

Independent Assurance Report to BAA Limited for Southampton Airport

BAA Limited (BAA) appointed Environmental Resources Management Limited (ERM) to provide independent assurance on Southampton Airport's progress against selected airport level environmental targets presented in the Southampton Airport 2006/07 Corporate Responsibility (CR) Report (the Report).

Scope of our work

The environmental targets selected for our assurance engagement were:

Energy & climate change: Reduce CO₂ emissions from energy consumption by 1.5% against the business-as-usual forecast

Noise: To develop an enhanced strategy to manage our noise impacts

Surface Access: To publish a revised surface access strategy in summer 2006

Water consumption: Reduce water consumption by 2% against the business-as-usual forecast, through improvements in water conservation

Waste: To recycle 22% of waste consigned through the Airport waste contract

We did not assess the appropriateness of the selected targets or the airport's wider management and reporting of the selected environmental issues. If the engagement had required us to do so, our conclusions may have been different.

Reporting Criteria and Assurance Standards

BAA applies its own environmental target assessment criteria, as described in the "Our performance" sections for each of the targets reviewed.

We performed our work in accordance with ERM's assurance methodology which is based on assurance standards such as ISAE 3000, AA1000 AS and ISO 19011.

Respective responsibilities and ERM's independence

BAA and Southampton Airport's management is responsible for preparing the CR report and is responsible for the collection and presentation of information in it. ERM's responsibility is to express our assurance conclusions on the selected scope of work agreed with BAA and Southampton Airport.

During 2006/7 we have not worked with Southampton Airport on other consulting engagements but have worked with other BAA companies. However, we operate strict conflict checks to ensure independence of the company and individuals involved in our assurance activities is not compromised.

Our assurance activities

A multi-disciplinary team of environmental, noise and air quality, corporate responsibility and assurance specialists performed the engagement.

We conducted the following assurance activities:

- Reviewed self-assessment reports of progress against each target provided by each target owner
- Visited the airport to interview the relevant environmental target owners and review documentary evidence to support their self-assessed progress against each target and challenged the self-assessment on the basis of our findings
- Reported our assurance findings to management as they arose to provide them with the opportunity to correct them prior to finalisation of our work
- Reviewed the presentation of information relevant to the scope of our work in the CR Report to ensure consistency with our findings.

Our conclusions

Based on the work undertaken, and in consideration of the limitations of our assurance engagement presented above, we conclude that, in all material respects, progress against the selected 2006/07 environmental targets set out in "The Local Environment" section are appropriately reported.

Our key observations and recommendations

2006/07 has been a significant year for BAA including the change of ownership to the ADI Consortium led by Ferrovial, the introduction of new airport security rules and the Competition Commission inquiry. This context has been a challenging one and has affected progress against some of the targets within the scope of our overall project with BAA. However, we have observed through our assurance work that BAA has remained committed and focused on managing its CR impacts.

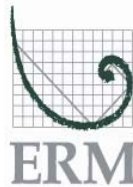
Based on our assurance activities set out above, and without affecting our conclusions, we provide the following observations and recommendations for improvements;

Highlights observed in target achievement:

- *Improved governance:* Southampton improved its governance approach to managing CR issues by strengthening the team and setting up the Sustainable Development Board
- *Waste:* A new contractor was appointed from March 2007 to further improve the amount and types of waste that are recycled
- *Noise and surface access:* Southampton published Noise and Surface Access strategies and started to implement them
- *Energy use and water consumption:* The airport invested in equipment to improve energy and water efficiency during the year which enabled management to exceed the targets set

Areas for Southampton Airport to consider for future improvements:

- *Climate change:* Broaden the scope of managing Southampton's climate change impacts beyond management of energy from fixed sources
- *Target setting:* Ensure future targets are performance rather than process based, and that they reflect Southampton airport management's objectives and stakeholder concerns for each issue. Considering that all of the targets within the scope of our work were bettered, also ensure that future targets are sufficiently stretching to drive further performance improvement



Environmental Resources Management Limited
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ERM is an independent global provider of environmental, social and corporate responsibility consulting and assurance services. Over the past 4 years we have worked with over half of the world's 500 largest companies, in addition to numerous governments, international organisations and NGOs.

Our assurance statement provides no assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the information since first published. These matters are the responsibility of BAA but no control procedures can provide absolute assurance in this area.