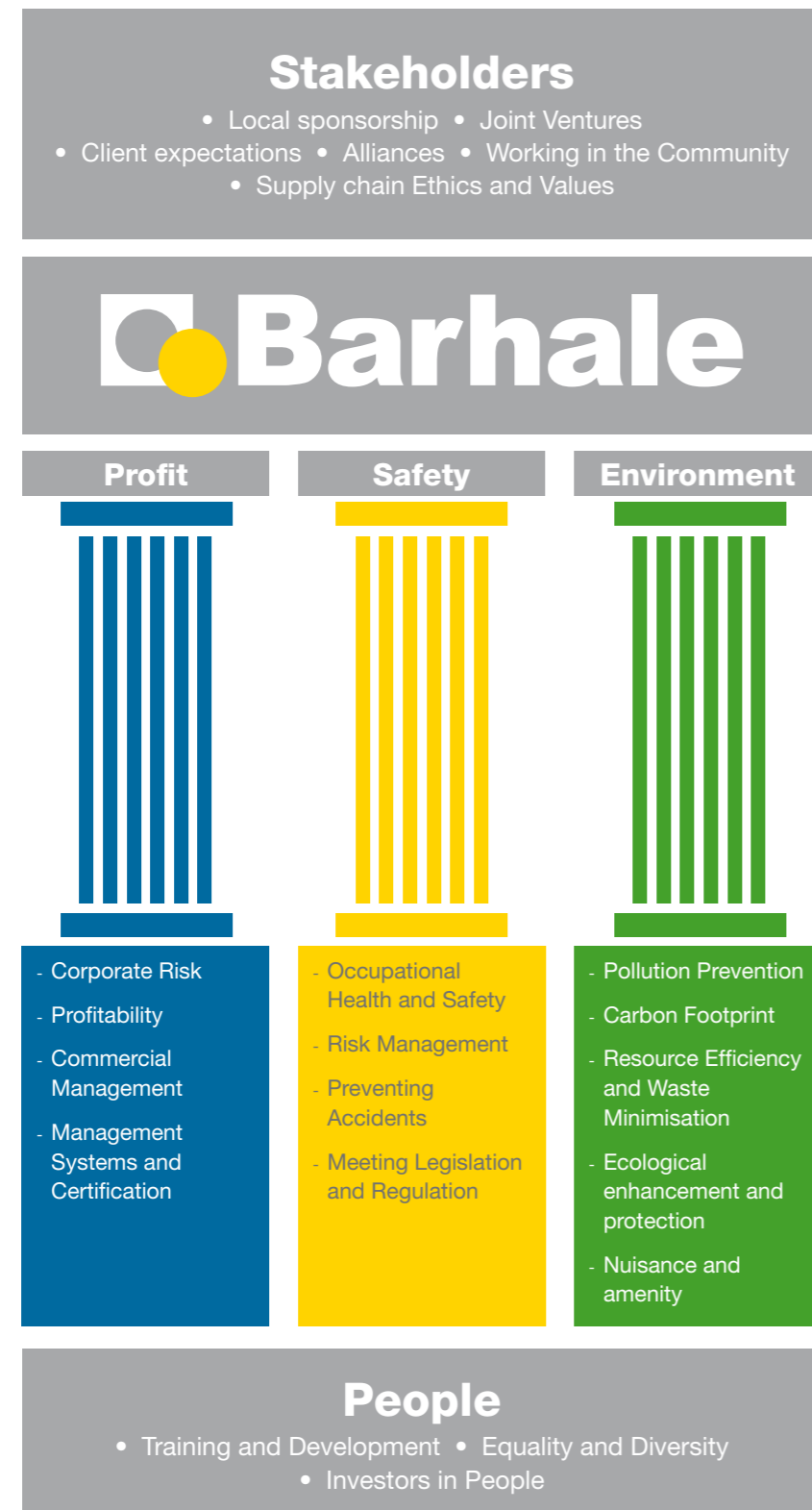
One of the key benefits our customers have realised is our collective approach to cost management and financial stability. The success of our many framework contracts is testimony to our ability to deliver solutions, with lower out-turn costs and continuous improvement over successive years.

Alongside Health and Safety and Environmental performance, one of our Three Pillars of success is Profitability, an essential ingredient in any sustainable business. A flourishing business will guarantee a path to our long-term ambitions to show that, not only is our reputation built around our people, our future success will be built on the same principles also.

Dennis Curran, Chairman



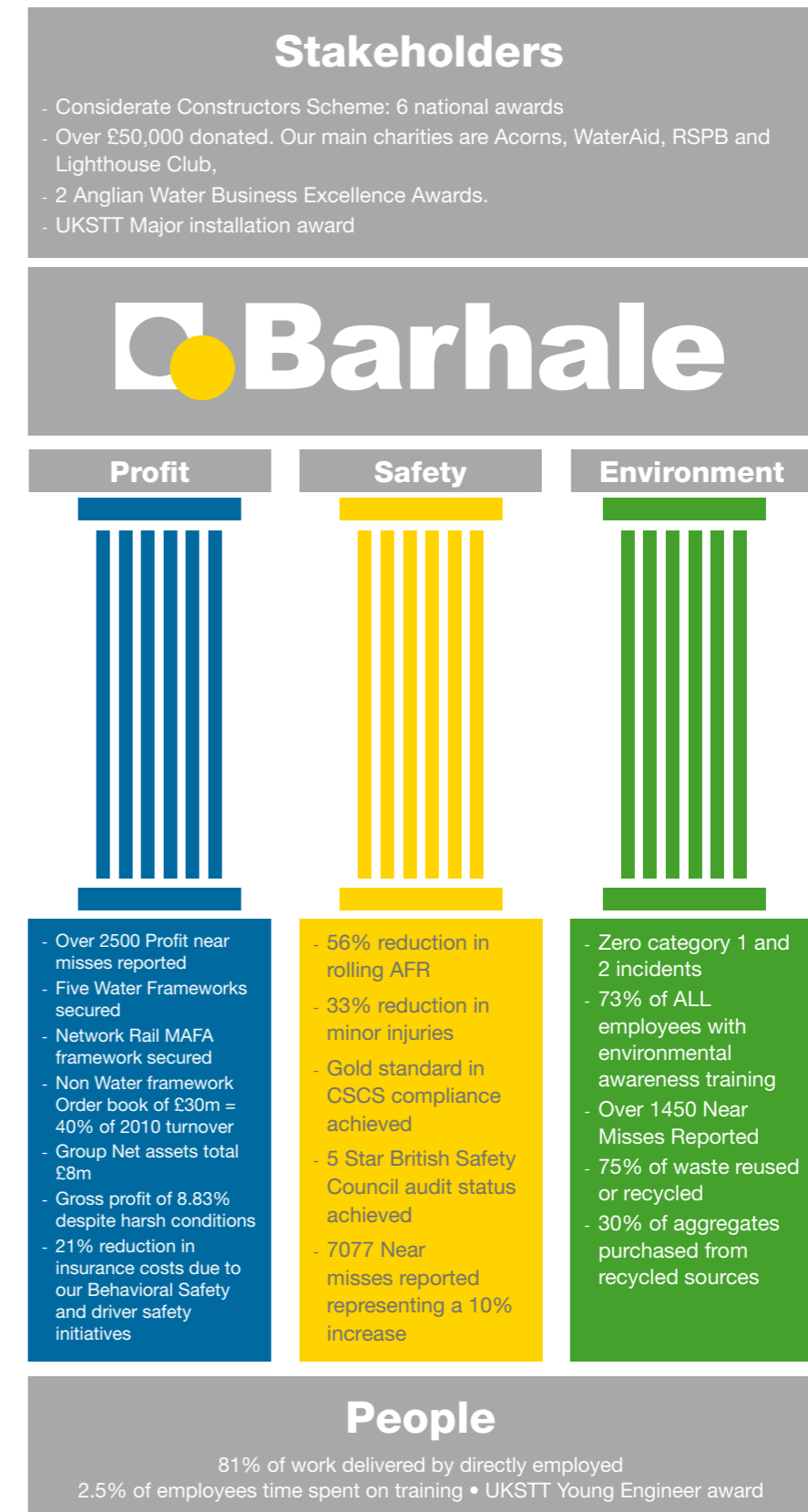
Three Pillar Examples of Corporate Responsibility and Sustainability



Safety - Communication - Quality - Integrity - TeamSpirit - Caring - Trust - Pride

CORPORATE RESPONSIBILITY AND SUSTAINABILITY HIGHLIGHTS FROM 2009

The diagrams present in a simplified way what Barhale sees as its key corporate responsibility and sustainability issues against the Three Pillars and our 2009 highlights.



Safety - Communication - Quality - Integrity - TeamSpirit - Caring - Trust - Pride



Barhale recognised in 2008 the need to make a step change to improve its health, safety and environmental performance

Barhale recognised in 2008 the need to make a step change to improve its health, safety and environmental performance. The main driver for this is our drive for zero accidents and incidents. Our step change is based on taking a holistic approach to health, safety and environmental management and delivering projects and initiatives that reduce risk, improve performance, with the aim of putting Barhale's performance in the upper quartile with its peers.

We are focused on developing a positive and proactive culture, not only for our own people, but also for our suppliers and sub-contractors.

HEALTH AND SAFETY

We have focused our improvement programme in the following eight key areas:

- Management and Leadership
- Risk Management
- Working with Employees
- Working with our Suppliers and Sub-Contractors
- Setting Plans and Targets
- Effective Procedures and Guidance
- Reporting, Reviewing and Investigating
- Effective Assurance and Auditing



Health and Safety is at the heart of all we do, it is the first of our eight values and is at the top of our board and management meetings

We are not satisfied with mediocrity and we want to achieve and maintain our goal of zero accidents and world class health and safety performance.

Our performance is rigidly monitored on a monthly basis through the Safety Pillar measures which are an integral part of our Three Pillar strategy and provide a vehicle for monitoring continuous improvement throughout the business.

Our Safety Pillar performance for 2009 is summarised in the table below. The step change

strategy introduced in mid 2008 is seen as a rolling programme of initiatives and projects to deliver sustainable improvements across the whole spectrum of health and safety.

Our approach to improving performance year on year is to review out-turn KPI's and where achieved stretch these by a minimum of 10% for the following year. Where they were not achieved to hold them at the same level. Due to our success in 2009 we have enhanced most of the Pillar H&S and Environmental targets for 2010 by a minimum of 10%.

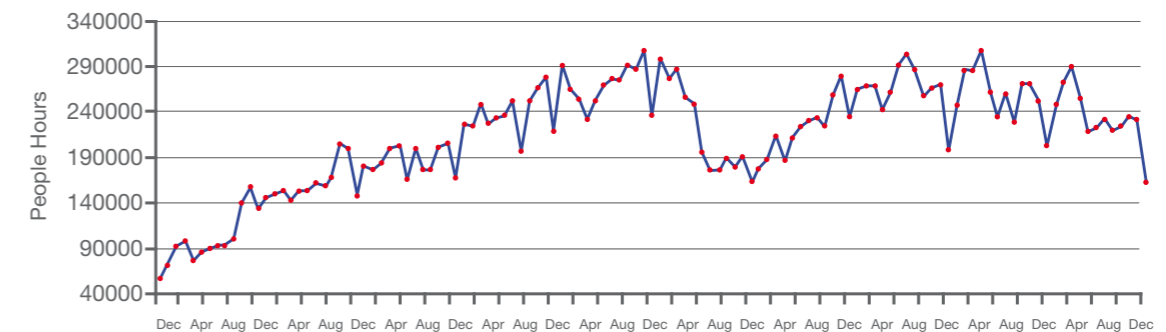
- Room for improvement
- Satisfactory
- On Target

Enabling Objective	Measure	Target 2009	Performance	
Accident Reduction	Rolling AFR	0.32 – 0.20	0.14	■
	Rolling all accident AFR	4.0 – 3.4	2.98	■
	m of Trench per utility strike	1500	1993	■
	Rolling Accident Incident Rate	10.3 – 6.7	4.62	■
Improve the level of Competency of the workforce	% of project, contract and site managers with CITB 5 Day training	90%	79%	■
	% of employees with appropriate CSCS card	95%	92%	■
	% of employees time spent on H&S training	1%	2.45%	■
Enhancing our Safety Culture	Senior Management Inspections per 100,000 hours worked	35	39.3	■
	Near misses received per 100,000 hours worked	175	266	■
	% of Near Misses captured by operatives	65%	58%	■



Our main focus is to achieve our aspiration of zero accidents and incidents as reflected in our Accident Frequency Rate (AFR). Our performance over the past decade is shown in the graph below. This shows how performance had reached a plateau over the past few years and why we decided to make a step change to achieve best in class. The accompanying graph shows the comparative growth of the business reflected in hours worked.

Company Monthly People – Hours



Company Annual Rolling Accident Frequency Rate





The table below sets out progress made in 2009:

Statistic	2008 Performance	2009 Performance	% Improvement 2009
Overall Rolling AFR	0.32	0.14	56%
Subcontractor Rolling AFR	0.59	0.19	68%
Rolling All AFR	4.04	2.98	26%
Rolling AIR	10.31	4.62	55%
Number of Minor Injuries Reported	116	78	33%
Number of Dangerous Occurrences Reported	3	0	300%
H&S Near Miss Reporting	6394	7077	10%
CSCS / CPCS Card Holders	74%	92%	21%

Even with improved performance every accident reminds us how dangerous the construction industry can be. This year we experienced one of our most significant accidents ever for the company, which has implications for the whole industry. The event is still under investigation but the primary cause of the incident, in which two employees were badly injured, was as a result of foam concrete supplied which produced hydrogen gas which led to an explosion. We have shared our learning widely within the industry to help avoid similar incidents occurring.

Some highlights of key achievements are mentioned below:

Our risk management programme included the introduction of our Driver Safety Programme in July 2008 in which we have increased driver road risk awareness across the business through a number of focused driver safety road-shows. From 673 drivers entering the programme 80% were deemed to be low risk, 19.5% medium risk and 0.5% high risk. This exercise has provided the business visibility of high and medium risk areas with drivers currently receiving further awareness training and/or in-car training. In addition the number of incidents of damage to vehicles has reduced by 53%.

The working with employees focus area was on improving awareness and reviewing the ways we get across the HS&E message to employees. We developed a 12-month rolling communications plan including targeted communications on:

- a) Top six near miss reporting categories from 2008 onwards on a bi-monthly basis
- b) Quarterly HS&E Matters newsletter to all employees and key stakeholders
- c) New revised HS&E handbook to all employees
- d) HS&E Annual Conference
- e) Quarterly HS&E bulletins and briefing notes to Managers

Pro-active near miss reporting continues to provide the cornerstone of our continuous drive towards a zero accident and incident culture. Employees actively provide disclosures on unsafe acts and conditions, taking responsibility for local rectification. The graph indicated below demonstrates the number of near miss reports received on a monthly basis across the business and the proactive reporting regime that has been established.

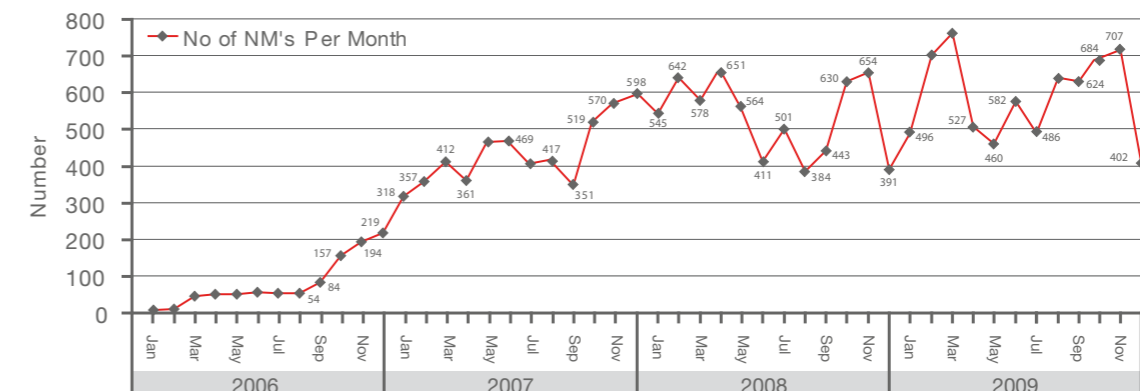


Safety team of the year



Environmental team of the year

Near Miss Reporting Number by Month 2006 - 2009



Segment buffer frames were developed in-house to ensure safe storage of heavy segments following several incidents involving falling segments



A major area for improvement was to improve the H&S performance of our subcontractors. We realised we needed to work more closely with suppliers and contractors to ensure H&S performance was comparable. Data showed that subcontractors were more than two times more likely to have accidents than our direct employees.

A total review of our vendor assessment procedure was undertaken and improved in order to ensure a rigid regime of assessment of new and existing vendors with the appropriate governance.

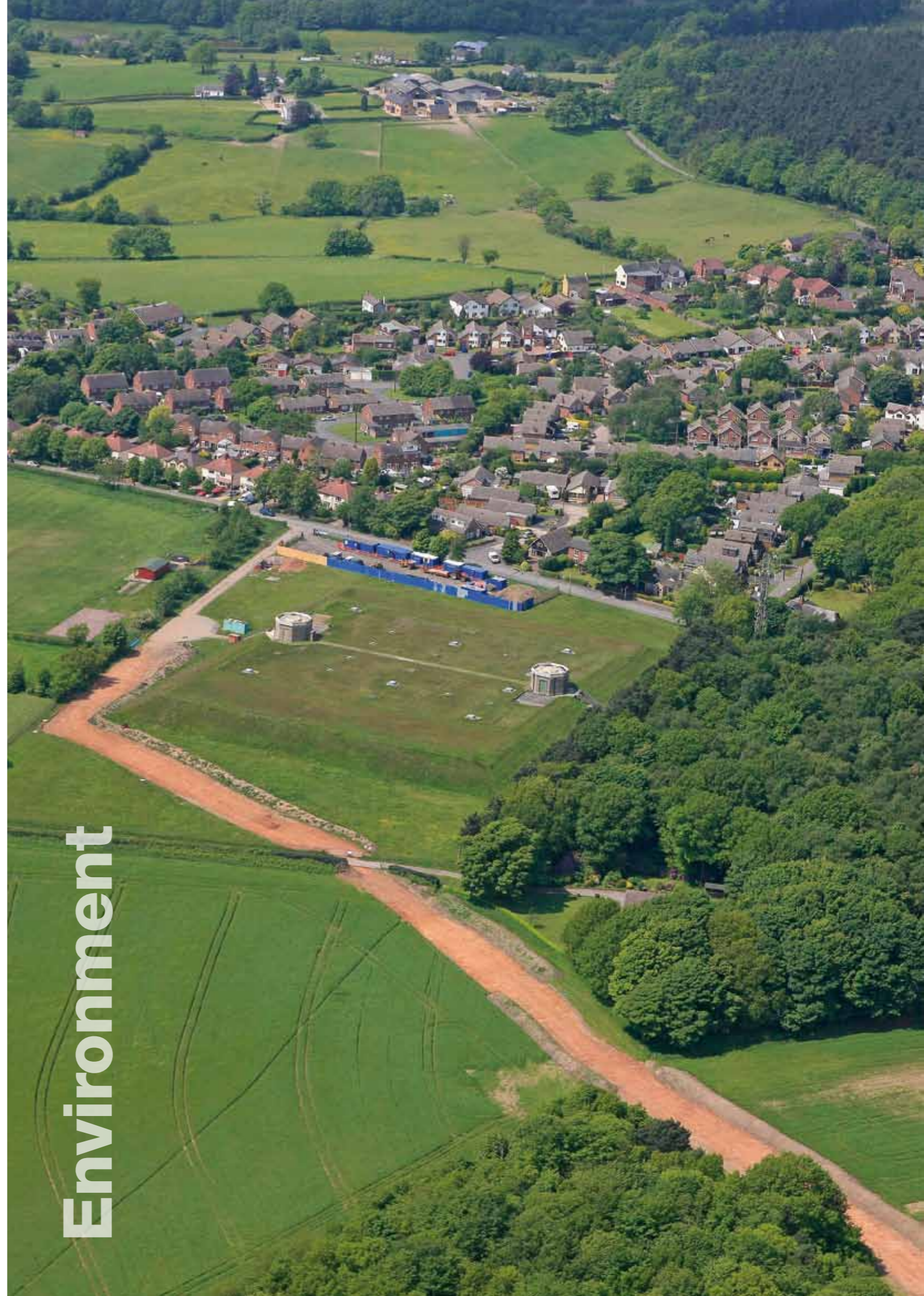
Policies and Procedures within the health, safety & environmental integrated management system has received a complete review and are now closely aligned to the requirements set-out in HSG65 Successful Health & Safety Management. As a consequence our overall policies for Health & Safety & Environment have been updated along with the drugs and alcohol policy and various health related procedures. The upgrading of our integrated management system facilitated our transition in April 2009 from OHSAS 18001:1999 to OHSAS 18001:2007.

Learning via Reviewing / Investigating / Reporting is a key part of our strategy and effective root cause analysis is key to this process. Our accident investigation procedures have been closely aligned to the requirements set out in HSG245 (HS&E guidance on Accident / Incident Reporting) with a firm focus on effective root cause analysis.

The assurance processes within the business have also been reviewed. Our HS&E Advisor inspection regimes are now more aligned to monitoring compliance with health, safety & environmental management systems. We have also increased external monitoring of our health, safety & environmental management system through annual audits. A very successful audit by Achilles Verify placed us in the top 10 when we compared ourselves against 30 of our peers. However, our most notable success was gaining the 5Star rating from the British Safety Council 5 Star Audit at our first attempt.



The eight step change focus areas will continue to be the drivers for Barhale Construction plc. This is our methodology to continuously improve and achieve our aim of a zero accident culture and deliver and sustain world class safety performance.



2009 saw us begin our strategic focus on carbon and waste, both environmental aspects which closely impact on our profit pillar and have become of increasing concerns to our clients



Our targets have remained demanding and we have continued to set ourselves a target of 10% year-on-year reduction of our carbon footprint.

The introduction of Site Waste Management Plans, the WRAP Halving Waste to landfill initiative, the introduction of the Carbon Reduction Commitment and the Ofwat requirement for the water industry to include carbon accounting in infrastructure investment planning has added extra pressure to address these key environmental issues within Barhale.

A summary of our performance against the targets set in our Environmental Pillar for 2009 are listed in the table below:

Enabling Objective	Measure	Target 2009	Performance
Minimise Pollution Incidents	Number of Category 1 or 2 incidents per £million turnover	0	0
	Number of Category 3 or 4 (near misses) incidents per £million turnover	7	11.55
Reduce our Carbon Footprint	Monthly fuel use as kg of CO2 generated per £100,000 turnover	7200	7057
Minimise our impact on the local community	Average score on Considerate Constructors Scheme	34.5	34.37
Contribute to profit from Environmental initiatives	Revenue from environmental initiatives as % of turnover	0.30	0.40%
Increase Awareness of Environmental issues throughout the Company	% of delegates who having attended company environmental awareness courses within 3 years	60%	71%
Reduce waste to final disposal	% of waste diverted from landfill	80%	73%
Increase use of Recycled Materials	Recycled aggregates as % of total aggregates purchased (by £)	30%	27%

- Room for improvement
- Satisfactory
- On Target

Although not achieving our carbon footprint target for 2008 we were delighted to deliver a 16% improvement this year.

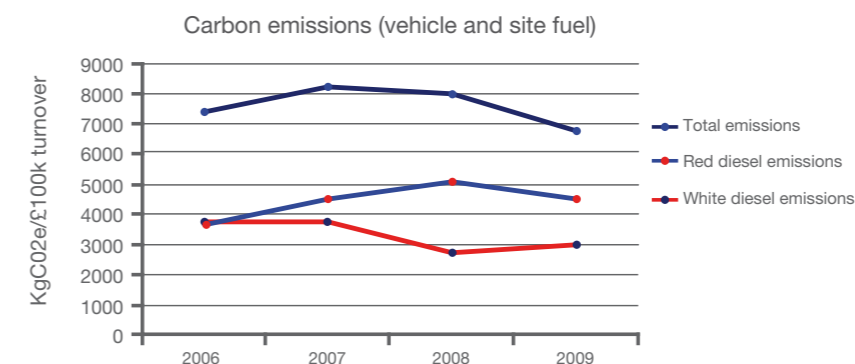
Our carbon footprint from fuel in vehicles and plant was over 10% less compared to 2006. This is largely attributable to an over 20% reduction in vehicle fuel use brought about by more effective planning of deliveries, driver awareness training and an increased focus within the business on reducing driving to meetings where conference calls can be used instead. The use of profit near misses to identify wasted journeys has also had a marked effect on raising awareness.

We introduced a new car policy which committed us to a maximum emission limit of 145g/km. The average emissions from our car list now stands at 126g/km compared to our 2008 average of 136g/km. These emission levels compare extremely favourably with our lease company's average list of 153g/km. We intend to further improve the emissions in our fleet including extending our low emission policy to our commercial fleet.

However fuel used in site plant and equipment has increased by a similar margin to vehicle fleet

improvements. This escalation is largely attributable to the increasing diversity of work both in terms of short duration work and the increasingly wide geographical spread of our work. The delivery of more diverse work streams to give us a greater portfolio of projects is crucial to our long term sustainability, however, it brings with it greater pressure on our carbon footprint. Nevertheless, we have started to make improvements. For example we have adopted the use of eco-cabins for satellite working which has shown that generators are not needed and can reduce fuel associated carbons emissions by up to 10%. A ready reckoner has also been developed to help our teams plan for the use of mains electricity rather than rely on generators for site compounds.

We published our first carbon footprint summary report based on our 2008 data following work with the Civil Engineering Contractors Association to produce a guide to support the smaller contractors. The report, which adopted the GHG Protocol approach to calculations, indicated our emissions were approximately 8960kg CO2eq per £100,000 turnover compared to 9130kg in 2008. Most of these improvements are through our fuel use reductions which represent 85% of our scope 1 and 2 direct emissions.





We measure the incidents we report to regulators as our Environmental Incident Frequency Rate which has seen a decreasing trend for the last 3 years



Although waste data integrity is a challenge and we will continue to focus on improving our information sources through the development of an in-house waste capture database, we are still confident we are achieving high levels of reuse and recycling. Our most significant waste stream by both quantity and cost remains excavation arisings. To partially address we have promoted the use of reinstatement additives such as Trenchmod and SMR. The technique can be both environmentally successful as well as financially viable in the right circumstances. It saves on both sending arisings to either landfill or a recycling centre and also avoids importing type 1 granite or limestone for reinstatements. For example cost savings of 40% against traditional techniques have been demonstrated.



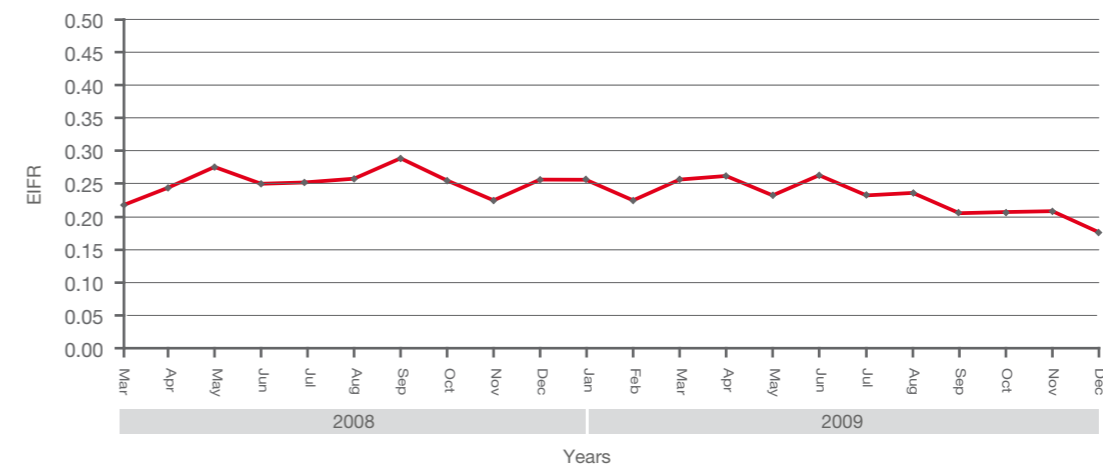
Spill kit training at our annual conference

We also extended the use of our trenchless techniques following the purchase of two micro TT rigs for use when making lateral connections from main sewers to local residential properties during first time sewerage schemes. Use of the rigs from manholes, which creates a bore with a 100mm diameter, avoids the need to open cut thereby reducing the waste and disruption associated with excavations which are on average 12 metres in length. An example of the benefits for two recent schemes, where there was a total length of 424.5m of laterals constructed, resulted in the following environmental benefits:

- Using a floorsaw to cut approximately 850m of highway
- Breaking out and removal of 50 tonnes of tarmac and transporting it for recycling
- Excavating 760 tonnes of arisings and transporting it to a waste facility
- Importing 150 tonnes of shingle bedding material
- Using 560 tonnes of type 1 backfill material or foam concrete
- 50 tonnes of tarmac reinstatement

We remain committed to reducing the environmental impact of our operations with an active programme aimed at zero incidents. Much of our focus is on delivering awareness training to our employees and encouraging reporting, particularly through our near miss programme. 2009 was our most successful year to date with over 1450 near misses reported and our 1000th delegate attending our in house environmental course since 2005. By analysing our near misses we have identified that over 300 potential small spills and leaks were coming from equipment and plant. Consequently we have made it compulsory to use spill containment on all items such as generators, compressors and pumps. We also require all oil hoses and fittings to be examined weekly.

12 Month Rolling EIFR



In addition to behavioural changes to reduce risk, our development and utilisation of engineering solutions to reduce our impact has continued throughout the year and saw some new innovations. For example our Tunnelling team further extended its portfolio of pollution control equipment by developing a Backwash filter to reduce suspended solids loading and supplement the existing Tangential Separator equipment that has provided excellent control of heavy sediment loaded groundwater.

Although we are making improvements we also recognise that there is much to improve both in performance and our management systems. Although still in progress, we are using the CEEQUAL scheme for the first time. This demanding assessment process is already proving useful in improving our management of materials and our supply chain.





People

Our most valuable asset is our people and their welfare and development is key to our success. From the site to the office, they are the foundation of everything we achieve and underpin our Three Pillar philosophy.



Our policy of direct employment is still one of the company differentiators and in 2009 we delivered our projects with 81% of the work being directly employed by us. This helps us to maintain a skilled and stable workforce. Indeed over 90% of our team are skilled. Our experienced site teams can also call on a supply chain of loyal and committed subcontractors to provide specialist skills whenever needed.

As mentioned in the Chairman's statement we have unfortunately had to reduce our workforce. We have tried to minimise personal disruption to individuals and we have done all we can to retain skills so that we are ready for the upturn during 2010.

INVESTOR IN PEOPLE

We believe that working for Barhale is not just a job, but a career. We develop our people through training, coaching and planned work experience allowing us to promote from within wherever possible.

We are an accredited Investor in People and wholeheartedly believe in the scheme. It is central to our HR policy providing programmes which relate skills and accreditation to personal development.

This supports continued learning for all our people, providing a platform for long term careers within the industry. Our commitment to employee training and development is driven through our own dedicated training department, with employees receiving the equivalent of over 2.5 days training per person in 2009.

All our employees are expected to achieve appropriate health and safety and skills certification.

During 2009 we achieved the Gold Standard for the number of employees who are CSCS accredited.

We offer work experience, apprenticeships and career openings at all levels through our close ties with educational establishments. Encouraging local new recruits is a particular priority. Graduates benefit from a professional development programme for those seeking industry qualifications. All our people are also encouraged to participate in professional and technical groups to improve their awareness and knowledge.

At Barhale we are committed to producing the industry leaders of tomorrow - not only within our business, but also the civil engineering industry as a whole.



Jonathon Gisbourne receives his UKSTT Young Engineer of the Year award.



We make a positive contribution to the economic development of the communities in which we work through our policy of local recruitment and sourcing

EMPLOYEE ENGAGEMENT

To improve how we communicate within Barhale we began a programme of “Chairman’s Video messages” during 2008 and continued into 2009. These covered key topics, in particular helping all employees to understand our Three Pillar Philosophy. The videos were delivered by a wide range of employees including our Chairman, Directors, senior managers and other employees who were interviewed on film giving them an opportunity to deliver key messages associated with the Three Pillars.

TIMES TOP 100 COMPANIES TO WORK FOR

As part of programme to benchmark itself against comparative businesses, Barhale entered the “Times Top 100 Companies to Work For” programme. This was Barhale’s first attempt and we were pleased to receive a “One to Watch” nomination.

APPRAISAL PROCESS BASED ON BEHAVIOURAL COMPETENCIES

We further developed our Three Pillar appraisal process to implement a core concept that is behaviours that improve performance. Employees can now use a Behavioural Competency framework to assess their performance. This process goes beyond traditional appraisal approach of relying on skills and qualifications as the sole criteria for judging a person’s potential. These remain important but how an individual goes about performing their role has a tremendous impact on the success of the business.

Barhale is continuing to invest in developing the leadership and management skills of its senior managers with a further 30 set to undertake training in Managing Continuous Change. In addition the company invested £300,000 this year in operative training courses that include NVQs and NRASW,

We introduced a diversity and equality policy to ensure our People are treated in a fair manner. We further extended this philosophy into our subcontractor assessment process to ensure that our supply chain are aware of their responsibilities.

COMMUNITY

We actively support a wide range of charities and other groups in the communities in which we work, with financial donations and other resources. Whether it be the supply of new sports kits to local youth sports teams or encouraging our staff and operatives to participate in various fundraising events.

To minimise disruption and improve the image of the construction industry Barhale has adopted the ‘Code of Considerate Practice’ from the Considerate Constructors Scheme, as the minimum standard against which we operate. During 2009, over 30 of our projects participated and were inspected under the scheme. We have been notified that 6 of our projects will be receiving national awards, building on the success of the 2008 CCS awards, where we achieved a Gold Medal plus two Silver and three Bronze. However, our average score for site inspected is climbing year on year which, whilst the inspections are getting more rigorous, demonstrates an improvement in which we present ourselves to our communities.

This scheme is also used to benchmark our performance through its complaints process. For example of the 76 projects registered with the scheme since 2005, with an average duration of 20 weeks and 18 operatives working, we have 1.6 complaints from members of the public calling the CCS dedicated complaints phoneline. This measure will allow us to focus on one of the key goals when delivering projects to maintain.

One of the most intrusive projects we undertook in 2009 was the carrying out an £8 million flood alleviation scheme on behalf of Severn Trent Water. The work involved innovative tunnelling to create an 1800mm tunnel under the length of the High Street in Albrighton, Shropshire.

Albrighton Parish Council was so pleased to see how the company went about its work that it organised a party for the whole workforce (to which the entire village was invited) to show their appreciation for the way Barhale went out of its way to minimise problems. The party for the Barhale team attracted local TV, radio and press coverage.



Working with clients to provide the community with information on improvement schemes



